



Annual Report

2012



奧思知集團

Oriental City Group

Oriental City Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

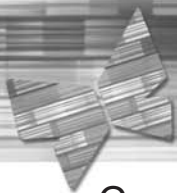
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*This report, for which the directors (the “Directors”) of Oriental City Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*



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## Corporate Information

### DIRECTORS

#### Executive Directors

Mr. Cheng Nga Ming Vincent (*Chairman*)  
Ms. Cheng Nga Yee  
Mr. Yu Chun Fai (resigned on 11 November 2011)

#### Independent Non-executive Directors

Mr. Chan Chun Wai  
Mr. Lee Kin Fai  
Mr. Chow King Lok

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3202, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

### COMPANY SECRETARY

Mr. Sung Hak Keung Andy, *CPA, AICPA*

### COMPLIANCE OFFICERS

Mr. Cheng Nga Ming Vincent  
Mr. Chan Chun Wai, *CPA*

### AUDIT COMMITTEE

Mr. Chan Chun Wai (*Chairman*)  
Mr. Lee Kin Fai  
Mr. Chow King Lok

### REMUNERATION COMMITTEE

Mr. Lee Kin Fai (*Chairman*)  
Mr. Chan Chun Wai  
Mr. Chow King Lok

### NOMINATION COMMITTEE

Mr. Chow King Lok (*Chairman*)  
Mr. Chan Chun Wai  
Mr. Lee Kin Fai

### INTERNAL CONTROL COMMITTEE

Mr. Chan Chun Wai (*Chairman*)  
Mr. Lee Kin Fai  
Mr. Chow King Lok

### COMPLIANCE COMMITTEE

Mr. Cheng Nga Ming Vincent (*Chairman*)  
Mr. Chan Chun Wai  
Mr. Lee Kin Fai  
Mr. Chow King Lok

### AUTHORISED REPRESENTATIVES

Mr. Cheng Nga Ming Vincent  
Mr. Sung Hak Keung Andy

### COMPANY WEBSITE

[www.ocg.com.hk](http://www.ocg.com.hk)

### STOCK CODE

08325

### COMPLIANCE ADVISOR

SBI E2-Capital (HK) Limited  
Room 905  
9/F, Mass Mutual Tower  
38 Gloucester Road  
Wan Chai  
Hong Kong

### LEGAL ADVISOR

F. Zimmern & Co.  
Suites 1501 – 1503  
15/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

### AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*  
42/F, Central Plaza  
18 Harbour Road  
Wan Chai  
Hong Kong

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
18/F, Fook Lee Commercial Centre  
Town Place, 33 Lockhart Road  
Wan Chai  
Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Dah Sing Bank Limited  
Bangkok Bank Public Company Limited

### INVESTOR RELATIONS

Phone: (852) 2546 8808  
Fax: (852) 2546 3330  
Email: [enquiry@ocg.com.hk](mailto:enquiry@ocg.com.hk)



# Chairman's Statement

*To all shareholders,*

On behalf of the board of directors (the "Board") of Oriental City Group Holdings Limited (the "Company"), I am pleased to present the results and the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012, and would like to express my sincere gratitude to all shareholders and all the staff.

## **Results of the Year**

For the year ended 31 March 2012, the Group continued to benefit from the increase in the transaction volume of its card acceptance business in Thailand. Total revenue for the Group during the year amounted to HK\$22.6 million, representing an increase of approximately 60% over the last year. The loss attributable to the equity holders of the Company was approximately HK\$3.23 million, representing an improvement of approximately 3% as compared with that of approximately HK\$3.33 million for last year. Basic loss per share for the year ended 31 March 2012 was 0.54 HK cents (2011: 0.56 HK cents).

## **Review for the Year**

The card acceptance business in Thailand remains the major business of the Group for the year ended 31 March 2012. Benefitting from the increase in the number of transactions handled by the Group in Thailand, the Group's revenue generated from its card acceptance business for the year improved when compared with the record for last year. Despite the challenge that the Group faced from severe flooding in Bangkok, where the Group's business in Thailand is mainly located, during the period from late October to November 2011, total revenue generated from the card acceptance business encountered an increase of approximately 73%.

During the year ended 31 March 2012, Oriental City Group (Thailand) Company Limited ("OCG Thailand"), a subsidiary of the Company, upgraded its existing information technology system to catch up with the development of the China Unionpay, its business partner, and introduced an asset management system for better control of the Group's assets for the card acceptance business in Thailand. The Board expects that such improvements will enhance the competitiveness of the Group in Thailand.

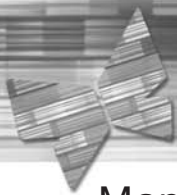
## **APPRECIATION**

On behalf of the Board, I wish to express my sincere appreciation for the continuous attention and relentless support to the Company from all shareholders, investors and cooperation partners. I also wish to thank the work and dedication devoted by all staff of the Group. The Group will continue to look for appropriate business opportunities which will bring more value to every party in cooperation through the steady and sustainable development of the Group.

**Cheng Nga Ming Vincent**

*Chairman*

Hong Kong, 11 June 2012



# Management Discussion and Analysis

## **BUSINESS REVIEW**

Card acceptance business in Thailand continued to be the major business of the Group during the year ended 31 March 2012. Despite the impact of the severe flooding in Thailand during the period from late October to November 2011, which led to a significant decrease in the number of tourists visiting Thailand during the period, the Group's revenue for the year ended 31 March 2012 enjoyed a year-on-year increase of approximately 60%. The increase was mainly attributable to the increase in the number of the OCG Thailand's point-of-sales terminals mainly installed in the tourist areas like Bangkok, Pattaya and Phuket which in turn led to the increase of transaction volume during the year.

As regards the Group's co-branded card business, the agreement signed between Oriental City Group (Hainan) Services Limited ("OCG China"), a wholly owned subsidiary of the Company, and the Hainan branch of the Bank of Communications Co., Limited ("BOCOM") for their joint cooperation in the promotion and issuance of the Pacific – OCG Golf Card, expired in accordance with its terms in last year and both parties decided not to renew the agreement. Subsequently, the Group entered into a cooperation agreement with the Haikou Rural Commercial Bank in January 2012 for the development of the golf debit card business in the People's Republic of China (the "PRC"). Business will commence after further discussion by both parties. For the marketing service fee income, it amounted to HK\$910,000 for the year ended 31 March 2012, representing a decrease of approximately 42% as compared with the record of last year. The decrease was mainly owing to the expiration of the marketing service agreement in October 2011.



# Management Discussion and Analysis

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus dated 24 August 2009 (the "Prospectus") with the Group's actual business progress for the period from 14 August 2009, being the latest practicable date as defined in the Prospectus (the "LPD") to 31 March 2012 is set out below:

### Business objectives for the period from the LPD to 31 March 2012 as stated in the Prospectus

### Actual business progress up to 31 March 2012

#### 1. Co-branded card partnership business

To work with BOCOM to expand customer coverage of the Pacific-OCG Golf Debit Card and Pacific-OCG Golf Credit Card in the PRC.

The Group focused on promoting the customer coverage in Hainan Province, PRC from the LPD to 24 February 2011, being the expiry date of the agreement between OCG China and BOCOM. The Group and BOCOM decided not to renew the aforementioned agreement upon its expiration. After this, OCG China moved out from the office accommodation provided by BOCOM to another place for continuation of its operation.

To launch and further strengthen different lifestyle cards business with other major banks in the PRC.

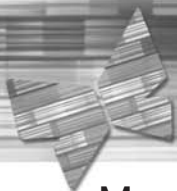
The Group established a non-wholly owned subsidiary in Hong Kong and plans to set up a wholly foreign-owned enterprise through this subsidiary to facilitate the development of the Group's lifestyle payment card issuance business of the Group in the PRC. Further, OCG China entered into a cooperation agreement with the Haikou Rural Commercial Bank on 12 January 2012 for the development of the golf debit card business in the PRC.

#### 2. Card acceptance business

To play a leadership role in expanding China Unionpay (the "CUP") card acceptance services and coverage in Thailand and to further expand a comprehensive merchants' network for processing CUP card acceptance services in Asia, except Hong Kong.

The Group is currently concentrating on the development of its card acceptance business in Thailand. After the termination of the participation agreement between OCG Thailand and Siam Commercial Bank Public Company Limited in May 2010, the Group installed more than 50 new point-of-sales card terminals (the "POS terminals") mainly in the tourist areas like Bangkok, Pattaya and Phuket. In addition, OCG Thailand upgraded its existing information technology system in order to catch up with the system development of CUP and introduced an asset management system for a better control of the Group's assets for the card acceptance business in Thailand during the year ended 31 March 2012. Given that the performance of the card acceptance business in Thailand depends significantly on the prevailing political, environmental and other circumstances in Thailand which are beyond the Group's control, the Directors will closely monitor the development of such circumstances when considering further investment.

For the expansion in Laos, the foreign investment license, business license and tax license required for carrying out business in Laos were obtained in 2010. In addition, the Group became the first participating member of the Lao Central Payment Network ("LCPN"), a central electronic network for Laos which provides the service of clearing electronic transactions. The Group will further negotiate with CUP for the commencement of its card acceptance business in Laos.



# Management Discussion and Analysis

## USE OF PROCEEDS

As disclosed in the Company's annual report for the year ended 31 March 2011, the net proceeds from the issue of the new shares of the Company under the placing as set out in the Prospectus (the "Placing") amounted to approximately HK\$20.5 million, which was different from the estimated net proceeds of approximately HK\$29 million (which was estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). We have adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus. As stated in the Prospectus, we plan to expand the Group's card acceptance business and co-branded card partnership business in the forthcoming future. The net proceeds from Placing have been applied by the Group in accordance with the Directors' assessment of the development of the market conditions as follows:

	<b>Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus from the LPD to 31 March 2012 HK\$'000</b>	Actual use of the proceeds from the LPD to 31 March 2012 HK\$'000
Co-branded card partnership business	<b>9,896</b>	913
Card acceptance business	<b>9,190</b>	646
General working capital	<b>1,414</b>	9,780
<b>Total</b>	<b>20,500</b>	11,339

### Notes:

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The net proceeds have been applied by the Company as follows in accordance with the assessment by the Directors of the development of the market conditions:

1. In relation to the Group's co-branded card partnership business: during the period between LPD and 24 February 2011, being the expiry date of the agreement between OCG China and BOCOM, the Group focused on the development of promoting customer coverage in Hainan Province of the PRC for the Group's Pacific-OCG Golf Debit Card. In December 2011, the Group established a non-wholly owned subsidiary in Hong Kong and plans to set up a wholly





## Management Discussion and Analysis

foreign-owned enterprise through this subsidiary to facilitate the development of the Group's lifestyle payment card issuance business of the Group in the PRC. In January 2012, OCG China entered into a cooperation agreement with the Haikou Rural Commercial Bank for the development of the golf debit card business in the PRC. Further, the Group acquired certain wholly-owned subsidiaries in January 2012 for future investment when opportunities arise, which are expected to bring synergistic effect to the Group's card business;

2. In relation to the Group's card acceptance business: the participation agreement in respect of electronic data capture machine signed between OCG Thailand and Siam Commercial Bank Public Company Limited was terminated in May 2010. Following the termination of such agreement, the Group installed more than 50 new POS terminals, representing an increase of approximately 32%, in tourist areas mainly located in Bangkok, Pattaya and Phuket. OCG Thailand also upgraded its existing information technology system in order to catch up with the system development of CUP and introduced an asset management system for a better control of the Group's assets for the card acceptance business in Thailand. For the development of its card acceptance business in Laos, the Group has already obtained the foreign investment license, business operating license and the tax license issued by the corresponding authorities in Laos. The Group will further negotiate with CUP for the commencement of business in Laos;
3. The Group's general working capital includes the payment of general and administrative expenses, such as staff costs (including Directors' remuneration), professional fees and other general operating expenses; and
4. As regards the remaining net proceeds from the Placing as at 31 March 2012, they are being held in an interest bearing deposit account maintained with a bank in Hong Kong. These unused net proceeds will be used as funds for future investment of the Group if suitable opportunities arise and, if such investment opportunity is not identified, will be applied as general working capital of the Group.

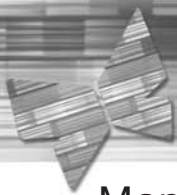
### **BUSINESS OUTLOOK**

During the year ended 31 March 2012 the Group mainly concentrated on its card acceptance business. The Directors intend to install more POS terminals in the tourist areas but will maintain a cautious outlook on the Group's card acceptance business as the performance of the Group's card acceptance business in Thailand highly depends on the prevailing political, environmental and other circumstances there, which are beyond the control of the Group. As such, the Directors are also looking for other new business opportunities in order to broaden the revenue base of the Group on a stable and long term basis.

### **FINANCIAL REVIEW**

#### **Revenue**

During the year ended 31 March 2012, the consolidated operating revenue of the Group amounted to approximately HK\$22,569,000, representing an increase of approximately 60% over the previous year. The revenue from the Group's card acceptance business in Thailand increased by approximately 73%.



# Management Discussion and Analysis

## **Cost of Services Rendered**

The total cost of services rendered for the year ended 31 March 2012 amounted to approximately HK\$15,254,000, representing an increase of approximately HK\$6,558,000, or approximately 75%, over the previous year. Such costs mainly comprised the information network cost and licence fee cost of the Group's card acceptance business in Thailand.

## **Gross Profit and Gross Profit Margin**

The Group's gross profit for the year ended 31 March 2012 was approximately HK\$7,315,000, representing an increase of approximately 35% from the previous year. Gross profit margins were approximately 32% and 38% for the year ended 31 March 2012 and the previous year respectively. The decrease in the Group's gross profit margin was primarily attributable to the decrease in the marketing service fee income, in respect of which the direct costs were minimal.

## **General Administrative Expenses**

The general administrative expenses of the Group for the year ended 31 March 2012 amounted to approximately HK\$7,545,000, representing a slight increase of approximately 5% than that of last year.

## **Selling and Distribution Costs**

The selling and distribution costs for the year ended 31 March 2012 amounted to approximately HK\$961,000, representing an increase of about 38% as compared with the same recorded in last year. The increase was mainly attributed by the increases in staff salaries and incentives for the marketing team in Thailand.

## **Finance Costs**

The finance costs for the year ended 31 March 2012 represented the 9% dividend payable to a minority shareholder in respect of the issued and paid up preference share capital of OCG Thailand.

## **Loss for the Year**

During the year ended 31 March 2012, the Group reported a loss attributable to the equity holders of the Company amounting to approximately HK\$3,232,000, representing an improvement of 3% over the last year. Loss per share was approximately 0.54 HK cents (2011: 0.56 HK cents).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its operation through internally generated cash flow, public fund raisings and other borrowings. As at 31 March 2012, the Group's other long-term borrowings amounted to Thai Baht ("Baht") 1,375,000 (equivalent to approximately HK\$345,000) due to a minority shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries a cumulative dividend at 9% per annum and such dividend was recorded as finance costs. The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for both years ended 31 March 2012 and 2011, was approximately 1%.



## Management Discussion and Analysis

As at 31 March 2012, the Group had net current assets of approximately HK\$16,355,000 (2011: HK\$19,564,000). Current ratio as at 31 March 2012 was 2.73 (2011: 3.86). The cash and cash equivalents of the Group as at 31 March 2012 was approximately HK\$16,909,000 (2011: approximately HK\$19,882,000).

### **CAPITAL STRUCTURE**

Total equity attributable to the equity holders of the Company amounted to approximately HK\$15,144,000 as at 31 March 2012 (2011: approximately HK\$18,416,000).

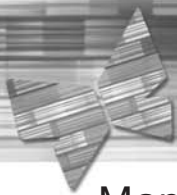
### **FOREIGN EXCHANGE EXPOSURE**

The Group mainly operates in Hong Kong, the PRC and Thailand with the majority of business transactions being denominated and settled in Hong Kong dollars ("HK\$"), Renminbi ("RMB") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars ("US\$"). The Directors and senior management monitor the related foreign currency risk exposure closely and, pursuant to a written foreign currency hedging guideline as approved by the Directors, the Group will enter into foreign currency forward contracts should the need arise. At 31 March 2012, the Group had outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$700,000 (equivalent to approximately HK\$5,460,000) (31 March 2011: US\$300,000, equivalent to approximately HK\$2,340,000). No material fair value gain or loss has been recognised for the foreign currency forward contracts and no hedging accounting has been adopted. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as 31 March 2012.

### **RESULTS AND DIVIDENDS**

For the year ended 31 March 2012, the Group recorded a revenue of approximately HK\$22,569,000 (2011: approximately HK\$14,102,000) and a loss attributable to the equity holders of the Company of approximately HK\$3,232,000 as compared with approximately HK\$3,333,000 for the corresponding period in the previous financial year. The loss per share was 0.54 HK cents (2011: 0.56 HK cents).

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2012 (2011: Nil).



## Management Discussion and Analysis

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2012, the Group had a total staff of 11 (31 March 2011: 11) of whom 5 were based in Hong Kong, 5 were based in Thailand and the remaining one was based in the PRC. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

### **MATERIAL ACQUISITIONS, DISPOSAL AND SIGNIFICANT INVESTMENT**

The Group has made no material acquisitions, disposals or any significant investments during the year ended 31 March 2012.

### **CAPITAL COMMITMENTS**

As at 31 March 2012, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounting to HK\$490,000 (2011: HK\$225,000).

### **CHARGES ON ASSETS**

As at 31 March 2012, the Group did not have any charges on its assets.

### **CONTINGENT LIABILITIES**

As at 31 March 2012, the Group did not have any significant contingent liabilities.



# Biographical Details of Directors and Senior Management

## **DIRECTORS**

### **Executive Directors**

Mr. Cheng Nga Ming Vincent ("Mr. Cheng"), aged 41, was appointed as an executive director of the Company in March 2011. He is the chairman of the Board as well as the chief executive officer and the chairman of the compliance committee of the Company. He graduated from California State University, Sacramento with major in finance. He is a private investor who has extensive experience in investment management and securities analysis. He has about 16 years of experience in investment with hedge fund groups responsible for investment portfolios with a primary focus in Asia. Mr. Cheng is responsible for the overall corporate strategies and business development of the Group.

Ms. Cheng Nga Yee ("Ms. Cheng"), aged 38, was appointed as an executive director of the Company in March 2011. She graduated from San Francisco State University with major in marketing. She is the sister of Mr. Cheng. She has about 11 years of experience in investment. She also has about 3 years' experience as a business consultant in a company listed in the Main Board of the Stock Exchange. Ms. Cheng is mainly responsible for the marketing function of the Group.

### **Independent Non-executive Directors**

Mr. Chan Chun Wai ("Mr. Chan"), aged 40, was appointed as an independent non-executive director in August 2009. Mr. Chan is the chairman of the Company's audit committee and internal control committee, a member of the Company's remuneration committee, nomination committee and compliance committee. Mr. Chan is the director of a CPA practice and had worked in international accounting firms before commencing his own practice. He is an independent non-executive director of Hans Energy Company Limited and Wai Chun Mining Industry Group Company Limited, companies listed on the Main Board of the Stock Exchange and of Honbridge Holdings Limited, a company listed on GEM. Mr. Chan has extensive experience in assurance and business advisory services. Mr. Chan obtained a Master degree of Business Administration from the University of Manchester. He is a certified public accountant (practicing) of the Hong Kong Institute of Certified Public Accountants, and a CPA Australia. Mr. Chan brings solid accounting and finance knowledge and listed company experience to the Group.

Mr. Lee Kin Fai ("Mr. Lee"), aged 39, was appointed as an independent non-executive director of the Company in March 2011. Mr. Lee is the chairman of the Company's remuneration committee and a member of the Company's audit committee, nomination committee, internal control committee and compliance committee. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. He holds a Master of Business Administration from the Manchester Business School of University of Manchester, United Kingdom. He was an executive director of Apollo Solar Energy Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange, during January 2009 to August 2010. Mr. Lee was an independent non-executive director



## Biographical Details of Directors and Senior Management

of ePRO Limited, a company listed on GEM from November 2010 to December 2011. Prior to joining Apollo Solar Energy Technology Holdings Limited in 2004, he worked in another company listed on the Main Board of the Stock Exchange and an international accounting firm. Mr. Lee has more than 11 years' experience in accounting, audit and taxation field.

Mr. Chow King Lok ("Mr. Chow"), aged 64, was appointed as an independent non-executive director of the Company in March 2011. Mr. Chow is the chairman of the Company's nomination committee and a member of the Company's audit committee, remuneration committee, internal control committee and compliance committee. Mr. Chow is currently a committee member of Hong Kong Shatin Industries and Commerce Association Ltd., and a director of an engineering company. He has a bachelor degree in Mechanical Engineering from Cheng Kung University, Taiwan. Mr. Chow was an independent non-executive director of Apollo Solar Energy Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange during August 2008 to August 2010.

### SENIOR MANAGEMENT

Mr. Sung Hak Keung Andy ("Mr. Sung"), aged 38, joined the Group in January 2009. Mr. Sung is a vice president and company secretary of the Group. Mr. Sung has about 12 years of experience in auditing, accounting, corporate finance and general management. Mr. Sung is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a member of American Institute of Certified Public Accountants. He holds a Master of Business Administration Degree from University of Manchester in the United Kingdom and a bachelor of commerce degree from University of Toronto in Canada.

Mr. Phuri Khamphidet, aged 46, joined the Group in January 2005. He is the managing director of OCG Thailand. Mr. Khamphidet has strong experience in credit card business development and marketing with more than 16 years of experience in merchant acquiring business in high profile financial institutions, including Citibank N.A. and Diners Club (Thailand) Co., Ltd. He brings quality local market knowledge, network and working experience to the Group, with a primary focus on merchant relationship building and marketing. Mr. Khamphidet obtained a bachelor degree in political science from Ramkhamhaeng University in Thailand in 1988.

Mr. Panthong Limpkittisin, aged 43, joined OCG Thailand in December 2004 as the operation controller who is in charge of the operation process for card acceptance business of OCG Thailand. Mr. Limpkittisin has many years of working experience since 1990 in credit card industry such as SCB Business Service Company Limited, a subsidiary of Siam Commercial Bank Public Company Limited, Standard Chartered Bank, Citibank N.A., and AIG Card (Thailand) Company Limited. He has in-depth professional knowledge in settlement, fraud analysis, chargeback, customer service, merchant service, card production and transaction processing. Mr. Limpkittisin holds a master of business administration degree in general management from Ramkhamhaeng University in Thailand.



# Corporate Governance Report

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the year ended 31 March 2012, the Company has complied with the code provisions in the CG Code with the exception of the code provision A.2.1. Please refer to the paragraph headed "Chairman and Chief Executive Officer" of this report for the details of such deviation.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2011 to 31 March 2012.

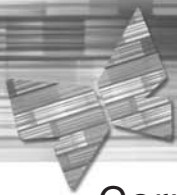
## **BOARD OF DIRECTORS**

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the shareholders value.

As at 31 March 2012, there were 5 members in the Board comprising 2 executive Directors and 3 independent non-executive Directors ("INED"). The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on page 12 to page 13 of this annual report. Their role and function are published on the Company's website and the Stock Exchange's website.

All Board committees of the Company are established with defined written terms of reference.

The respective terms of reference of the audit committee, nomination committee and the remuneration committee have been published on the Company's website and the Stock Exchange's website.



## Corporate Governance Report

During the year ended 31 March 2012, the Board met 5 times. The attendances of individuals at these Board meetings is set out below:

Name of director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Compliance Committee Meeting	Internal Control Committee Meeting
<i>Executive Directors</i>						
Mr. Cheng Nga Ming Vincent	5/5	N/A	N/A	N/A	1/4	N/A
Ms. Cheng Nga Yee	5/5	N/A	N/A	N/A	N/A	N/A
Mr. Yu Chun Fai (resigned on 11 November 2011)	4/5	N/A	N/A	N/A	3/4	N/A
<i>Independent Non-executive Directors</i>						
Mr. Chan Chun Wai	5/5	4/4	1/1	1/1	4/4	4/4
Mr. Lee Kin Fai	5/5	4/4	1/1	1/1	4/4	4/4
Mr. Chow King Lok	5/5	4/4	1/1	1/1	4/4	4/4

In compliance with Rules 5.05 (1) and (2) of the GEM Listing Rules, the Company has appointed sufficient number of INEDs with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The INEDs, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards and that appropriate systems are in place to protect the interest of the Company and its shareholders. The Company has received an annual confirmation of independence from each of the INEDs and considers that their independence is in compliance the GEM Listing Rules as at the date of this report.

The term of appointment of each independent non-executive director is for a period of one year, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The code provision A.2.1 stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual.

Mr. Yu Chun Fai, a former executive Director of the Company who resigned on 11 November 2011, was the Chairman and assumed the duties of the CEO of the Company before his resignation. Immediately upon his resignation as the executive Director, Mr. Cheng Nga Ming Vincent ("Mr. Cheng"), an executive Director, was appointed as the Chairman and CEO of the Company in Mr. Yu's stead. Mr. Cheng has about 16 years





# Corporate Governance Report

of experience in the financial sector. The Board considers that vesting the roles of Chairman and CEO in Mr. Cheng provides the Group with consistent leadership in the development and execution of long-term business strategies. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the Chairman and the CEO is necessary.

## COMMITTEES

As part of the corporate governance practices, the Board has established a nomination committee, a remuneration committee, an audit committee, an internal control committee and a compliance committee. All of the committees are composed of INEDs (except the compliance committee which comprises all the three INEDs and Mr. Cheng) with terms of reference in accordance with the principles set out in the CG Code. As disclosed in the Company's announcement released on 11 November 2011, Mr. Yu Chun Fai resigned as the executive Director of the Company and therefore resigned from the chairman of the compliance committee of the Company. Mr. Cheng was then appointed as the chairman of the compliance committee after Mr. Yu's resignation. As such, the compositions of the various committees of the Company on 31 March 2012 were set out below:

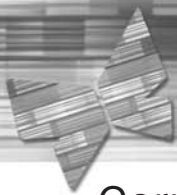
### Nomination committee

The Company has established a nomination committee which considers and recommends to the Board suitably qualified persons to become the Company's directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

The nomination committee comprises three INEDs, namely Mr. Chow King Lok (Chairman), Mr. Chan Chun Wai and Mr. Lee Kin Fai.

The meetings of the nomination committee shall be held not less than once a year. The works carried out by the nomination committee during the year are set out below:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the CEO.



# Corporate Governance Report

## **Remuneration committee**

The Company has established a remuneration committee which shall make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee shall regularly monitor the remuneration of all of the directors and senior management of the Company and its subsidiaries (the "Group") such that their remuneration is set at appropriate levels.

The remuneration committee comprises three INEDs, namely Mr. Lee Kin Fai (Chairman), Mr. Chan Chun Wai and Mr. Chow King Lok.

The meetings of the remuneration committee shall be held not less than once a year. The works carried out by the remuneration committee during the year are set out below:

1. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
2. to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and
3. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

## **Audit committee**

The audit committee of the Company comprises Mr. Chan Chun Wai, Mr. Lee Kin Fai and Mr. Chow King Lok, all of whom are independent non-executive directors of the Company, with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. Mr. Chan Chun Wai has been appointed as the chairman of the audit committee.

The audit committee shall be held at least every three months to consider, among others, the Company's budget, revised budget and financial report prepared by the Board. The primary responsibilities of the audit committee are set out below:

1. to review the annual report and accounts, half yearly report and quarterly reports and provide advice and comments thereon to the Board; and
2. to review and supervise the financial reporting process and internal control system of the Group.



# Corporate Governance Report

## **Internal control committee**

The Company has established an internal control committee to review the Group's internal control procedures on regular basis to ensure that proper and appropriate control in respect of the Group's finance, operations and human resources is in place.

The internal control committee comprises all three INEDs, namely Mr. Chan Chun Wai (Chairman), Mr. Lee Kin Fai and Mr. Chow King Lok. The meetings of the internal control committee shall be held quarterly.

## **Compliance committee**

The Company has established a compliance committee to ensure the Group's compliance of rules and regulations applicable to the Group and in particular the GEM Listing Rules, and to monitor the preference share structure arrangement of OCG Thailand as well as the Group's tax affairs. The compliance committee will report directly to the Board on the compliance matters of the Group. It will also seek advice from the Company's compliance adviser and the legal advisers to be retained from time to time.

Mr. Yu Chun Fai resigned as the executive Director of the Company and therefore resigned from the chairman of the compliance committee and compliance officer of the Company. Mr. Cheng was then appointed as the chairman of the compliance committee and compliance officer of the Company after Mr. Yu's resignation. The members of the compliance committee comprise Mr. Chan Chun Wai (also a compliance officer), Mr. Lee Kin Fai and Mr. Chow King Lok, all of whom being the INEDs. The meetings of the compliance committee shall be held quarterly.

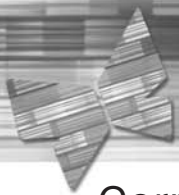
## **AUDITOR'S REMUNERATION**

For the year ended 31 March 2012, the remuneration paid/payable to the auditor, Mazars CPA Limited, in respect of audit services amounted to HK\$258,000 (2011: HK\$240,000) and non-audit service assignment amounted to HK\$40,000 (2011: HK\$102,500).

## **INTERNAL CONTROL**

The Board recognises the importance of maintaining an adequate and effective internal control system to safeguard the Group's assets against unauthorised use and disposal, and to protect the interests of shareholders of the Company. The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control system.

During the year, the Board has discussed and reviewed the internal control system and the relevant proposal made by senior management in order to ensure an adequate and effective system of internal control.



# Corporate Governance Report

## **FINANCIAL REPORTING**

The Directors are responsible for the preparation of the consolidated financial statements, which give a true and fair view of the results and financial position of the Group. The auditors are responsible for forming an independent opinion, based on their audit, on the consolidated financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

## **INVESTOR RELATIONS**

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investors.

The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly report and notices, announcements and circulars. The corporate website of the Company ([www.ocg.com.hk](http://www.ocg.com.hk)) provides a communication platform to the public and the shareholders.



## Directors' Report

The Board of Directors is pleased to present its annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2012.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 14 to the consolidated financial statements.

### **RESULTS AND DIVIDEND**

The Group's results for the year ended 31 March 2012 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements which appear on page 33 to page 38 of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 March 2012 (2011: Nil).

### **USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING**

The proceeds from the Company's issue of new shares at the time of its listing on the GEM of the Stock Exchange on 28 August 2009, after deduction of related issuance expenses, amounted to approximately HK\$20.5 million. Approximately HK\$11.3 million of the proceeds from the Company's initial public offering was used for the expansion of the Group's business and used for the Group's working capital. The unused proceeds amounting to approximately HK\$9.2 million as at 31 March 2012 have been placed in an interest bearing deposit account maintained with a bank in Hong Kong. These unused net proceeds will be used as funds for future investment of the Group should a suitable opportunity arise and, if such investment opportunity is not identified, will be applied as general working capital of the Group.

### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 80 of this annual report. This summary does not form part of the audited consolidated financial statements.

### **SHARE CAPITAL**

Details of movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's article of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



## Directors' Report

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statement.

### RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserve available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately HK\$9,335,000 (2011: HK\$10,654,000).

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2012, the percentage of revenue and cost of services rendered attributable to the Group's major customers and suppliers are set out below:

#### Revenue

– The largest customer	20%
– The total of five largest customers	48%

#### Cost of services rendered

– The largest supplier	100%
– The total of five largest suppliers	100%

As far as the Directors are aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

### DIRECTORS

The directors of the Company during the year were:



## Directors' Report

### **Executive Directors:**

Mr. Cheng Nga Ming Vincent

Ms. Cheng Nga Yee

Mr. Yu Chun Fai (resigned on 11 November 2011)

### **Independent Non-executive Directors:**

Mr. Chan Chun Wai

Mr. Lee Kin Fai

Mr. Chow King Lok

In accordance with article 84 of the Company's article of association, Ms. Cheng Nga Yee and Mr. Chan Chun Wai shall retire from office and being eligible, have offered themselves for re-election, at the forthcoming annual general meeting of the Company.

## **BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

Biographic information of the Directors and senior management of the Group are set out on page 12 to page 13 of this annual report.

## **DIRECTOR'S SERVICE CONTRACTS**

Mr. Cheng Nga Ming Vincent ("Mr. Cheng") and Ms. Cheng Nga Yee ("Ms. Cheng") were appointed as executive Directors of the Company on 25 March 2011 for a term of one year unless terminated by not less than one month's notice in writing served by either party or previously terminated in accordance with the terms and conditions specified in the letter of appointment dated 25 March 2011. The remuneration of each of Mr. Cheng and Ms. Cheng shall be a director's fee at a rate of HK\$10,000 per month payable monthly in arrears. Their appointments were renewed on 25 March 2012.

Mr. Yu Chun Fai ("Mr. Yu") entered into a director's service agreement dated 14 August 2009 (as amended on 25 November 2009) with the Company under which he was appointed to act as an executive Director for an initial term of three years commencing from the date of first dealing in the Company's shares on GEM, with such appointment to continue thereafter until terminated by not less than three months' notice in writing served by either party on the other party. Under the terms of his service agreement, Mr. Yu was entitled to the basic salary set out below (subject to a maximum annual increment of 30% of the annual salary at the discretion of the remuneration committee of the Company). Mr. Yu resigned as the executive Director of the Company on 11 November 2011.



## Directors' Report

The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Cheng	HK\$120,000
Ms. Cheng	HK\$120,000
Mr. Yu (Resigned on 11 November 2011)	HK\$73,667

Mr. Chan Chun Wai, an INED, has been appointed for a term of one year expiring on 13 August 2012. His Director's fee was HK\$100,000 per annum. Mr. Lee Kin Fai and Mr. Chow King Lok were appointed as INEDs for a term of one year commencing from 25 March 2011. Their Directors' fee was HK\$48,000 per annum respectively. None of the INEDs is expected to receive any other remuneration (save for the share options that may be granted) for holding their offices as the INEDs. The appointments of Mr. Lee and Mr. Chow were renewed on 25 March 2012.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service agreement with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

The Directors' remuneration (including any share options that may be granted to the Directors) is determined with reference to the results of the Group and the performance of the individual Director.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 26 to the consolidated financial statements, no Director had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

### **COMPETING INTEREST**

Mr. Yu, a former executive Director of the Company who resigned on 11 November 2011, remains to the director of the subsidiaries of the Company after his resignation. Mr. Yu ceased to be the director and chairman of Oriental City Group plc ("OCG UK"), the Company's former ultimate holding company, on 28 June 2011. Although he ceased to have any executive role in OCG UK, he remains to be the sole director of Oriental City Group Limited ("OCG HK"), a wholly owned subsidiary of OCG UK. OCG UK disposed OCG HK to Mr. Yu on 21 October 2011. As at 31 March 2012, Mr. Yu did not hold any beneficial interest in OCG UK.

The non-payment golf membership card business operated by OCG HK is relatively much smaller in scale (in terms of revenue and resources allocated) than the card acceptance business operated by OCG Thailand and the co-branded card partnership business operated by OCG China. Accordingly, the Directors consider that Mr. Yu has executed a non-competition undertaking on 14 August 2009 pursuant to which, Mr. Yu undertakes, inter alia, not to conduct any business that will be in competition with that of the Group. Following Mr. Yu's resignation, such undertaking was ceased to be of any force.





## Directors' Report

Save as disclosed above, during the year ended 31 March 2012, none of the Directors or management shareholders of the Company or their respective associates had an interest in any business which competes or may compete, either directly or indirectly, with business of the Group nor any conflicts of interest which has or may have with the Group.

### EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group's operating results, individual performance and comparable market practices.

### REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

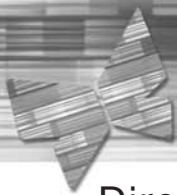
Details of the emoluments of the Directors and five individuals with highest emoluments are set out in notes 9 to 10 to the consolidated financial statement.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### Long position in ordinary shares of HK\$0.01 each of the Company ("Shares")

Name	Capacity	Number of shares	Percentage of shareholding
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation ( <i>Note</i> )	393,000,000	65.50%
	Beneficial owner	27,000,000	4.50%



## Directors' Report

*Note:* These Shares were held by Tian Li Holdings Limited ("Tian Li") which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee ("Ms. Cheng") respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 393,000,000 Shares held by Tian Li under the SFO.

### **(b) Associated corporations**

As at 31 March 2012, Ms. Cheng Nga Yee held 30% equity interests in Tian Li Holdings Limited.

Save as disclosed above, as at 31 March 2012, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

On 14 August 2009, the Company adopted a share option scheme (the "Scheme") for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries and/or Invested Entity (as defined below). Pursuant to the Scheme, the Board may grant options to (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Company or any of its subsidiaries holds an equity interest, including any executive director but excluding any non-executive director of the Company, any of its subsidiaries or any Invested Entity; (ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any shareholder of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; (iv) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity; (v) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity; or (vi) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme and any other scheme must not exceed 60,000,000 Shares, representing 10 per cent. of the Shares in issue as at the date of this report. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the Shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.



## Directors' Report

The exercise period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is granted. The Scheme does not contain specific provisions on the minimum period during which an option must be held before it can be exercised. Upon acceptance of the option, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. Subject to the early termination provisions of the Scheme, the Scheme will remain valid for a period of 10 years commencing from 14 August 2009.

The exercise price for Shares under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the Shares.

No options were granted, exercised, cancelled or lapsed during the year.

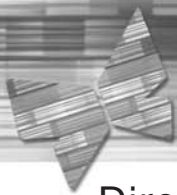
### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the year, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and the share option scheme of the Company, at no time during the year was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO**

As at 31 March 2012, so far as is known to the Directors, the following person (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:



## Directors' Report

### The Company

#### *Long positions in Shares*

Name	Capacity	Number of Shares	Percentage of shareholding
Tian Li	Beneficial owner	393,000,000	65.50%

*Note:* Tian Li is a company owned as to 70% and 30% by Mr. Cheng and Ms. Cheng respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 393,000,000 Shares held by Tian Li under the SFO. Mr. Cheng is a director of Tian Li.

Save as disclosed above, as at 31 March 2012, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **CONTINUING CONNECTED TRANSACTION**

#### **Administrative Service Agreement**

Pursuant to an administrative service agreement dated 30 January 2009 (the "OCG HK Administrative Service Agreement") entered into between Oriental City Group Limited ("OCG HK"), a fellow subsidiary of the Company, and Oriental City Group China Limited ("OCG China (BVI)"), a wholly owned subsidiary of the Company, OCG HK agreed to provide certain administrative support services, including sharing of salary expenses for staff, provision of general and administrative services and provision of office equipment, to the Group. The OCG HK Administrative Service Agreement is initially for a term of 2 years and 2 months commencing from 1 February 2009 to 31 March 2011 and is terminable by either party upon giving of 30 days' prior written notice to the other party. The monthly service fee payable by OCG China (BVI) to OCG HK in respect thereof is HK\$32,000 per month for the first 2 months and HK\$35,000 per month for the remaining term. The monthly service fee is subject to downward adjustment in the event that the number of staff as set out in the OCG HK Administrative Service Agreement is reduced.

By a supplemental agreement to the OCG HK Administrative Service Agreement dated 26 May 2009 (together with the OCG HK Administrative Service Agreement, the "Supplemented OCG HK Administrative Service Agreement"), OCG HK and OCG China (BVI) agreed to extend the OCG HK Administrative Service Agreement for a further period of ten months such that the term thereof is for three years commencing from 1 February 2009 and expiring on 1 January 2012. As the Hong Kong – based executive manager has resigned with effect from 1 April 2009, the monthly service fee payable by OCG China (BVI) to OCG HK in respect thereof has also been amended under the supplemental agreement to a maximum amount of HK\$23,000 from 1 April 2009 to 31 January 2012.



## Directors' Report

As provided under the supplemental agreement, the respective monthly service fees of HK\$32,000 (for the period from 1 February 2009 to 31 March 2009) and HK\$23,000 (for the period from 1 April 2009 to 31 January 2012) are the maximum amounts payable by OCG China (BVI) to OCG HK.

For the transaction under the Supplemented OCG HK Administrative Service Agreement, each of the percentage ratios (other than the profits ratio) on an annual basis is more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000. Therefore, the transaction under the Supplemented OCG HK Administrative Service Agreement was subject to the reporting and announcement requirements but was exempted from the independent shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules.

The Directors set out the maximum aggregate value ("cap") for the above continuing connected transaction as follows:–

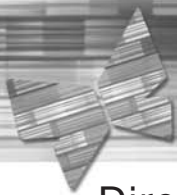
### Service fee under the Supplemented OCG HK Administrative Service Agreement

Period	Cap (HK\$)
1 April 2009 to 31 March 2010	276,000
1 April 2010 to 31 March 2011	276,000
1 April 2011 to 31 January 2012	230,000

The transaction under the Supplemented OCG HK Administrative Service Agreement is essential to the Group's operation and allows the Group to benefit from the economy of scale. The Stock Exchange has granted a waiver from strict compliance with the announcement requirement under Rule 20.42 (3) of the GEM Listing Rules.

The aforesaid continuing connected transaction has been reviewed by the INEDs. The INEDs confirmed that the aforesaid continuing connected transaction has been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The aforesaid continuing connected transaction was discontinued following the termination of the Supplemented OCG HK Administrative Service Agreement on 31 August 2011.

Based on the work performed, the auditor of the Company have confirmed that nothing has come to their attention that cause them to believe the aforesaid continuing connected transaction which determined to be approximate HK\$49,100 (a) has not been approved by the Board; (b) was not entered into, in all material respects, in accordance with the relevant agreements governing the transaction; and (c) has been exceed the annual cap of HK\$230,000 for the year ended 31 March 2012 as disclosed in the Prospectus in respect of the transaction.



## Directors' Report

### **RELATED PARTY TRANSACTION**

Except for the transaction under the Supplemented OCG HK Administrative Service Agreement as set out in note 26 to the consolidated financial statements, there is no other related party transactions entered into by the Group.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2012.

### **RETIREMENT SCHEMES**

Particulars of the retirement schemes of the Group are set out in note 3 to the consolidated financial statements.

### **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.

### **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by SBI E2-Capital (HK) Limited ("SBI"), the Company's compliance adviser, neither SBI nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2012.

### **CORPORATE GOVERNANCE**

A report on the principal corporate governance practices adopted by the Company is set out on page 14 to page 19 of this annual report.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.



## Directors' Report

### **AUDITOR**

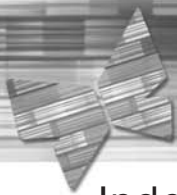
The consolidated financial statements of the Group for the year ended 31 March 2012 have been audited by Mazars CPA Limited, who will retire and a resolution to re-appoint Mazars CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Cheng Nga Ming Vincent**

*Chairman*

Hong Kong, 11 June 2012



# Independent Auditor's Report



**MAZARS CPA LIMITED**  
**瑪澤會計師事務所有限公司**  
42nd Floor, Central Plaza,  
18 Harbour Road, Wan Chai, Hong Kong  
香港灣仔港灣道18號中環廣場42樓  
Tel電話: (852) 2909 5555  
Fax傳真: (852) 2810 0032  
Email電郵: info@mazars.com.hk  
Website網址: www.mazars.cn

To the shareholders of  
**Oriental City Group Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Oriental City Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 33 to 79, which comprise the consolidated and the Company's statement of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.





## Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

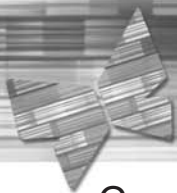
#### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 11 June 2012

#### **She Shing Pang**

Practising Certificate number: P05510



# Consolidated Income Statement

Year ended 31 March 2012

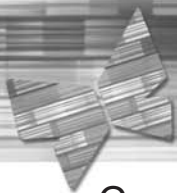
	Note	2012 HK\$	2011 HK\$
<b>Revenue</b>	6	<b>22,569,189</b>	14,102,005
Cost of services rendered		<b>(15,254,037)</b>	(8,695,634)
Gross profit		<b>7,315,152</b>	5,406,371
Other income	7	<b>197,591</b>	211,936
General administrative expenses		<b>(7,545,009)</b>	(7,197,475)
Selling and distribution costs		<b>(961,136)</b>	(694,486)
Finance costs	8	<b>(31,265)</b>	(30,682)
<b>Loss before taxation</b>	8	<b>(1,024,667)</b>	(2,304,336)
Income tax expense	11	<b>(1,291,860)</b>	(543,761)
<b>Loss for the year</b>		<b>(2,316,527)</b>	(2,848,097)
<b>Attributable to:</b>			
Equity holders of the Company	12	<b>(3,231,650)</b>	(3,332,986)
Non-controlling interests		<b>915,123</b>	484,889
		<b>(2,316,527)</b>	(2,848,097)
<b>Loss per share for loss attributable to equity holders of the Company</b>			
Basic and diluted	13	<b>(0.54) HK cents</b>	(0.56) HK cents



# Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

	2012 HK\$	2011 HK\$
Loss for the year	(2,316,527)	(2,848,097)
<b>Other comprehensive (loss) income</b>		
Exchange difference on translation of foreign subsidiaries	(65,265)	182,427
<b>Total comprehensive loss for the year</b>	<b>(2,381,792)</b>	<b>(2,665,670)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(3,272,201)	(3,224,456)
Non-controlling interests	890,409	558,786
	<b>(2,381,792)</b>	<b>(2,665,670)</b>



# Consolidated Statement of Financial Position

At 31 March 2012

	<i>Note</i>	<b>2012 HK\$</b>	2011 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	15	<b>976,024</b>	493,495
Other non-current assets		–	75,000
		<b>976,024</b>	568,495
<b>Current assets</b>			
Trade and other receivables	16	<b>7,884,137</b>	5,322,454
Restricted bank balances	17	<b>1,018,477</b>	1,209,716
Cash and cash equivalents	18	<b>16,909,259</b>	19,882,094
		<b>25,811,873</b>	26,414,264
<b>Current liabilities</b>			
Trade and other payables	19	<b>9,165,271</b>	6,605,960
Tax payables		<b>291,909</b>	243,830
		<b>9,457,180</b>	6,849,790
<b>Net current assets</b>			
		<b>16,354,693</b>	19,564,474
<b>Total assets less current liabilities</b>			
		<b>17,330,717</b>	20,132,969
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	<b>174,000</b>	–
Other long-term liabilities	21	<b>345,373</b>	352,438
		<b>519,373</b>	352,438
<b>NET ASSETS</b>			
		<b>16,811,344</b>	19,780,531
<b>Capital and reserves</b>			
Share capital	22	<b>6,000,000</b>	6,000,000
Reserves		<b>9,143,626</b>	12,415,827
<b>Equity attributable to equity holders of the Company</b>			
		<b>15,143,626</b>	18,415,827
Non-controlling interests		<b>1,667,718</b>	1,364,704
<b>TOTAL EQUITY</b>			
		<b>16,811,344</b>	19,780,531

Approved and authorised for issue by the Board of Directors on 11 June 2012

**Cheng Nga Ming Vincent**  
*Director*

**Cheng Nga Yee**  
*Director*



# Statement of Financial Position

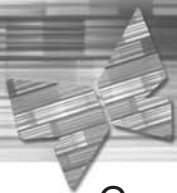
At 31 March 2012

	<i>Note</i>	<b>2012</b> <b>HK\$</b>	2011 <i>HK\$</i>
<b>Non-current assets</b>			
Interests in subsidiaries	14	<b>2,839,448</b>	1,708,094
<b>Current assets</b>			
Trade and other receivables	16	<b>543,938</b>	527,783
Cash and cash equivalents	18	<b>12,265,116</b>	15,034,289
		<b>12,809,054</b>	15,562,072
<b>Current liabilities</b>			
Trade and other payables	19	<b>313,700</b>	616,555
<b>Net current assets</b>			
		<b>12,495,354</b>	14,945,517
<b>NET ASSETS</b>			
		<b>15,334,802</b>	16,653,611
<b>Capital and reserves</b>			
Share capital	22	<b>6,000,000</b>	6,000,000
Reserves	23	<b>9,334,802</b>	10,653,611
<b>TOTAL EQUITY</b>			
		<b>15,334,802</b>	16,653,611

Approved and authorised for issue by the Board of Directors on 11 June 2012

**Cheng Nga Ming Vincent**  
*Director*

**Cheng Nga Yee**  
*Director*



# Consolidated Statement of Changes in Equity

Year ended 31 March 2012

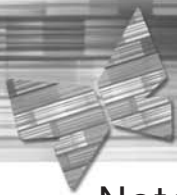
	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
		(note 23(a))	(note 23(b))	(note 23(c))			HK\$	HK\$
At 1 April 2010	6,000,000	14,558,608	6,996,322	(316,870)	(5,597,777)	21,640,283	805,918	22,446,201
Loss for the year	-	-	-	-	(3,332,986)	(3,332,986)	484,889	(2,848,097)
Other comprehensive income:								
Exchange difference on translation of foreign subsidiaries	-	-	-	108,530	-	108,530	73,897	182,427
Total comprehensive loss for the year	-	-	-	108,530	(3,332,986)	(3,224,456)	558,786	(2,665,670)
<b>At 31 March 2011</b>	<b>6,000,000</b>	<b>14,558,608</b>	<b>6,996,322</b>	<b>(208,340)</b>	<b>(8,930,763)</b>	<b>18,415,827</b>	<b>1,364,704</b>	<b>19,780,531</b>
At 1 April 2011	6,000,000	14,558,608	6,996,322	(208,340)	(8,930,763)	18,415,827	1,364,704	19,780,531
Loss for the year	-	-	-	-	(3,231,650)	(3,231,650)	915,123	(2,316,527)
Other comprehensive loss:								
Exchange difference on translation of foreign subsidiaries	-	-	-	(40,551)	-	(40,551)	(24,714)	(65,265)
Total comprehensive loss for the year	-	-	-	(40,551)	(3,231,650)	(3,272,201)	890,409	(2,381,792)
Dividend paid to non-controlling interests of a non-wholly owned subsidiary	-	-	-	-	-	-	(587,395)	(587,395)
<b>At 31 March 2012</b>	<b>6,000,000</b>	<b>14,558,608</b>	<b>6,996,322</b>	<b>(248,891)</b>	<b>(12,162,413)</b>	<b>15,143,626</b>	<b>1,667,718</b>	<b>16,811,344</b>



# Consolidated Statement of Cash Flows

Year ended 31 March 2012

	<i>Note</i>	<b>2012</b> <b>HK\$</b>	2011 <b>HK\$</b>
<b>OPERATING ACTIVITIES</b>			
Cash used in operations	25	<b>(591,695)</b>	(2,149,509)
Interest paid		<b>(61,947)</b>	–
Interest received		<b>43,801</b>	32,871
Income tax paid		<b>(976,486)</b>	(318,309)
<b>Net cash used in operating activities</b>		<b>(1,586,327)</b>	(2,434,947)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(727,608)</b>	(313,249)
<b>Net cash used in investing activities</b>		<b>(727,608)</b>	(313,249)
<b>FINANCING ACTIVITIES</b>			
Dividend paid to non-controlling interests of a non-wholly owned subsidiary		<b>(587,395)</b>	–
<b>Net cash used in financing activities</b>		<b>(587,395)</b>	–
<b>Net decrease in cash and cash equivalents</b>		<b>(2,901,330)</b>	(2,748,196)
<b>Cash and cash equivalents at beginning of year</b>		<b>19,882,094</b>	22,485,824
Effect on exchange rate changes		<b>(71,505)</b>	144,466
<b>Cash and cash equivalents at end of year</b>	18	<b>16,909,259</b>	19,882,094



# Notes to the Consolidated Financial Statements

*Year ended 31 March 2012*

## **1. CORPORATE INFORMATION**

Oriental City Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 14 to the consolidated financial statements.

The Company and its subsidiaries are herein collectively referred to as “the Group”.

At 31 March 2012 and at the date of authorising the consolidated financial statements, the immediate and ultimate holding company of the Group is Tian Li Holdings Limited (“Tian Li”), which is incorporated in the British Virgin Islands (“BVI”). In the opinion of the directors of the Company, the ultimate controlling party of the Group is Mr. Cheng Nga Ming Vincent.

## **2. STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 consolidated financial statements except for the adoption of certain new/ revised HKFRS effective from the current period that are relevant to the Group as detailed in note 3 to the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out in note 3 to the consolidated financial statements.





# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES

### Adoption of new/revised HKFRS

#### *HKAS 24 (Revised) – Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

- (a) a government that has control, joint control or significant influence over the reporting entity; and
- (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

#### *Improvements to HKFRS 2010 – Amendments to HKAS 1 (Revised): Presentation of Financial Statements: Clarification of statement of changes in equity*

The amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the statement of changes in equity.

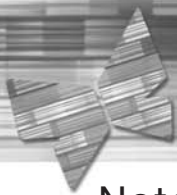
### Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Basis of consolidation** *(continued)*

Non-controlling interests are presented separately in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of the Company. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, is measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

### *Allocation of total comprehensive income*

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests on the basis of present ownership interest even if it results in the non-controlling interests having a deficit balance.

### *Changes in ownership interest*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill, if any), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when the control is lost.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Subsidiaries

A subsidiary, is an entity, in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

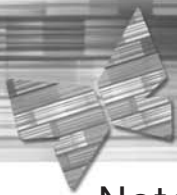
### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Office equipment	20%
Leasehold improvements	Over the unexpired term of lease

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Financial instruments

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) when the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

#### *Classification and measurement*

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

#### *Financial liabilities*

The Group's financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Financial instruments** *(continued)*

#### *Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **Share capital**

Ordinary shares are classified as equity.

Preference shares are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preference shares that are not redeemable, or are redeemable only at the Group's option; and any dividend payments are discretionary, are classified as equity.

### **Cash equivalents**

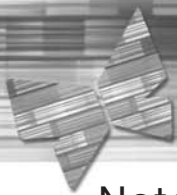
For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Annual and transaction fee income are generally recognised on an accruals basis when the service has been provided, which generally coincides with the time when the transactions are approved and executed.

Service income is recognised when services are rendered.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Revenue recognition *(continued)*

Foreign exchange rate discount income is recognised when the foreign currency denominated funds are received from the card acceptance business partner who offered a favourable exchange rate in settling its outstanding payable to the Group are received and converted into local currency which is usually on every business day.

### Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the currency of Hong Kong Dollars ("HK\$"), which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each income statement and statement of comprehensive income are translated at average rates; and
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Impairment of non-financial assets**

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and interests in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as income immediately.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable/receivables under operating leases are charged/credited to profit or loss on a straight-line basis over the term of the relevant lease/sublease.

Lease incentives received are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

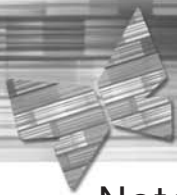
### **Employee benefits**

#### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *Defined contribution plans*

The obligations for contributions to defined contribution retirement plans are recognised as expenses in profit or loss as incurred. The assets of the plans are held separately from those of the Group in certain independently administered funds.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Employee benefits** *(continued)*

#### *Defined contribution plans (continued)*

In accordance with the rules and regulations in the People's Republic of China ("PRC") and Thailand, the employees of the Group's entities established in the PRC and Thailand are required to participate in defined contribution retirement plans organised by local governments. Contributions to those plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

### **Borrowing costs**

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Taxation**

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.





# Notes to the Consolidated Financial Statements

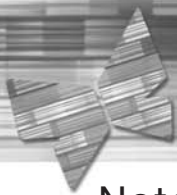
Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Related parties** *(continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### **Segment reporting**

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### **Critical accounting estimates and judgements**

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Critical accounting estimates and judgements *(continued)*

#### *(a) Critical judgements made in applying accounting policies*

##### *(i) Subsidiary*

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the "FBA"), Oriental City Group (Thailand) Company Limited ("OCG Thailand"), being a company engaged in the provision for card acceptance business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the preference shares structure arrangement (the "Preference Shares Structure") of OCG Thailand as described in note 14 to the consolidated financial statements, majority of OCG Thailand's issued capital, including ordinary and preference share capital, is owned by Thai citizens. However, the Company, through its wholly owned subsidiary, Oriental City Group Thailand Limited, is able to exercise more than 50% voting power in any shareholders' meeting of OCG Thailand.

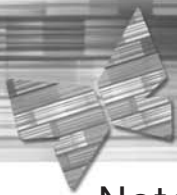
The Company's legal advisors as to Thai laws have confirmed that the Preference Shares Structure are in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of similar capital structure of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Preference Shares Structure are valid, legal and enforceable in Thailand.

Based upon the management's judgement on the Preference Shares Structure, the Company accounts for OCG Thailand as a subsidiary on the ground that it is able to control the operations of OCG Thailand by exercising its majority voting power in any shareholders' meeting of OCG Thailand.

#### *(b) Key sources of estimation uncertainty*

##### *(i) Useful lives of property, plant and equipment*

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Critical accounting estimates and judgements *(continued)*

#### *(b) Key sources of estimation uncertainty (continued)*

##### (ii) Impairment of property, plant and equipment

The management determines whether the Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, which is equal to the higher of net selling price or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

##### (iii) Impairment of investments and receivables

The Company assess annually if its investment in subsidiaries suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from the subsidiaries are impaired. Details of the approach are stated in the accounting policies set out above. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of the subsidiaries would affect the estimation of impairment loss and result in the adjustments of their carrying amounts.

##### (iv) Impairment of financial assets

The management determines the provision for impairment of the Group's financial assets based on the current creditworthiness and the past collection history of each customers and other debtors and the current market condition. If the financial conditions of the Group's customers and other debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision may be required.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 4. FUTURE CHANGES IN HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current period, which the Group has not early adopted.

Amendments to HKFRS 1 (Revised)	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>[1]</sup>
Amendments to HKFRS 7	<i>Disclosures – Transfer of Financial Assets</i> <sup>[1]</sup>
Amendments to HKAS 12	<i>Deferred Tax: Recovery of Underlying Assets</i> <sup>[2]</sup>
Amendments to HKAS 1 (Revised)	<i>Presentation of Items of Other Comprehensive Income</i> <sup>[3]</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>[4]</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>[4]</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>[4]</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>[4]</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>[4]</sup>
HKFRS 12	<i>Disclosures of Interests with Other Entities</i> <sup>[4]</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>[4]</sup>
Amendments to HKFRS 1	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>[4]</sup>
HK(IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>[4]</sup>
Amendments to HKFRS 7	<i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i> <sup>[4]</sup>
Annual Improvements 2009 – 2011 Cycle	<i>Annual Improvements 2009 – 2011 Cycle</i> <sup>[4]</sup>
Amendments to HKAS 32	<i>Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>[5]</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>[6]</sup>

<sup>[1]</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>[2]</sup> Effective for annual periods beginning on or after 1 January 2012

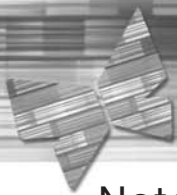
<sup>[3]</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>[4]</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>[5]</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>[6]</sup> Effective for annual periods beginning on or after 1 January 2015

The directors are in the process of assessing the possible impact on the future adoption of these new and revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.



# Notes to the Consolidated Financial Statements

*Year ended 31 March 2012*

## **5. SEGMENT REPORTING**

The directors of the Company (the "Directors") have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the Directors consider that the operating segments of the Group comprise:

- (i) card acceptance business in Thailand; and
- (ii) co-branded card partnership business and marketing business in the PRC.

In addition, the Directors consider that the place of domicile for the Group is Hong Kong, where the central management and control is located.

Segment results, which are the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of interest and other income, finance costs, general administrative expenses incurred by corporate office and taxation.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided, assets and capital expenditure are attributed to the segments based on the location of the assets. The geographical segment information is reflected within operating segment information as the Group's two distinctive business activities are provided in two different locations.

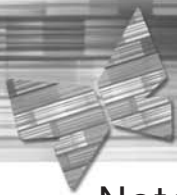
# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 5. SEGMENT REPORTING *(continued)*

Year ended 31 March 2012

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue			
Major customer A	4,482,086	–	4,482,086
Major customer B	2,458,629	–	2,458,629
Other customers	14,718,474	910,000	15,628,474
	<b>21,659,189</b>	<b>910,000</b>	<b>22,569,189</b>
Segment results	<b>3,535,499</b>	<b>715,457</b>	<b>4,250,956</b>
Unallocated interest and other income			197,591
Unallocated finance costs			(31,265)
Unallocated other expenses			(5,441,949)
Loss before taxation			(1,024,667)
Income tax expense			(1,291,860)
Loss for the year			<b>(2,316,527)</b>



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 5. SEGMENT REPORTING (continued)

Year ended 31 March 2011

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue			
Major customer A	2,598,385	–	2,598,385
Major customer C	–	1,560,000	1,560,000
Other customers	9,896,982	46,638	9,943,620
	<u>12,495,367</u>	<u>1,606,638</u>	<u>14,102,005</u>
Segment results	<u>1,774,386</u>	<u>1,249,227</u>	3,023,613
Unallocated interest and other income			211,936
Unallocated finance costs			(30,682)
Unallocated other expenses			(5,509,203)
Loss before taxation			(2,304,336)
Income tax expense			(543,761)
Loss for the year			<u>(2,848,097)</u>



# Notes to the Consolidated Financial Statements

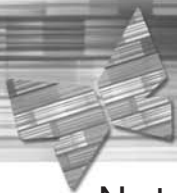
Year ended 31 March 2012

## 5. SEGMENT REPORTING *(continued)*

An analysis of the Group's assets and liabilities by operating segments is set out below:

**At 31 March 2012**

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Unallocated HK\$	Consolidated HK\$
Property, plant and equipment	597,788	7,097	371,139	976,024
Other assets	12,441,795	7,307	13,362,771	25,811,873
<b>Total assets</b>	<b>13,039,583</b>	<b>14,404</b>	<b>13,733,910</b>	<b>26,787,897</b>
<b>Total liabilities</b>	<b>9,651,205</b>	<b>–</b>	<b>325,348</b>	<b>9,976,553</b>
Additional segment information:				
Depreciation	250,278	1,560	59,881	311,719
Additions to property, plant and equipment	496,980	–	305,628	802,608



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 5. SEGMENT REPORTING (continued)

At 31 March 2011

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Unallocated HK\$	Consolidated HK\$
Property, plant and equipment	359,726	8,376	125,393	493,495
Other assets	9,387,323	28,130	17,073,811	26,489,264
<b>Total assets</b>	<b>9,747,049</b>	<b>36,506</b>	<b>17,199,204</b>	<b>26,982,759</b>
<b>Total liabilities</b>	<b>6,558,374</b>	<b>–</b>	<b>643,854</b>	<b>7,202,228</b>
Additional segment information:				
Depreciation	153,937	1,487	8,895	164,319
Additions to property, plant and equipment	181,590	–	131,659	313,249



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

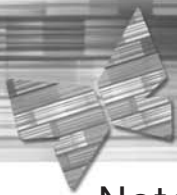
## 6. REVENUE

Revenue, which represents the share of annual and transaction fee income from co-branded card partnership business, transaction fee income and foreign exchange rate discount income from card acceptance business and marketing service fee income, is analysed by category as follows:

	2012 HK\$	2011 HK\$
Co-branded card annual and transaction fee income	–	46,638
Card acceptance transaction fee income	<b>17,177,103</b>	9,896,982
Foreign exchange rate discount income	<b>4,482,086</b>	2,598,385
Marketing service fee income	<b>910,000</b>	1,560,000
	<b>22,569,189</b>	14,102,005

## 7. OTHER INCOME

	2012 HK\$	2011 HK\$
Bank interest income	<b>43,801</b>	32,871
Income from operating sublease	<b>150,000</b>	90,000
Sundry income	<b>3,790</b>	89,065
	<b>197,591</b>	211,936



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 8. LOSS BEFORE TAXATION

	2012 HK\$	2011 HK\$
This is stated after charging:		
<b>(a) Finance costs</b>		
Finance costs on other long-term liabilities	<b>31,265</b>	30,682
<b>(b) Staff costs, including key management remuneration</b>		
Salaries, allowances and other short-term employee benefits	<b>3,081,274</b>	2,768,149
Contributions to defined contribution plans	<b>65,098</b>	91,101
	<b>3,146,372</b>	2,859,250
<b>(c) Key management remuneration, including directors' remuneration</b>		
Salaries, allowances and other short-term employee benefits	<b>2,097,739</b>	2,132,878
Contributions to defined contribution plans	<b>34,074</b>	29,969
	<b>2,131,813</b>	2,162,847
<b>(d) Other items</b>		
Auditor's remuneration	<b>357,608</b>	313,650
Depreciation of property, plant and equipment	<b>311,719</b>	164,319
Operating lease charges on premises	<b>900,507</b>	633,332

# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

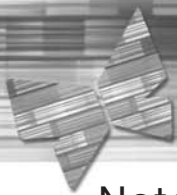
## 9. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	Directors' fees HK\$	Salaries, allowances and other short-term employee benefits HK\$	Contributions to defined contribution plans HK\$	Total HK\$
<b>Year ended 31 March 2012</b>				
<b>Executive director</b>				
Mr. Yu Chun Fai*	–	73,667	3,683	77,350
Mr. Cheng Nga Ming Vincent	–	120,000	6,113	126,113
Ms. Cheng Nga Yee	–	120,000	6,113	126,113
	–	313,667	15,909	329,576
<b>Independent non-executive directors</b>				
Mr. Chan Chun Wai	100,000	–	–	100,000
Mr. Lee Kin Fai	48,000	–	–	48,000
Mr. Chow King Lok	48,000	–	–	48,000
	196,000	–	–	196,000
	196,000	313,667	15,909	525,576
<b>Year ended 31 March 2011</b>				
<b>Executive director</b>				
Mr. Yu Chun Fai	–	120,000	6,000	126,000
Mr. Cheng Nga Ming Vincent <sup>#</sup>	–	2,258	–	2,258
Ms. Cheng Nga Yee <sup>#</sup>	–	2,258	–	2,258
	–	124,516	6,000	130,516
<b>Non-executive director</b>				
Ms. Wong Lai Chun*	98,386	–	–	98,386
<b>Independent non-executive directors</b>				
Mr. Chan Chun Wai	100,000	–	–	100,000
Mr. Chan Wing Cheung Joseph*	98,386	–	–	98,386
Mr. Tsang Siu Tung*	98,386	–	–	98,386
Mr. Lee Kin Fai <sup>#</sup>	903	–	–	903
Mr. Chow King Lok <sup>#</sup>	903	–	–	903
	298,578	–	–	298,578
	396,964	124,516	6,000	527,480

<sup>#</sup> Appointed during the year

\* Resigned during the year



## Notes to the Consolidated Financial Statements

Year ended 31 March 2012

### 9. DIRECTORS' REMUNERATION (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 March 2012 (2011: Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year ended 31 March 2012 (2011: Nil).

### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2011: one) director, Mr. Cheng Nga Ming Vincent (2011: Mr. Yu Chun Fai), of whose remuneration is set out in note 9 to the consolidated financial statements. Details of the remuneration of the remaining four (2011: four) non-directors, highest paid employees for the year are as follows:

	2012 HK\$	2011 HK\$
Salaries, allowances and other short-term employee benefits	2,181,739	1,852,742
Contributions to defined contribution plans	33,848	33,192
	<b>2,215,587</b>	1,885,934

The number of non-directors, highest paid employees whose remuneration fell within the following band:

	Number of employees	
	2012	2011
<b>Band</b>		
Nil to HK\$1,000,000	4	4

During the year ended 31 March 2012, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2011: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year ended 31 March 2012 (2011: Nil).



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 11. TAXATION

	2012 HK\$	2011 HK\$
<b>Current tax</b>		
Thailand income tax	1,029,751	543,761
Withholding tax on dividend declared by a non-wholly owned subsidiary	88,109	–
	1,117,860	543,761
<b>Deferred tax</b>		
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	174,000	–
Income tax expense for the year	1,291,860	543,761

(i) **Hong Kong Profits Tax**

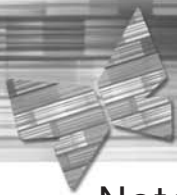
Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in or derived from Hong Kong during the years ended 31 March 2012 and 2011.

(ii) **Income taxes outside Hong Kong**

The Company and its subsidiaries established in the BVI are exempted from the payment of income tax in the Cayman Islands and the BVI respectively.

OCG Thailand is subject to Thailand income tax at 30%.

Oriental City Group (Hainan) Services Limited (“OCG China”), being a foreign-invested enterprise established in a special economic zone of the PRC, is subject to PRC enterprise income tax at 18% in the year 2008, 20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012 (and thereafter), respectively, under the New Enterprise Income Tax Law and related implementation regulations effective on 1 January 2008. However, no income tax has been provided as OCG China incurred losses for taxation purposes for the years ended 31 March 2012 and 2011.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 11. TAXATION (continued)

### (ii) Income taxes outside Hong Kong (continued)

Since the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and deferred tax liabilities of OCG China. As OCG China does not recognise any deferred tax assets and deferred tax liabilities at the end of the reporting period, there is no impact on the Group's results or financial position.

Dividends payable by a foreign invested enterprise in the PRC/Thailand to its foreign investors are subject to a 10% withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the PRC/Thailand that provides for a different withholding arrangement.

### Reconciliation of income tax expense

	2012 HK\$	2011 HK\$
Loss before taxation	<b>(1,024,667)</b>	(2,304,336)
Income tax at applicable tax rate	<b>(21,441)</b>	(577,445)
Non-deductible expenses	<b>1,027,341</b>	1,050,991
Non-taxable income	–	(161)
Unrecognised tax losses	<b>38,128</b>	69,755
Withholding tax on dividend declared by a non-wholly owned subsidiary	<b>88,109</b>	–
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	<b>174,000</b>	–
Others	<b>(14,277)</b>	621
Income tax expense for the year	<b>1,291,860</b>	543,761

The applicable tax rate is the weighted average of rates calculated by dividing sum of nominal income tax expenses compiled with the tax rates prevailing in the territories in which the Group's entities operate against loss before taxation. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries.

## 12. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company for the year ended 31 March 2012 includes a loss of HK\$1,318,809 (2011: HK\$2,959,451) which has been dealt with in the financial statements of the Company.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 13. LOSS PER SHARE

Basic loss per share for the year ended 31 March 2012 are calculated based on the consolidated loss for the year attributable to the equity holders of the Company of HK\$3,231,650 (2011: HK\$3,332,986) and on the total number of 600,000,000 ordinary shares (2011: 600,000,000 ordinary shares) in issue during the year.

Diluted loss per share is the same as basic loss per share as the Company did not have any dilutive potential ordinary shares during the years ended 31 March 2012 and 2011.

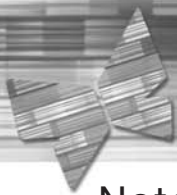
## 14. INTERESTS IN SUBSIDIARIES

	The Company	
	2012 HK\$	2011 HK\$
Unlisted shares, at cost	8,941	8,933
Due from subsidiaries	2,830,507	1,699,161
	<b>2,839,448</b>	1,708,094

The amounts due from subsidiaries are unsecured, interest-free and the settlement of the amounts due is neither planned nor likely to occur in the foreseeable future.

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Effective ownership interests held by the Company		Principal activities
			Direct	Indirect	
OCG China Company Limited ("OCG China (HK)")	Hong Kong, 2 December 2011	Ordinary, HK\$100	–	70%	Co-branded cards partnership business
Rosy City Holdings Limited ("Rosy City")	BVI, 18 November 2011	Ordinary, US\$1	100%	–	Investment holding



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Effective ownership interests held by the Company		Principal activities
			Direct	Indirect	
Grand Vision Investments Limited ("Grand Vision")	Hong Kong, 14 November 2011	Ordinary, US\$1	-	100%	Inactive
Victory Pacific Investments Limited ("Victory Pacific")	BVI, 11 November 2011	Ordinary, US\$1	-	100%	Investment holding
Oriental City Group Asia Pacific Limited ("OCG Asia Pacific")	BVI, 8 September 2011	Ordinary, US\$1	-	100%	Investment holding
OCG South Asia (BVI) Limited ("OCG South Asia")	BVI, 19 March 2010	Ordinary, US\$1	-	100%	Investment holding
Oriental City Group Lao Co., Limited ("OCG Laos")	Laos, 8 January 2010	Registered capital, US\$100,000	-	100%	Card acceptance business
Charm Act Group Limited ("Charm Act")	BVI, 30 November 2007	Ordinary, US\$100	100%	-	Investment holding
Oriental City Group China Limited ("OCG China (BVI)")	BVI, 7 May 2007	Ordinary, US\$1	-	100%	Investment holding and marketing business
Oriental City Group Thailand Limited ("OCG Thailand (BVI)")	BVI, 7 May 2007	Ordinary, US\$1	-	100%	Investment holding
奥思知(海南)服务有限公司 Oriental City Group (Hainan) Services Limited* ("OCG China")	PRC, 24 October 2005	Registered capital, HK\$150,000	-	100%	Co-branded cards partnership business
Oriental City Group (Thailand) Company Limited ("OCG Thailand")	Thailand, 27 September 2004	Ordinary, Baht 6,250,000	-	60%	Card acceptance business
		Preference, Baht 1,375,000 <Remark>	-	Nil	

\* The English name is for identification purpose only.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 14. INTERESTS IN SUBSIDIARIES *(continued)*

Except for the preference share capital as issued by OCG Thailand, none of the subsidiaries had any other debt securities outstanding at the end of the year, or at any time during the year.

<Remark>

OCG Thailand's share capital is comprised of ordinary share capital of Baht 6,250,000 (equivalent to approximately HK\$1,570,000) and preference share capital of Baht 1,375,000 (equivalent to approximately HK\$345,000).

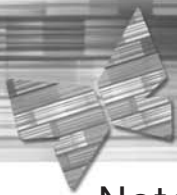
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on any resolution of OCG Thailand.

The holders of preference shares have the following rights:

- one vote for every five shares held on any resolution of OCG Thailand;
- the right to receive cumulative dividend declared by OCG Thailand at the rate of 9% paid up value of the shares issued, prior to the ordinary shares; and
- the right to receive the distribution of the share capital, in the case of the winding up of the OCG Thailand, prior to the ordinary shares, but limited to the paid up amount of each of the preference share.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in the Group's consolidated financial statements in accordance with applicable accounting standards because they are not redeemable and the holders of which are entitled to receive 9% cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

Therefore, the results and financial position of OCG Thailand are included in the Group's consolidated financial statements, after accounting for the paid up value of the preference shares issued and related cumulative dividend, to the extent of 60% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares indirectly held by the Company through OCG Thailand (BVI).



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>The Group</b>		
	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Cost</b>			
At 1 April 2010	–	2,156,067	2,156,067
Additions	78,035	235,214	313,249
Exchange realignments	2,289	157,005	159,294
<hr/>			
At 31 March 2011 and at 1 April 2011	80,324	2,548,286	2,628,610
Additions	–	802,608	802,608
Disposals	–	(6,821)	(6,821)
Exchange realignments	(1,403)	(50,555)	(51,958)
<hr/>			
<b>At 31 March 2012</b>	<b>78,921</b>	<b>3,293,518</b>	<b>3,372,439</b>
<hr/>			
<b>Accumulated depreciation</b>			
At 1 April 2010	–	1,834,872	1,834,872
Charges	22,786	141,533	164,319
Exchange realignments	755	135,169	135,924
<hr/>			
At 31 March 2011 and at 1 April 2011	23,541	2,111,574	2,135,115
Charges	27,925	283,794	311,719
Disposals	–	(6,821)	(6,821)
Exchange realignments	(594)	(43,004)	(43,598)
<hr/>			
<b>At 31 March 2012</b>	<b>50,872</b>	<b>2,345,543</b>	<b>2,396,415</b>
<hr/>			
<b>Net book value</b>			
<b>At 31 March 2012</b>	<b>28,049</b>	<b>947,975</b>	<b>976,024</b>
<hr/>			
At 31 March 2011	56,783	436,712	493,495
<hr/>			

# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
<b>Trade receivables</b>	<b>6,640,669</b>	4,412,992	–	–
<b>Other receivables</b>				
Deposits, prepayments and other debtors	<b>1,243,468</b>	909,462	<b>543,938</b>	527,783
	<b>7,884,137</b>	5,322,454	<b>543,938</b>	527,783

All trade receivables are aged within 30 days based on the invoice date.

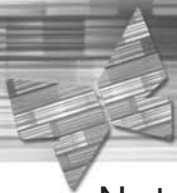
The Group allows a credit period up to 90 days to its trade debtors and the trade debtors usually settle the outstanding balance within 90 days from the billing date. As at the end of the reporting period, all trade receivables are fully performing.

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the Group's entities:

	The Group	
	2012 HK\$	2011 HK\$
United States Dollars ("US\$")	<b>6,549,967</b>	4,355,868

## 17. RESTRICTED BANK BALANCES

Pursuant to the agreements signed with a card acceptance business partner, the amounts represent bank balances in a bank in Thailand solely for the purpose of settlement of outstanding trade payables for the card acceptance business and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Baht.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Bank balances and cash are denominated in:				
HK\$	<b>12,492,398</b>	3,236,638	<b>12,265,116</b>	2,034,289
Renminbi ("RMB")	<b>7,307</b>	28,130	–	–
Baht	<b>4,409,554</b>	3,617,326	–	–
	<b>16,909,259</b>	6,882,094	<b>12,265,116</b>	2,034,289
Time deposits, with original maturities within three months, are denominated in:				
HK\$	–	13,000,000	–	13,000,000
	<b>16,909,259</b>	19,882,094	<b>12,265,116</b>	15,034,289

## 19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
<b>Trade payables</b>	<b>7,646,712</b>	5,617,854	–	–
<b>Other payables</b>				
Accrued charges and other payables	<b>1,518,559</b>	988,106	<b>313,700</b>	616,555
	<b>9,165,271</b>	6,605,960	<b>313,700</b>	616,555

All trade payables are aged within 30 days at the end of the reporting period.

The creditors allow a credit period up to 30 days to the Group.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 20. DEFERRED TAXATION

The movement for the year in the Group's deferred tax liabilities was as follows:

	<b>The Group</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
At beginning of year	–	–
Charge to profit or loss	<b>174,000</b>	–
At end of the reporting period	<b>174,000</b>	–

Recognised deferred tax liabilities at the end of the reporting period represent the following:

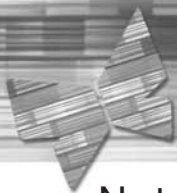
	<b>The Group</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
Withholding tax	<b>174,000</b>	–
Amount expected to be recovered after more than 12 months	<b>174,000</b>	–

At 31 March 2012, the directors of the Company reassessed the current dividend distribution policy of a non-wholly owned subsidiary established in Thailand that the subsidiary is able to generate sufficient funding to finance its operations and distribute dividend in the foreseeable future. Accordingly, deferred tax liabilities of HK\$174,000 has been recognised for the future withholding tax implications of the undistributed earnings of the subsidiary.

### Unrecognised deferred taxation

The Group has not recognised deferred tax assets in respect of the tax losses, as set out below, because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unrecognised tax losses will be expired as follows:

	<b>The Group</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
Year 2012	–	315,020
Year 2013	<b>676,622</b>	645,036
Year 2014	<b>187,655</b>	178,895
Year 2015	<b>210,234</b>	200,420
Year 2016	<b>236,806</b>	225,752
Year 2017	<b>139,885</b>	–
	<b>1,451,202</b>	1,565,123



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 21. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent preference shares issued by OCG Thailand as detailed in note 14 to the consolidated financial statements.

At the end of the reporting period, the Group had an outstanding amount due to a minority shareholder of Baht 1,375,000 (equivalent to HK\$345,373) (2011: Baht 1,375,000 (equivalent to HK\$352,438)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum. In addition, the relevant dividend on the preference share capital of OCG Thailand was fully settled before 31 March 2012. However, an accrued dividend payable of Baht 123,750 (equivalent to HK\$30,682) was included in trade and other payables as at 31 March 2011.

## 22. SHARE CAPITAL

	2012		2011	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
<b>Authorised</b>	<b>2,000,000,000</b>	<b>20,000,000</b>	2,000,000,000	20,000,000
<b>Issued and fully paid</b>	<b>600,000,000</b>	<b>6,000,000</b>	600,000,000	6,000,000

## 23. RESERVES

	The Company		
	Share premium HK\$ (note 23(a))	Accumulated losses HK\$	Total HK\$
At 1 April 2010	14,558,608	(945,546)	13,613,062
Loss for the year and total comprehensive loss for the year	–	(2,959,451)	(2,959,451)
<b>At 31 March 2011</b>	<b>14,558,608</b>	<b>(3,904,997)</b>	<b>10,653,611</b>
At 1 April 2011	14,558,608	(3,904,997)	10,653,611
Loss for the year and total comprehensive loss for the year	–	(1,318,809)	(1,318,809)
<b>At 31 March 2012</b>	<b>14,558,608</b>	<b>(5,223,806)</b>	<b>9,334,802</b>





# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 23(a) SHARE PREMIUM

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

## 23(b) CAPITAL RESERVE

The capital reserve represents the aggregate amount of the nominal value of the registered capital of the companies comprising the Group less consideration paid to acquire the relevant interests, after adjusting the registered capital held by those attributable to the minority shareholders, and the deemed capital contribution from the former controlling party prior to the listing of the Company on the GEM of the Stock Exchange.

## 23(c) EXCHANGE RESERVE

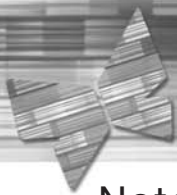
Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries. The reserve is dealt with in accordance with the accounting policies as set out in note 3 of the consolidated financial statements.

## 24. SHARE OPTION SCHEME

On 14 August 2009, the Company adopted a share option scheme (the "Scheme") for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries and invested entities.

The total number of the shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not exceed 60,000,000 shares, representing 10% of the shares in issue at 31 March 2012. The total number of the shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

The exercise period of an option under the Scheme will be notified by the Board of Directors to each participant which shall not exceed 10 years from the date upon which the option is granted. The Scheme does not contain specific provisions on the minimum period during which an option must be held before it can be exercised. Upon acceptance of the option, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. Subject to the early termination provisions of the Scheme, the Scheme will remain valid for a period of 10 years commencing from 14 August 2009.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 24. SHARE OPTION SCHEME (continued)

The exercise price for shares under the Scheme will be a price determined by the Board of Directors and notified to each grantee and will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the shares.

No options were granted, exercised, cancelled or lapsed during the years ended 31 March 2012 and 2011.

## 25. CASH USED IN OPERATIONS

	2012 HK\$	2011 HK\$
Loss before taxation	(1,024,667)	(2,304,336)
Depreciation	311,719	164,319
Foreign exchange differences	(16,326)	118,094
Finance costs	31,265	30,682
Interest income	(43,801)	(32,871)
Changes in working capital:		
Restricted bank balances	166,991	(834,785)
Trade and other receivables	(2,653,090)	(3,460,035)
Trade and other payables	2,636,214	4,169,423
<b>Cash used in operations</b>	<b>(591,695)</b>	<b>(2,149,509)</b>

## 26. CONNECTED AND RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group had the following connected and related party transactions during the years ended 31 March 2012 and 2011.

Relationship with the Group	Nature of transaction	2012 HK\$	2011 HK\$
A former fellow subsidiary of the Group <Remark>	Administrative service fee paid	49,100	116,270

<Remark>

A former executive director of the Company, Mr. Yu Chun Fai, has beneficiary interests in the former fellow subsidiary of the Group.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 27. COMMITMENTS

### Commitments under operating leases

The Group leases a number of office premises under operating leases, which typically run for a period of 2 to 3 years. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	The Group		The Company	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Within one year	459,206	1,024,971	420,400	825,600
In the second to fifth years inclusive	3,234	463,051	–	420,400
	<b>462,440</b>	1,488,022	<b>420,400</b>	1,246,000

### Capital expenditure commitments

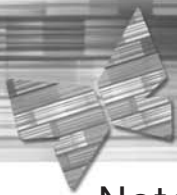
	The Group	
	2012 HK\$	2011 HK\$
Contracted but not provided for, net of deposits paid	490,000	225,000

## 28. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's principal financial instruments comprise preference shares issued by a non-wholly owned subsidiary, restricted and unrestricted bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are (i) foreign currency risk, (ii) interest rate risk, (iii) credit risk and (iv) liquidity risk. The Group does not have any written risk management policies and guidelines. However, the executive director meets regularly and co-operates closely with key management to identify and evaluate risks and generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum as follows:



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 28. FINANCIAL INSTRUMENTS *(continued)*

### (a) Financial risk management objectives and policies *(continued)*

#### (i) Foreign currency risk

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in HK\$, RMB and Baht, which are the functional currencies of the relevant subsidiaries.

However, as detailed in note 16 of the consolidated financial statements, the Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in US\$. The Directors and senior management monitor the related foreign currency risk exposure closely and, pursuant to a written foreign currency hedging guideline as approved by the Directors, the Group will enter into foreign currency forward contracts should the need arise. At 31 March 2012, the Group had outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$700,000 (equivalent to approximately HK\$5,460,000) (2011: US\$300,000 (equivalent to approximately HK\$2,340,000)). No material fair value gain or loss has been recognised for the foreign currency forward contracts.

At the end of the reporting period, if US\$ had strengthened/weakened by 1% (2011: 1%) against Baht with all other variables held constant, the Group's net loss for the year would have been approximately HK\$66,000 lower/higher (2011: HK\$44,000), mainly as a result of translation of the US\$ denominated financial assets into Baht with a corresponding credit/charge to profit or loss.

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at end of the reporting period and had been applied to Group's exposure to currency risk for the financial instruments denominated in US\$ in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably daily possible changes in foreign exchange rates.

The Group's operation of card acceptance business involves conversion of US\$ denominated funds into Baht on daily basis, the above sensitivity analysis on period-end exposure may be unrepresentative of a risk inherent in the consolidated financial statements for the years.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 28. FINANCIAL INSTRUMENTS *(continued)*

### (a) Financial risk management objectives and policies *(continued)*

#### (i) Foreign currency risk *(continued)*

In addition, as detailed in note 17 and note 18 of the consolidated financial statements, part of the restricted and unrestricted bank balances and cash are denominated either in RMB or Baht. The conversion of RMB and Baht into foreign currencies, including HK\$, is subject to the rules and regulations of foreign exchange control promulgated by the PRC and Thailand government, respectively.

#### (ii) Interest rate risk

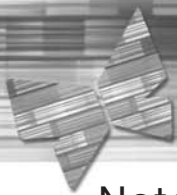
The Company's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets including restricted and unrestricted bank balance and cash and time deposits as detailed in note 17 and note 18 of the consolidated financial statements. The management considers that the interest rate risk encountered by the Group is currently not significant.

#### (iii) Credit risk

Credit risk mainly arises from restricted and unrestricted bank balances and cash and time deposits, trade receivables and other receivables. The Group limits its exposure to credit risk by rigorously selecting the counterparties with reference to their past credit history and/or market reputation. The Group's exposure to the maximum credit risk is summarised as follows:

	The Group		The Company	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Trade and other receivables	<b>7,884,137</b>	5,322,454	<b>543,938</b>	527,783
Restricted bank balances	<b>1,018,477</b>	1,209,716	–	–
Cash and cash equivalents	<b>16,909,259</b>	19,882,094	<b>12,265,116</b>	15,034,289

The credit risk on trade receivables, restricted and unrestricted bank balances and time deposits is limited because the counterparties are financial institutions with high credit ratings and the transactions with them, and any significant transactions with other parties, are approved by the directors of the Company. Management does not expect any counterparty to fail to meet its obligation.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 28. FINANCIAL INSTRUMENTS *(continued)*

### (a) Financial risk management objectives and policies *(continued)*

#### *(iii) Credit risk (continued)*

The Group reviews the recoverable amount of each individual debtor, including related and third parties, at each end of the reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At the end of the reporting period, there was one trade debtor accounted for 99% (2011: 99%) of the total outstanding trade receivables. The management considers the credit risk in respect of this debtor is minimal because it is an authorised financial institution in the PRC with high credit ratings and there is no history of default or late payment.

None of the Group's financial assets are securitised by collateral or other credit enhancements.

#### *(iv) Liquidity risk*

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment. The Group finances its working capital requirements mainly by the funds generated from operations, public fund raisings and other borrowings.

The Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 28. FINANCIAL INSTRUMENTS (continued)

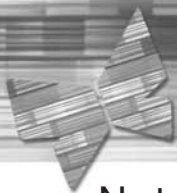
### (a) Financial risk management objectives and policies (continued)

#### (iv) Liquidity risk (continued)

	The Group		The Company	
	Within one year or on demand HK\$	Upon winding up of OCG Thailand HK\$	Total HK\$	Within one year or on demand HK\$
<b>At 31 March 2012</b>				
Trade and other payables	9,165,271	–	9,165,271	313,700
Other long-term liabilities				
<Remark>	–	345,373	345,373	–
	<b>9,165,271</b>	<b>345,373</b>	<b>9,510,644</b>	<b>313,700</b>
<b>At 31 March 2011</b>				
Trade and other payables	6,605,960	–	6,605,960	616,555
Other long-term liabilities				
<Remark>	–	352,438	352,438	–
	<b>6,605,960</b>	<b>352,438</b>	<b>6,958,398</b>	<b>616,555</b>

<Remark>

The estimated annual finance cost of other long-term liabilities approximates to Baht 124,000 (equivalent to approximately HK\$31,000).



# Notes to the Consolidated Financial Statements

Year ended 31 March 2012

## 28. FINANCIAL INSTRUMENTS (continued)

### (b) Categories and fair value of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	The Group		The Company	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Loans and receivables:				
Trade and other receivables	<b>7,884,137</b>	5,322,454	<b>543,938</b>	527,783
Restricted bank balances	<b>1,018,477</b>	1,209,716	–	–
Cash and cash equivalents	<b>16,909,259</b>	19,882,094	<b>12,265,116</b>	15,034,289
	<b>25,811,873</b>	26,414,264	<b>12,809,054</b>	15,562,072
Financial liabilities measured at amortised costs:				
Trade and other payables	<b>9,165,271</b>	6,605,960	<b>313,700</b>	616,555
Other long-term liabilities	<b>345,373</b>	352,438	–	–
	<b>9,510,644</b>	6,958,398	<b>313,700</b>	616,555

In the opinion of the directors of the Company, the carrying values of above financial assets and liabilities approximate their fair values.

## 29. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The directors of the Company consider the total equity as disclosed in the consolidated statement of financial position as the Group's capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2012 and 2011.





## Financial Summary

A summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 March 2012, 2011, 2010, 2009 and 2008, as extracted from the published audited financial statements for the year ended 31 March 2012, 31 March 2011 and 31 March 2010 or the prospectus of the Company dated 24 August 2009 after reclassification of certain expense items to conform with the latest presentation, is set out below. The amounts as set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2012 HK\$	2011 HK\$	2010 HK\$	2009 HK\$	2008 HK\$
<b>RESULTS</b>					
<b>Revenue</b>	<b>22,569,189</b>	14,102,005	12,464,267	7,807,445	7,280,097
Cost of services rendered	<b>(15,254,037)</b>	(8,695,634)	(8,284,869)	(5,104,265)	(3,887,692)
Gross profit	<b>7,315,152</b>	5,406,371	4,179,398	2,703,180	3,392,405
Other income	<b>197,591</b>	211,936	40,079	32,072	209,095
General administrative expenses	<b>(7,545,009)</b>	(7,197,475)	(4,525,457)	(2,143,064)	(2,696,723)
Selling and distribution costs	<b>(961,136)</b>	(694,486)	(673,706)	(544,676)	(559,621)
Finance costs	<b>(31,265)</b>	(30,682)	(39,709)	-	-
<b>(Loss) Profit before taxation</b>	<b>(1,024,667)</b>	(2,304,336)	(1,019,395)	47,512	345,156
Income tax expense	<b>(1,291,860)</b>	(543,761)	(474,141)	307,977	-
<b>(Loss) Profit for the year</b>	<b>(2,316,527)</b>	(2,848,097)	(1,493,536)	355,489	345,156
<b>Attributable to:</b>					
Equity holders of the Company	<b>(3,231,650)</b>	(3,332,986)	(1,879,136)	(145,451)	345,156
Non-controlling interests	<b>915,123</b>	484,889	385,600	500,940	-
	<b>(2,316,527)</b>	(2,848,097)	(1,493,536)	355,489	345,156
<b>ASSETS, LIABILITIES</b>					
Total assets	<b>26,787,897</b>	26,982,759	25,011,420	11,427,525	11,489,569
Total liabilities	<b>(9,976,553)</b>	(7,202,228)	(2,565,219)	(8,406,314)	(8,848,258)
Net assets	<b>16,811,344</b>	19,780,531	22,446,201	3,021,211	2,641,311