



FIRST QUARTERLY 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)

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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.

HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$9,409,000 for the three months ended 30 June 2012, which represented an increase of approximately 69% as compared with the Group's revenue recorded in the corresponding period in 2011.
- The loss attributable to the equity holders of the Company was approximately HK\$444,000 for the three months ended 30 June 2012, compared with that of approximately HK\$426,000 recorded in the corresponding period in 2011.
- Loss per share for the three months ended 30 June 2012 was approximately HK\$0.07 cents (2011: HK\$0.07 cents).
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2012 (2011: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2012

		Unaudited Three months ended 30 June	
	<i>NOTES</i>	2012 HK\$	2011 HK\$
Revenue	2	9,409,380	5,553,406
Cost of services rendered		(6,300,053)	(3,503,290)
Gross profit		3,109,327	2,050,116
Other income		21,916	106,168
General administrative expenses		(2,156,224)	(1,746,320)
Selling and distribution costs		(229,898)	(207,249)
Finance costs	4	(7,622)	(7,879)
Profit before taxation	4	737,499	194,836
Income tax expense	5	(629,915)	(323,926)
Profit (Loss) for the period		107,584	(129,090)
Attributable to:			
Equity holders of the Company		(444,271)	(425,916)
Non-controlling interests		551,855	296,826
		107,584	(129,090)
Loss per share for loss attributable to equity holders of the Company			
Basic and Diluted	7	(0.07) HK cents	(0.07) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

	Unaudited Three months ended 30 June	
	2012 HK\$	2011 HK\$
Profit (Loss) for the period	107,584	(129,090)
Other comprehensive loss		
Exchange difference on translation of foreign subsidiaries	(108,208)	(72,667)
Total comprehensive loss for the period	(624)	(201,757)
Attributable to:		
Equity holders of the Company	(500,134)	(470,948)
Non-controlling interests	499,510	269,191
	(624)	(201,757)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the three months ended 30 June 2012

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

The Company was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed first quarterly financial statements of the Company for the three months ended 30 June 2012 (the "First Quarterly Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The preparation of the First Quarterly Financial Statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the financial performances of the Group since 31 March 2012, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants. They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2012 (the "Annual Report").

The First Quarterly Financial Statements have been prepared on the historical costs basis.

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in preparing the Annual Report. The adoption of those new/revised HKFRS that are relevant to the Group and effective from the current period, did not have any significant effect on the results and financial position of the Group for the current and prior accounting periods.

The Group has not early adopted any new/revised HKFRS that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRS but are not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results and financial position.

2. 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:

	Unaudited	
	Three months ended	
	30 June	
	2012	2011
	HK\$	HK\$
Card acceptance transaction fee income	7,276,858	3,912,848
Foreign exchange rate discount income	2,132,522	1,250,558
Marketing service fee income	–	390,000
	9,409,380	5,553,406

3. SEGMENT REPORTING

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 People's Republic of China (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. The geographical segment information is reflected within operating segment information as the Group's two distinctive business activities are provided in two different locations.

Three months ended 30 June 2012 (unaudited)

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue	9,409,380	-	9,409,380
Segment results	2,218,383	(28,888)	2,189,495
Unallocated interest and other income			21,916
Unallocated finance costs			(7,622)
Unallocated other expenses			(1,466,290)
Profit before taxation			737,499
Income tax expense			(629,915)
Profit for the period			107,584

Three months ended 30 June 2011 (unaudited)

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue	5,163,406	390,000	5,553,406
Segment results	1,062,606	282,855	1,345,461
Unallocated interest and other income			106,168
Unallocated finance costs			(7,879)
Unallocated other expenses			<u>(1,248,914)</u>
Profit before taxation			194,836
Income tax expense			<u>(323,926)</u>
Loss for the period			<u>(129,090)</u>

4. PROFIT BEFORE TAXATION

	Unaudited Three months ended 30 June	
	2012 HK\$	2011 HK\$
This is stated after charging:		
Finance costs		
Finance costs on other long-term liabilities	7,622	7,879
Other items		
Depreciation of property, plant and equipment	159,034	45,807
Staff costs, including directors' emoluments	798,760	778,275
Operating lease charges on premises	188,222	275,122

5. TAXATION

	Unaudited Three months ended 30 June	
	2012 HK\$	2011 HK\$
Current tax		
Thailand income tax	611,913	323,926
Deferred tax		
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	18,002	-
Income tax expense for the period	629,915	323,926

(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 periods ended 30 June 2012 and 2011.

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

The Company and its subsidiaries established in the British Virgin Islands (“BVI”) are exempted from the payment of income tax in the Cayman Islands and the BVI respectively.

Oriental City Group (Thailand) Company Limited (“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 the 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 during the periods ended 30 June 2012 and 2011.

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.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2012 (2011: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 30 June 2012 is calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$444,000 (2011: approximately HK\$426,000) and on the total number of 600,000,000 ordinary shares (2011: 600,000,000 ordinary shares) in issue during the period.

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 periods.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Accumulated losses	Total		
	HK\$	HK\$	HK\$	HK\$	<Remark> HK\$	HK\$	HK\$		
For the three months ended 30 June 2012									
At 1 April 2012 (audited)	6,000,000	14,558,608	6,996,322	(248,891)	-	(12,162,413)	15,143,626	1,667,718	16,811,344
Loss for the period	-	-	-	-	-	(444,271)	(444,271)	551,855	107,584
Other comprehensive loss:									
Exchange difference on translation of foreign subsidiaries				(55,863)	-	-	(55,863)	(52,345)	(108,208)
Total comprehensive loss for the period	-	-	-	(55,863)	-	(444,271)	(500,134)	499,510	(624)
Transfer of statutory reserve	-	-	-	-	766,101	(766,101)	-	-	-
At 30 June 2012 (unaudited)	6,000,000	14,558,608	6,996,322	(304,754)	766,101	(13,372,785)	14,643,492	2,167,228	16,810,720
For the three months ended 30 June 2011									
At 1 April 2011 (audited)	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 period	-	-	-	-	-	(425,916)	(425,916)	296,826	(129,090)
Other comprehensive loss:									
Exchange difference on translation of foreign subsidiaries	-	-	-	(45,032)	-	-	(45,032)	(27,635)	(72,667)
Total comprehensive loss for the period	-	-	-	(45,032)	-	(425,916)	(470,948)	269,191	(201,757)
At 30 June 2011 (unaudited)	6,000,000	14,558,608	6,996,322	(253,372)	-	(9,356,679)	17,944,879	1,633,895	19,578,774

<Remark>

In accordance with the relevant laws and regulations in Thailand, OCG Thailand requires to appropriate not less than 5% of its net profit to the statutory reserve upon each dividend distribution, until the statutory reserve reaches 10% of its registered authorised capital. The statutory reserve is not available for dividend distribution.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review


Card acceptance business continued to be the major business of the Group. During the three months ended 30 June 2012 (the "Review Period"), the Group signed a merchant agreement with King Power Duty Free Co., Ltd ("King Power"), a duty-free store operator in Thailand, and installed approximately 300 point-of-sales terminals ("POS terminals") in the duty-free stores managed by King Power during the Review Period. Since then, the total number of transactions handled by the Group in Thailand increased substantially. Revenue from the card acceptance business increased by approximately HK\$4,246,000, representing an increase of approximately 82% as compared with the record of last year.

Business Outlook

The Group will continue to adopt a positive but prudent approach for the development of its card acceptance business in Thailand. Given that the performance of such business is highly depends on the prevailing political, environmental and other circumstances in Thailand, which are beyond the control of the Group, the Group will continue to seek new opportunities aiming to broaden the revenue base and enhance the profitability of the Group and thereby increase the value of the Company's shares.

Financial Review

With the increase in the installation of the POS terminals by the Group during the Review Period, the card acceptance transaction fee income and the foreign exchange rate discount income from the card acceptance business increased by approximately 86% and 71% respectively as compared with the record of the same in the corresponding period last year. Total revenue of the Group for the Review Period was increased by approximately 69%.



The Group's gross profit for the Review Period was approximately HK\$3,109,000, representing an increase of approximately 52% from approximately HK\$2,050,000 as recorded in the three months ended 30 June 2011. Gross profit margins were approximately 33% and 37% for the three months ended 30 June 2012 and 2011 respectively. The decrease in the gross profit margin was caused by the expiration of the marketing service fee agreement in last year, in respect of which its direct cost is minimal.

The general administrative expenses of the Group for the Review Period amounted to approximately HK\$2,156,000, representing an increase of approximately 23% as compared with the same recorded in the corresponding period last year. The increase was mainly attributable by the increase in the depreciation and other office expenses relating to the growth in card acceptance business in Thailand and the overall staff costs of the Group.

The selling and distribution costs for the Review Period amounted to approximately HK\$230,000, representing an increase of approximately 11% as compared with the same recorded in the corresponding period last year. The increase was resulting from the increase in staff cost of the marketing team in Thailand during the Review Period.

As such, the net loss attributable to the equity holders of the Company for the Review Period was amounted to approximately HK\$444,000, compared with that of approximately HK\$426,000 recorded in the corresponding period in 2011.

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

As at 30 June 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) 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 (Note)	393,000,000	65.50%
	Beneficial owner	27,000,000	4.50%

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 30 June 2012, Ms. Cheng Nga Yee held 30% equity interests in Tian Li.

Save as disclosed above, as at 30 June 2012, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Review Period, 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 in the share option scheme of the Company, at no time during the Review Period 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 30 June 2012, so far as is known to the Directors, the following persons (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:

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 30 June 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.

COMPETING INTERESTS

During the Review Period, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with 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 Review Period.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules during the Review Period, except the code provision A.2.1 which requires that the roles of chairman and chief executive ("CEO") should be separate and should not be performed by the same individual. Mr. Cheng is the chairman and responsible for the duties of the CEO of the Company. Mr. Cheng has about 16 years of experience in financial sector. The Board considers that vesting the roles of chairman and CEO in Mr. Cheng provided 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.

Besides, the Company established an internal control committee and a compliance committee on 14 August 2009 to ensure the Group's proper and appropriate control and the compliance with the applicable rules and regulations. The two committees will meet on a quarterly basis.

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' transactions in the securities of the Company. Having made specific enquiry of all Directors, the Company was confirmed by each of the Directors 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 2012 to 30 June 2012.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises Mr. Chan Chun Wai, Mr. Lee Kin Fai and Mr. Chow King Lok, all of whom are independent non-executive Directors. Mr. Chan Chun Wai has been appointed as the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee are (i) to review the annual report and accounts, half yearly reports and quarterly reports and provide advice, comments thereon to the Board and (ii) to review and supervise the financial reporting process and internal control system of the Group.

The Group's unaudited quarterly results for the three months ended 30 June 2012 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Cheng Nga Ming Vincent
Chairman

Hong Kong, 6 August 2012

As at the date of this report, the Board of Directors of the Company comprises two executive Directors, namely Mr. Cheng Nga Ming Vincent and Ms. Cheng Nga Yee, and three independent non-executive Directors, namely Mr. Chan Chun Wai, Mr. Lee Kin Fai and Mr. Chow King Lok.