奧思知集團
Oriental City Group

ANNUAL REPORT 2011

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.

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Yu Chun Fai *(Chairman)*
Mr. Cheng Nga Ming Vincent
(appointed on 25 March 2011)
Ms. Cheng Nga Yee
(appointed on 25 March 2011)

Non-executive Director
Ms. Wong Lai Chun
(resigned on 25 March 2011)

Independent Non-executive Directors
Mr. Chan Chun Wai
Mr. Chan Wing Cheung Joseph
(resigned on 25 March 2011)
Mr. Tsang Siu Tung
(resigned on 25 March 2011)
Mr. Lee Kin Fai
(appointed on 25 March 2011)
Mr. Chow King Lok
(appointed on 25 March 2011)

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. Yu Chun Fai
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. Yu Chun Fai *(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

STOCK CODE

08325

COMPLIANCE ADVISER

SBI E2-Capital (HK) Limited
Unit A2
32/F, United Centre
95 Queensway
Hong Kong

AUDITOR

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

LEGAL ADVISER

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

PRINCIPAL BANKERS

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

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 of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011.

Results of the Year

For the year ended 31 March 2011, the Group recorded revenue of approximately HK$14,102,000 and gross profit of approximately HK$5,406,000. The revenue and the gross profit of the Group increased by approximately 13% and 29% respectively, as compared with the revenue and the gross profit of the Group recorded in last year. The increase in revenue was mainly attributable to the increase in China Unionpay (the "CUP") card acceptance transaction volume and marketing service income during the year. However, with the increased general administrative expenses, basic losses per ordinary share increased from 0.35 HK cents for the year ended 31 March 2010 to 0.56 HK cents for the year ended 31 March 2011.

Review for the Year

This year was a challenging year for the Group, especially for the Group's card acceptance business in Thailand. As discussed in the Company's quarterly and interim report of the year, the card acceptance transaction volume suffered from a huge decrease during the three months ended 30 June 2010, which was mainly attributable to the unstable political condition in Thailand during the said period. The transaction volume further decreased due to the termination of the participation agreement between Siam Commercial Bank Public Company Limited ("SCB") and Oriental City Group (Thailand) Company Limited ("OCG Thailand"), a subsidiary of the Company, in May 2010. After the termination, the Group lost the customers referred by SCB including King Power Group, a major customer of the Group, in the previous year. However, the performance of the business in Thailand was improving since July 2010 and the transaction volume for January to March 2011 was even higher than the record of the same period in 2010 by 57%. The card acceptance transaction volume for the year reached Baht 2,933 million (equivalent to approximately HK$727 million), an increase of approximately 6% as compared with the record in last year.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and business partners for their continued support to the Group. We would also like to take this opportunity to express our appreciation to the management and staff for their contribution to the Group during the past year.

Yu Chun Fai
Chairman

Hong Kong, 16 June 2011

Management Discussion and Analysis

BUSINESS REVIEW

The Group's revenue was mainly generated from its card acceptance business in Thailand and co-branded card business in the People's Republic of China ("PRC") respectively. For the card acceptance transaction fee income and the foreign exchange rate discount income, they were highly dependent on Thailand's political and economic stability. Given that there was political turmoil in Bangkok, the Group's business in Thailand was seriously affected. The China National Tourism Administration even issued a warning in mid-April 2010 to notify the Chinese visitors to temporarily suspend their visit to Thailand. The revenue generated from Thailand for the three months ended 30 June 2010 suffered from a significant decrease. The Group's business in Thailand was further affected by the termination of the participation agreement signed between Oriental City Group (Thailand) Company Limited ("OCG Thailand"), a subsidiary of the Company, and Siam Commercial Bank Public Company Limited ("SCB") on 10 May 2010. As such, the Group lost the business of the card acceptance merchants referred by SCB, including the King Power Group, a major customer of OCG Thailand for the year ended 31 March 2010. However, the transaction volume started to improve in July 2010. The revenue generated from Thailand for the year ended 31 March 2011 was increased by approximately 6% as compared with the record for last year.

In relation to our cooperation on the co-branded card business with the Hainan branch of the Bank of Communications Co., Limited ("BOCOM"), the agreement between Oriental City Group (Hainan) Service Limited ("OCG China"), a wholly owned subsidiary of the Company, and BOCOM expired on 24 February 2011. Both parties decided not to renew the said agreement. However, the Board is of the view that the expiry of the agreement will not pose any material and adverse effect on the operation and financial position of the Company. For the marketing service income, it amounted to approximately HK$1,560,000 for the year under review, representing an increase of approximately 164% as compared with the record in last year.

In order to expand the revenue base of the Group, the Directors are actively exploring new business opportunities so as to diversify the revenue base and business risks of the Group.

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 2011 is set out below:

Business objectives for the period from the LPD to 31 March 2011 as stated in the Prospectus	Actual business progress up to 31 March 2011
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 has 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 agreement upon the expiration of the agreement.
To launch and further expand the life style co-branded card partnership business with other major banks to launch other lifestyle cards in the PRC and to strengthen the Group's established lifestyle cards business.	The Group has been at the negotiation stage with potential partnership banks. No agreement has yet been finalised.
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 throughout major tourist areas in Thailand.	Due to the political instability in Thailand for the year ended 31 March 2010 and the first few months of current year, the Group has slowed down its development of its card acceptance business in Thailand for the said period. Given that the political situation has improved since July 2010, with the close monitoring of the Directors, the Group has installed 29 new point-of-sales terminals in Thailand after the participation agreement between OCG Thailand and SCB was terminated on 10 May 2010. The Group will continue to look for new business merchants in Thailand for further development.
To expand its merchants' base in processing CUP card acceptance services in Laos.	A foreign investment license, a business operating license and a tax license for carrying out business in Laos were obtained in the first quarter of the year 2010. In addition, the Group became the first participating member of Lao Central Payment Network ("LCPN"), a central electronic network in Laos which provides the service of clearing electronic transactions. Business will be commenced after the approval from CUP is obtained.

USE OF PROCEEDS

As disclosed in the Company's annual report for the year ended 31 March 2010, the net proceeds from the issue of the new shares of the Company under the placing as set out in the Prospectus (the "Placing") were approximately HK$20.5 million, which was different from the estimated net proceeds of approximately HK$29 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). We intend to adjust 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 condition as follows:

	Adjusted use of the proceeds in the same manner and proportion as stated in the Prospectus from the LPD to 31 March 2011 *HK$'000*	Actual use of the proceeds from the LPD to 31 March 2011 *HK$'000*
Co-branded card partnership business	**8,271**	466
Card acceptance business	**6,362**	219
General working capital	**1,414**	5,590
Total	**16,047**	6,275

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 Group as follows in accordance with the assessment by the Directors of the development of the market conditions.

1. On its co-branded card partnership business, during the period between the LPD to 24 February 2011, the Group focused on the promotion campaigns for the Pacific – OCG Golf Card in accordance with the agreement signed between OCG China and BOCOM. The agreement expired on 24 February 2011 and both parties decided not to renew the agreement upon such expiration. The Directors are looking for other business opportunities for co-branded card partnership business in PRC;

2. On its card acceptance business, the participation agreement with SCB was terminated on 10 May 2010. After the termination, the Company installed 29 new point-of-sales card terminals and is looking for new merchants in Thailand. The Group will keep monitoring the political development in Thailand for its expansion in Thailand. As regards the expansion of the card acceptance business in Laos, the Group has already obtained the foreign investment license, the business operating license and the tax license issued by the Vientiane Capital Committee of Domestic & Foreign Investment, the Department of Domestic Trade and Industry of the Ministry of Commerce and the Department of Tax of the Ministry of Finance respectively in respect of such business in Laos. The approval from CUP has not yet been obtained as Oriental City Group Lao Co., Limited ("OCG Laos") is required to obtain the prerequisite letter of approval from the Bank of Laos before CUP would consider to allow OCG Laos to proceed on the business initiative. The Group is now negotiating with both CUP and Bank of Laos. The business will commence after the approval of CUP;

3. For the Group's general expenditure, including the payment of general and administrative expenses, such as staff costs (including directors' remuneration), professional fees and other general operating expenses, approximately HK$4,176,000 used in excess of the intended usage of proceeds was derived from the proceeds originally allocated for other usage; and

4. The remaining net proceeds as at 31 March 2011 have been placed in an interest bearing deposit account maintained with a bank in Hong Kong.

BUSINESS OUTLOOK

During the year, the Group was focusing on its card acceptance business in Thailand and co-branded card partnership business in the PRC respectively. Given the impact of the termination of the participation agreement with SCB and the expiry of the agreement with BOCOM, the Group is currently looking for other business merchants and investment opportunities in other areas for enhancing its revenue on a stable and long term basis.

On 13 January 2011, the Company released a joint announcement with Tian Li Holdings Limited ("Tian Li") that Oriental City Group Asia Limited ("OCG Asia"), the then immediate holding company of the Company, had entered into a sale and purchase agreement with Tian Li on 5 January 2011 (the "S&P Agreement"), pursuant to which OCG Asia agreed to sell and Tian Li agreed to acquire 402,000,000 shares in the Company, representing 67% of the entire issued share capital of the Company as at the date of the S&P Agreement, at the consideration of HK$40,200,000 (equivalent to HK$0.1 per sale share) which was agreed between OCG Asia and Tian Li after arm's length negotiations. Completion of the S&P Agreement took place immediately after the signing of the S&P Agreement and the consideration for the sale shares was paid by Tian Li to OCG Asia in cash upon signing of the S&P Agreement.

Immediately after the completion, Tian Li and the parties acting in concert with it became interested in 429,000,000 shares, representing 71.5% of the entire issued share capital of the Company, thereby incurring an unconditional mandatory cash offer obligation pursuant to Rule 26.1 of the Takeovers Code (the "Offer").

During the offer period, there were valid acceptances in respect of a total of 200 shares, representing approximately 0.00003% of the entire issued share capital of the Company, tendered under the Offer. Upon the close of the Offer, taking into account the 200 shares transferred to Tian Li under the Offer, Tian Li and parties acting in concert with any of them are interested in 429,000,200 shares, representing approximately 71.5% of the existing issued share capital of the Company as at the date of close of the Offer.

Aggregate of 9,000,200 shares (representing approximately 1.5% of the existing issued share capital of the Company) held by Tian Li have been placed by Kingston Securities Limited to a placee, who is independent of and not connected with the directors, the chief executives and the substantial shareholders of Tian Li and the Company and their respective subsidiaries and associates, at the placing price of HK$0.1 per share on 5 January 2011 in accordance with the terms and conditions of the placing agreement. Accordingly, completion of the placing agreement took place on 29 March 2011.

It is the intention of Tian Li that the Group will continue its existing principal businesses. Tian Li does not intend to introduce any major changes to the existing operations and the business of the Company immediately after completion of the Offer. Tian Li will conduct a more detailed review on the operations of the Group with a view to formulating a comprehensive business strategy for the Group and, subject to the result of such review, it may explore other business opportunities and consider whether any assets and/or business acquisitions by the Group would be appropriate in order to enhance the growth of the Company.

With the change in control of the Company after the Offer, Ms. Wong Lai Chun resigned as the non-executive director while Mr. Chan Wing Cheung Joseph and Mr. Tsang Siu Tung resigned as independent non-executive directors of the Company as disclosed in the Company's announcement released on 25 March 2011. On the same day, Mr. Cheng Nga Ming Vincent and Ms. Cheng Nga Yee were appointed as the executive directors while Mr. Lee Kin Fai and Mr. Chow King Lok were appointed as the independent non-executive directors of the Company. Please refer to the section headed "Biographical Details of Directors and Senior Management" of this annual report for the biographical details of Mr. Cheng Nga Ming Vincent, Ms. Cheng Nga Yee, Mr. Lee Kin Fai and Mr. Chow King Lok.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year amounted to approximately HK$14,102,000, representing an increase of approximately 13% as compared to approximately HK$12,464,000 for the corresponding period in 2010.

The increase in the Group's revenue was mainly due to the increase in CUP card acceptance transaction volume in Thailand and the increase in marketing service income. Although the political condition in Thailand was unstable during the three months ended 30 June 2010 and the participation agreement with SCB was terminated in May 2010, which led to a substantial decrease in revenue in the first quarter of the year, the performance started to improve from July 2010. Resulting from the increase in amount spent for each transaction, transaction volume of the card acceptance business for the year ended 31 March 2011 reached approximately Baht 2,933 million (equivalent to approximately HK$727 million) compared to approximately Baht 2,773 million (equivalent to approximately HK$688 million) for last year. The Group's revenue was further improved by the increase in the marketing service fee income from HK$590,000 for the year ended 31 March 2010 to HK$1,560,000 for the year ended 31 March 2011. As a result, revenue for the year was increased as compared with the record of last year.

Cost of Services Rendered

The cost of services rendered of the Group increased by about 5% from approximately HK$8,285,000 for the year ended 31 March 2010 to approximately HK$8,696,000 for the year ended 31 March 2011. The cost of services rendered mainly comprised the network cost and license fee for the card acceptance business in Thailand. The increase in the cost of services rendered was in line with the increase in revenue from the card acceptance business in Thailand.

Gross Profit and Gross Profit Margin

The gross profit for the year under review was approximately HK$5,406,000, representing an increase of approximately 29% from the year ended 31 March 2010 of approximately HK$4,179,000. This was primarily attributable to the increase in the marketing service fee income, in respect of which the direct costs were minimal. The gross profit margin for the year ended 31 March 2010 and 2011 was approximately 34% and 38% respectively.

General Administrative Expenses

The general administrative expenses of the Group for the year amounted to approximately HK$7,197,000, representing an increase of about 59% as compared to approximately HK$4,525,000 for the year ended 31 March 2010. The increase was mainly attributable by the increase in general administrative and operating expenses after the listing of the Company on 28 August 2009. Further, the legal and professional fee has been increased significantly as compared with last year. This was resulting from (i) the proposed rights issue and bonus issue and (ii) the change in the controlling shareholder as disclosed in the Company's interim and third quarterly reports for the six months and nine months ended 30 September and 31 December 2010 respectively.

Selling and Distribution Costs

The selling and distribution costs for the year amounted to approximately HK$694,000, representing an increase of about 3% compared with the amount of approximately HK$674,000 recorded in the year ended 31 March 2010.

Finance Costs

The finance costs for the year 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

The net loss attributable to equity holders of the Company was approximately HK$3,333,000 for the year under review compared with approximately HK$1,879,000 for the corresponding period in 2010. The loss was mainly attributable to the general increase in administrative and operating expenses as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 31 March 2011, the Group's other long-term borrowings amounted to Thai Baht ("Baht") 1,375,000 (equivalent to approximately HK$352,000) 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 2010 and 2011 was approximately 1%.

As at 31 March 2011, the Group had net current assets of approximately HK$19,564,000 (2010: HK$22,316,000). Current ratio as at 31 March 2011 was 3.86 (2010: 10.98). The cash and cash equivalents of the Group as at 31 March 2011 was approximately HK$19,882,000 (2010: approximately HK$22,486,000).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK$18,416,000 as at 31 March 2011 (2010: approximately HK$21,640,000).

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange rate risk as the Group's revenue is principally denominated in Renminbi ("RMB"), Baht and Hong Kong dollars while its operating expenditure is principally denominated in RMB, Baht and Hong Kong dollars. Further, the Group also received United States dollars from the operation of the CUP card acceptance business in Thailand. Apart from the receipt of CUP foreign exchange rate discount income on discount to the spot foreign exchange rate of the United States dollars against Baht, the Group has also entered into foreign currency forward contracts to mitigate the foreign exchange risk for the potential appreciation of Baht against United State dollars in Thailand. The Directors and the 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 at 31 March 2011.

Management Discussion and Analysis

RESULTS AND DIVIDENDS

For the year ended 31 March 2011, the Group recorded a revenue of approximately HK$14,102,000 (2010: approximately HK$12,464,000) and a net loss attributable to equity holders of the Company of approximately HK$3,333,000 as compared to approximately HK$1,879,000 for the corresponding period in the previous financial year. The basic loss per share was 0.56 HK cents (2010: 0.35 HK cents).

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2011, the Group had a total staff of 11 (31 March 2010: 12) 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 2011.

CAPITAL COMMITMENTS

As at 31 March 2011, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounting to HK$225,000 (2010: HK$225,000).

CHARGES ON ASSETS

As at 31 March 2011, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not have any significant contingent liabilities.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yu Chun Fai ("Mr. Yu"), aged 49, was the founder of the Group and has been appointed as the Chairman and an executive director of the Company since *December 2007*. He leads a team of dedicated employees with extensive industry knowledge and experience, and oversees the Group's card payment business. Mr. Yu is responsible for the Group's strategic business development as well as day to day management. He established the Group's business platform of being a successful lifestyle card and payment business entity, with the substantial experience he brought to the Group. Mr. Yu has over 20 years of experience in the card payment and financial services industry. He is also the chairman of the Company's compliance committee. He obtained a bachelor degree in business administration from North Texas States University, United States. Mr. Yu is an independent non-executive director of New World Department Store China Limited, a company listed on the Main Board of the Stock Exchange. Mr. Yu is also a non-executive chairman of Oriental City Group plc ("OCG UK"), a company listed on PLUS Market plc of the United Kingdom.

Mr. Cheng Nga Ming Vincent ("Mr. Cheng"), aged 40, was appointed as an executive director of the Company on 25 March 2011. 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 15 years of experience in investment with hedge fund groups responsible for investment portfolios with a primary focus in Asia.

Ms. Cheng Nga Yee ("Ms. Cheng"), aged 37, was appointed as an executive director of the Company on 25 March 2011. She graduated from San Francisco State University with major in marketing. She is the sister of Mr. Cheng. She has about 10 years of experience in investment. She also has about 3 years' experience as a business consultant in a company listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Chan Chun Wai ("Mr. Chan"), aged 39, was appointed as an independent non-executive director of the Company 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 the GEM of the Stock Exchange, and China Nutrifruit Group Limited, a company listed on American Stock Exchange. 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 38, was appointed as an independent non-executive director of the Company on 25 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 is currently an independent non-executive director of ePRO Limited, a company listed on the GEM of the Stock Exchange. 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 10 years' experience in accounting, audit and taxation field.

Mr. Chow King Lok ("Mr. Chow"), aged 63, was appointed as an independent non-executive director of the Company on 25 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 the period from August 2008 to August 2010.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Sung Hak Keung Andy, aged 37, joined the Group in January 2009. Mr. Sung is a vice president and company secretary of the Group. Mr. Sung has over 10 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 degree in business administration from University of Manchester in the United Kingdom and a bachelor degree in commerce from University of Toronto in Canada.

Mr. Phuri Khamphidet, aged 45, joined the Group in January 2005. He is the managing director of OCG Thailand. Mr. Khamphidet has extensive experience in credit card business development and marketing with more than 15 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 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 42, 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 degree in business administration in general management from Ramkhamhaeng University in Thailand.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards 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 2011, 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 Rues 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 on 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 2010 (for Mr. Yu and Mr. Chan) or 25 March 2011 (being the date of their respective appointments as director for Mr. Cheng, Ms. Cheng, Mr. Lee and Mr. Chow) to 31 March 2011.

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.

The Board currently comprises three executive directors and three independent non-executive directors ("INEDs"). The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 13 to 15 of this annual report.

During the year ended 31 March 2011, the Board met 9 times. The attendances of individual at these Board meetings were as follows:

Name of director	Board Meeting	Audit Committee Meeting	Compliance Committee Meeting	Internal Control Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors						
Mr. Yu Chun Fai	9/9	N/A	6/6	N/A	N/A	N/A
Mr. Cheng Nga Ming Vincent (appointed on 25 March 2011)	1/9	N/A	N/A	N/A	N/A	N/A
Ms. Cheng Nga Yee (appointed on 25 March 2011)	1/9	N/A	N/A	N/A	N/A	N/A
Non-executive Director						
Ms. Wong Lai Chun (resigned on 25 March 2011)	8/9	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors ("INEDs")						
Mr. Chan Chun Wai	9/9	4/4	6/6	6/6	1/1	1/1
Mr. Chan Wing Cheung Joseph (resigned on 25 March 2011)	8/9	4/4	5/6	5/6	1/1	0/1
Mr. Tsang Siu Tung (resigned on 25 March 2011)	8/9	4/4	5/6	5/6	1/1	0/1
Mr. Lee Kin Fai (appointed on 25 March 2011)	1/9	0/4	1/6	1/6	0/1	1/1
Mr. Chow King Lok (appointed on 25 March 2011)	1/9	0/4	1/6	1/6	0/1	1/1

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 is the Chairman and assumes the duties of the CEO of the Company; Mr. Yu has over 20 years of experience in card payment and financial services industry. The Board considers that vesting the roles of chairman and chief executive officer in the same individual 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.

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. Yu) with terms of reference in accordance with the principles set out in the CG Code. As disclosed in the Company's announcement released on 25 March 2011, Ms. Wong Lai Chun resigned as the non-executive Director of the Company while Mr. Chan Wing Cheung, Joseph and Mr. Tsang Siu Tung resigned as the independent non-executive Directors of the Company. Mr. Cheng Nga Ming, Vincent and Ms. Cheng Nga Yee were appointed as the executive Directors of the Company while Mr. Lee Kin Fai and Mr. Chow King Lok were appointed as the independent non-executive Directors of the Company respectively. The change in Directors was effective on 25 March 2011. As such, the compositions of the various committees of the Company have changed as follows:

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.

Remuneration committee

The Company has established a remuneration committee which determines the remuneration and other benefits paid by the Group to the Directors and senior management. The remuneration of all the Directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

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

Audit committee

The audit committee of the Company currently comprises Mr. Chan Chun Wai, Mr. Lee Kin Fai and Mr. Chow King Lok. All of whom are INEDs, 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 primary responsibilities of the audit committee are (i) to review the annual report and accounts, half yearly report and quarterly reports and provide advice and comments thereon to the Board and (ii) to review and supervise the financial reporting process and internal control system of the Group.

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

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.

The compliance committee currently comprises Mr. Yu Chun Fai, the executive Director and compliance officer of the Company, together with Mr. Chan Chun Wai (also a compliance officer). Mr. Lee Kin Fai and Mr. Chow King Lok, all of whom being the INEDs. Mr. Yu Chun Fai is the chairman of the compliance committee.

AUDITOR'S REMUNERATION

For the year ended 31 March 2011, the remuneration paid/payable to the auditor, Mazars CPA Limited, in respect of audit services amounted to HK$270,000 (2010: HK$220,000) and non-audit service assignment amounted to HK$102,500 (2010: HK$40,000).

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.

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 to form an independent opinion based on the 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) provides a communication platform to the public and the shareholders.

Directors' Report

The Board of Directors is pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 March 2011 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 35 to 83 of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 March 2011 (2010: 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$6.3 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 amounted to approximately HK$14.2 million as at 31 March 2011 had been placed in an interesting bearing deposit account maintained with a bank in Hong Kong. The net proceeds have been applied by the Group in accordance with the Directors' assessment of the development of the market condition.

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 84 of this annual report. The 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 RIGHT

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 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 2011, the Company's reserve available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately HK$10,654,000 (2010: HK$13,604,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2011, 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	18%
– The total of five largest customers	53%
Cost of services rendered	
– The largest supplier	100%
– The total of five largest suppliers	100%

As far as the Directors 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:

Executive Directors:

Mr. Yu Chun Fai	
Mr. Cheng Nga Ming Vincent	(appointed on 25 March 2011)
Ms. Cheng Nga Yee	(appointed on 25 March 2011)

Non-executive Director:

Ms. Wong Lai Chun	(resigned on 25 March 2011)

Independent Non-executive Directors:

Mr. Chan Chun Wai	
Mr. Chan Wing Cheung Joseph	(resigned on 25 March 2011)
Mr. Tsang Siu Tung	(resigned on 25 March 2011)
Mr. Lee Kin Fai	(appointed on 25 March 2011)
Mr. Chow King Lok	(appointed on 25 March 2011)

In accordance with article 84 of the Company's articles of association, Mr. Yu Chun Fai shall be required to retire from office by rotation and being eligible, had offered himself for re-election, at the forthcoming annual general meeting of the Company.

In accordance with article 83(3) of the Company's articles of association, Mr. Cheng Nga Ming Vincent, Ms. Cheng Nga Yee, Mr. Chow King Lok and Mr. Lee Kin Fai shall hold office only until the forthcoming annual general meeting of the Company and all being eligible, had offered themselves for re-election at the said forthcoming annual general meeting.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographic information of the Directors and senior management of the Group are set out on pages 13 to 15 of this annual report.

DIRECTOR'S SERVICE CONTRACTS

Mr. Yu Chun Fai ("Mr. Yu") has entered into a director's service agreement dated 14 August 2009 (as amended on 25 November 2009) with the Company under which he has been 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, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other party. Mr. Yu is 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).

In addition, Mr. Yu is also entitled, in respect of the financial year ending 31 March 2011 and each financial year thereafter, to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all directors for any financial year of the Company may not exceed 5% of the combined audited net profits of the Group (after taxation and minority interests but before payment of such management bonuses and extraordinary or exceptional items) in respect of that financial year. An executive director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him.

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

Name	Amount
Mr. Yu	HK$120,000
Mr. Cheng	HK$120,000
Ms. Cheng	HK$120,000

Mr. Chan Chun Wai, the INED have been appointed for a term of one year expiring on 13 August 2011. 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.

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, an executive Director of the Company, is also the chairman and the director of OCG UK, the Company's ultimate holding company until 5 January 2011, being the date of disposal of equity interest of the Company by OCG Asia. He holds approximately 23.6% beneficial interest in OCG UK, which was fully disposed on 27 April 2011. In view of the fact that following the listing of the Company's shares on GEM, (i) Mr. Yu has been involved in the day-to-day management of the business of the Company whilst Ms. Wong Lai Chun, the other director of OCG UK and the former non-executive Director of the Company until 25 March 2011 has mainly been responsible for the management of OCG UK and (ii) the Company remains a subsidiary of OCG UK and one of the group members of OCG UK until 5 January 2011, the Company considers that there will be no material conflict of interest resulting from the overlapping positions of Mr. Yu and Ms. Wong Lai Chun as directors of the Company and OCG UK. Mr. Yu and Ms. Wong Lai Chun are merely business associates. Following the listing of the Company's shares on GEM, Mr. Yu's role in OCG UK has been focused on business development strategies and Ms. Wong's role in OCG UK has been focused on providing business development advice. With effect from 4 September 2009, Mr. Yu ceased to have any executive role in OCG UK and remains appointed as non-executive chairman of OCG UK and Ms. Wong Lai Chun has been appointed as chief executive officer of OCG UK. Ms. Wong Lai Chun has resigned as the non-executive Director of the Company on 25 March 2011.

The non-payment golf membership card business operated by OCG UK through Oriental City Group Limited 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 can devote sufficient attention to manage the business and affairs of the Group. Each of OCG UK, Mr. Yu and Ms. Wong Lai Chun (collectively the "Covenantors") has entered into a non-competition undertaking on 14 August 2009 pursuant to which, inter alia, OCG UK together with its subsidiaries (including Oriental City Group Bank Limited) and associates (other than the Group), shall not conduct any business that will be in competition with that of the Group (the "Undertaking"). The Covenantors have made annual confirmations confirming that they and their respective associates have complied with the Undertaking. The INEDs have also reviewed whether the Covenantors and their respective associates have complied with the Undertaking and they are satisfied that the Covenantors and their respective associates have in compliance of the Undertaking.

Save as disclosed above, during the year, 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 the 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 note 10 and 11 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 2011, 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:

(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 1)*	393,000,000	65.5%
	Beneficial owner	27,000,000	4.5%
Mr. Yu Chun Fai ("Mr. Yu")	Beneficial owner	24,000,000	4%
Ms. Wong Lai Chun	Beneficial owner *(Note 2)*	6,000,000	1%

Note 1: These Shares were held by Tian Li Holdings Limited which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee respectively. Ms. Cheng Nga Yee is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li Holdings Limited, he is deemed to be interested in the 393,000,000 Shares held by Tian Li Holdings Limited under the SFO.

2: Ms. Wong Lai Chun resigned as the non-executive Director of the Company on 25 March 2011.

(b) Associated corporations

As at 31 March 2011, Ms. Cheng Nga Yee held 30% equity interests in Tian Li Holdings Limited.

Save as disclosed above, as at 31 March 2011, 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.

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 2011, 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 Holdings Limited ("Tian LI")	Beneficial owner	393,000,000	65.5%

Note: Tian Li is a company owned as to 70% and 30% by Mr. Cheng Nga Ming Vincent and Ms. Cheng Nga Yee 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 2011, 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 31 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.

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 Supplemental 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 Supplemental 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.

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 approximately HK$116,000 (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 exceed the annual cap of HK$276,000 for the year ended 31 March 2011 as disclosed in the Prospectus in respect of the transaction.

RELATED PARTY TRANSACTION

Except for the transaction under the Supplemental 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 during the year.

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.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 4 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 interests 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 2011.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 20 of the 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.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2011 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

Yu Chun Fai
Chairman

Hong Kong, 16 June 2011

Independent Auditor's Report

MAZARS

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Website網址: www.mazars.com.hk

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 35 to 83, which comprise the consolidated and the Company's statement of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 the 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 the 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.

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 2011 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, 16 June 2011

Fung Shiu Hang
Practising Certificate number: P04793

Consolidated Income Statement

Year ended 31 March 2011

	NOTE	**2011** **HK$**	2010 HK$
Revenue	7	**14,102,005**	12,464,267
Cost of services rendered		**(8,695,634)**	(8,284,869)
Gross profit		**5,406,371**	4,179,398
Other income	8	**211,936**	40,079
General administrative expenses		**(7,197,475)**	(4,525,457)
Selling and distribution costs		**(694,486)**	(673,706)
Finance costs	9	**(30,682)**	(39,709)
Loss before taxation	9	**(2,304,336)**	(1,019,395)
Taxation	12	**(543,761)**	(474,141)
Loss for the year		**(2,848,097)**	(1,493,536)
Attributable to:			
Equity holders of the Company	13	**(3,332,986)**	(1,879,136)
Minority interests		**484,889**	385,600
		(2,848,097)	(1,493,536)
Losses per share for loss attributable to equity holders of the Company			
Basic and diluted	14	**(0.56) HK cents**	(0.35) HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

	2011 ***HK$***	2010 *HK$*
Loss for the year	**(2,848,097)**	(1,493,536)
Other comprehensive income		
Exchange difference on translation of foreign subsidiaries	**182,427**	218,851
Total comprehensive loss for the year	**(2,665,670)**	(1,274,685)
Attributable to:		
Equity holders of the Company	**(3,224,456)**	(1,716,248)
Minority interests	**558,786**	441,563
	(2,665,670)	(1,274,685)

Consolidated Statement of Financial Position

At 31 March 2011

	NOTE	**2011 HK$**	2010 HK$
Non-current assets			
Property, plant and equipment	16	**493,495**	321,195
Other non-current assets		**75,000**	137,500
		568,495	458,695
Current assets			
Trade and other receivables	17	**5,322,454**	1,716,943
Restricted bank balances	18	**1,209,716**	349,958
Cash and cash equivalents	19	**19,882,094**	22,485,824
		26,414,264	24,552,725
Current liabilities			
Trade and other payables	20	**6,605,960**	2,193,675
Tax payables		**243,830**	42,581
		6,849,790	2,236,256
Net current assets		**19,564,474**	22,316,469
Total assets less current liabilities		**20,132,969**	22,775,164
Non-current liabilities			
Other long-term liabilities	21	**352,438**	328,963
NET ASSETS		**19,780,531**	22,446,201
Capital and reserves			
Share capital	22	**6,000,000**	6,000,000
Reserves		**12,415,827**	15,640,283
Total equity attributable to equity holders of the Company		**18,415,827**	21,640,283
Minority interests		**1,364,704**	805,918
TOTAL EQUITY		**19,780,531**	22,446,201

Approved and authorised for issue by the Board of Directors on 16 June 2011

Yu Chun Fai	**Cheng Nga Ming Vincent**
Director	*Director*

Statement of Financial Position

At 31 March 2011

	NOTE	2011 HK$	2010 HK$
Non-current assets			
Interests in subsidiaries	15	**1,708,094**	4,865,112
Current assets			
Trade and other receivables	17	**527,783**	5,293
Cash and cash equivalents	19	**15,034,289**	15,007,726
		15,562,072	15,013,019
Current liabilities			
Trade and other payables	20	**616,555**	265,069
Net current assets		**14,945,517**	14,747,950
NET ASSETS		**16,653,611**	19,613,062
Capital and reserves			
Share capital	22	**6,000,000**	6,000,000
Reserves	23	**10,653,611**	13,613,062
TOTAL EQUITY		**16,653,611**	19,613,062

Approved and authorised for issue by the Board of Directors on 16 June 2011

Yu Chun Fai
Director

Cheng Nga Ming Vincent
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Accumulated losses**	**Total**	**Minority interests**	**Total equity**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
		(note 23(a))	*(note 23(b))*	*(note 23(c))*				
At 1 April 2009	–	–	6,855,255	(479,758)	(3,718,641)	2,656,856	364,355	3,021,211
Loss for the year	–	–	–	–	(1,879,136)	(1,879,136)	385,600	(1,493,536)
Exchange difference on translation of foreign subsidiaries	–	–	–	162,888	–	162,888	55,963	218,851
Total comprehensive loss for the year	–	–	–	162,888	(1,879,136)	(1,716,248)	441,563	(1,274,685)
Reorganisation	10,000	–	(8,933)	–	–	1,067	–	1,067
Placing of new shares	1,500,000	33,000,000	–	–	–	34,500,000	–	34,500,000
Capitalisation issue	4,490,000	(4,490,000)	–	–	–	–	–	–
Share placement expenses	–	(13,951,392)	–	–	–	(13,951,392)	–	(13,951,392)
Deemed capital contribution from equity holders of the Company	–	–	150,000	–	–	150,000	–	150,000
At 31 March 2010	6,000,000	14,558,608	6,996,322	(316,870)	(5,597,777)	21,640,283	805,918	22,446,201
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)
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)
At 31 March 2011	**6,000,000**	**14,558,608**	**6,996,322**	**(208,340)**	**(8,930,763)**	**18,415,827**	**1,364,704**	**19,780,531**

Consolidated Statement of Cash Flows

Year ended 31 March 2011

	NOTE	2011 HK$	2010 HK$
OPERATING ACTIVITIES			
Cash (used in) generated from operations	25	**(2,149,509)**	1,825,129
Interest received		**32,871**	21,384
Interest paid		–	(13,700)
Income tax paid		**(318,309)**	(128,498)
Net cash (used in) from operating activities		**(2,434,947)**	1,704,315
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(313,249)**	(41,964)
Payment for non-current assets		–	(137,500)
Net cash used in investing activities		**(313,249)**	(179,464)
FINANCING ACTIVITIES			
Advances from related parties		–	1,261,403
Capital injection by shareholders upon reorganisation		–	1,067
Other short-term loan raised		–	4,000,000
Proceeds from placing of new shares		–	34,500,000
Proceeds from the issuance of preference shares by a non-wholly owned subsidiary		–	328,963
Payment of share placement expenses		–	(12,192,743)
Repayment of other short-term loan		–	(4,000,000)
Repayment of advances from related parties		–	(3,662,921)
Net cash from financing activities		–	20,235,769
Net (decrease) increase in cash and cash equivalents		**(2,748,196)**	21,760,620
Cash and cash equivalents at beginning of year		**22,485,824**	674,966
Effect on exchange rate changes		**144,466**	50,238
Cash and cash equivalents at end of year	19	**19,882,094**	22,485,824

Notes to the Consolidated Financial Statements

Year ended 31 March 2011

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 registered office of the Company is situated 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 15 to the consolidated financial statements.

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

At 31 March 2011 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. GROUP REORGANISATION AND BASIS OF PRESENTATION

Group reorganisation

Pursuant to a group reorganisation completed on 14 August 2009 (the "Reorganisation") to rationalise the corporate structure in preparation for the initial listing of the Company's shares (the "Listing") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the entities now comprising the Group. Details of the Reorganisation were set out in the prospectus of the Company dated 24 August 2009 (the "Prospectus") in connection with the Listing.

The shares of the Company were listed on the GEM on 28 August 2009.

Basis of presentation

As the Group was controlled by Oriental City Group plc (the "Former Controlling Party") immediately before and after the Reorganisation, the Reorganisation is considered as a business combination under common control in a manner similar to pooling-of-interests and the merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting Under Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Under this basis, the comparative information of the year ended 31 March 2010 included in the consolidated financial statements for the year ended 31 March 2011 are presented as if the current group structure had been in existence since the date of incorporation/establishment of the group entities or since the date when the combining entities or business first came under common control, regardless of the date of the common control combination.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION *(continued)*

Basis of presentation *(continued)*

The net assets of the consolidating entities or businesses are consolidated using the existing book values from the Former Controlling Party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interests in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the Former Controlling Party's interests. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

In addition, the Former Controlling Party provided certain corporate administration services, including sharing of office premises and salary expenses for management team, to the Group without charges prior to the Listing.

Given that the cost of those corporate administration services was part of the business activities of the Group, the following costs as shared with the Former Controlling Party have been charged to profit or loss and credited as deemed capital contribution from the Former Controlling Party in the equity.

	2011	2010
	HK$	*HK$*
Corporate administration expenses	–	150,000

3. 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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the 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 consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 March 2010 except for the adoption of certain new/revised HKFRS effective from the current period that are relevant to the Group as detailed in note 4 to the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out in note 4 to the consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRS

The adoption of the following 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.

HKAS 27 (Revised): Consolidated and Separate Financial Statements

The revised HKAS 27 requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognised as an equity transaction. It also requires, when the Group loses control of a subsidiary, any interest retained in the former subsidiary to be remeasured at fair value with the gain or loss recognised in profit or loss. The new accounting policies are set out in the note headed "Basis of consolidation" below.

Improvements to HKFRSs 2009 – Amendments to HKFRS 8: Disclosure of information about segment assets

The amendments clarify that the disclosure of segment assets is required only if that measure is regularly reported to the chief operating decision maker.

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 ceased.

Minority interests are presented separately in the consolidated income statement and statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the Company. For each business combination occurs on or after 1 April 2010, the minority interest in the acquiree is measured initially either at fair value or at the minority interest's proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. For each business combination occurred prior to 1 April 2010, the minority interest in the acquiree was measured at the minority interest's proportionate share of the acquiree's net assets.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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 minority interests. From 1 April 2010, total comprehensive income is attributed to the equity holders of the Company and the minority interest even if this results in the minority interest having a deficit balance. Prior to 1 April 2010, losses applicable to the minority interest in excess of the minority interest in the subsidiary's equity are allocated against the interests of the equity holders of the Company except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

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 minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the minority 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 minority 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.

Subsidiaries

A subsidiary, is an entity, in which the Company, directly or indirectly, 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.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 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, at the following rate per annum:

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.

Financial instruments

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 the Group's contractual rights to future cash flows from the financial asset expire or 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.

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.

4. 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.

Financial liabilities measured at amortised costs

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Service income is recognised when services are rendered.

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 ("functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency of each Group's entities 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.

On consolidation, 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.

4. 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 determine whether the carrying amounts of 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.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

(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 former contractual arrangement (the "Structure Contracts") and existing preference shares structure arrangement (the "Preference Shares Structure") of OCG Thailand as described in note 15 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 Structure Contracts and 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 Structure Contracts and the Preference Shares Structure are valid, legal and enforceable in Thailand.

Based upon the management's judgement on the Structure Contracts and 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.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

(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 the profit or loss.

(ii) Impairment of property, plant and equipment

The management determines whether the Group's property, plant and equipment are impaired at least on an annual basis or where 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 cause 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.

5. FUTURE CHANGES IN HKFRS

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

Amendments to HKFRS 1 (Revised)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
Amendments to HK(IFRIC) – Int 14	*Prepayments of a Minimum Funding Requirement* [2]
Improvements to HKFRSs 2010	*Improvements to HKFRSs 2010* [3]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [4]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [5]
HKFRS 9	*Financial Instruments* [6]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company 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 consolidated financial statements.

6. 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.

6. SEGMENT REPORTING *(continued)*

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 share of corporate administration expenses, interest and other income, finance costs, general administrative expenses incurred by corporate office and taxation. Assets and liabilities are allocated to the reportable segments unless they are directly attributable to corporate office.

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.

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 B	**–**	**1,560,000**	**1,560,000**
Other customers	**9,896,982**	**46,638**	**9,943,620**
	12,495,367	**1,606,638**	**14,102,005**
Segment results	**1,774,386**	**1,249,227**	**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)**
Taxation			**(543,761)**
Loss for the year			**(2,848,097)**

6. SEGMENT REPORTING *(continued)*

Year ended 31 March 2010

	Card acceptance business *HK$*	Co-branded card partnership business and marketing business *HK$*	Consolidated *HK$*
Segment revenue			
Major customer A	4,244,178	–	4,244,178
Major customer C	2,161,363	–	2,161,363
Other customers	5,359,916	698,810	6,058,726
	11,765,457	698,810	12,464,267
Segment results	1,455,839	383,525	1,839,364
Unallocated share of corporate administration expenses			(150,000)
Unallocated interest and other income			40,079
Unallocated finance costs			(39,709)
Unallocated other expenses			(2,709,129)
Loss before taxation			(1,019,395)
Taxation			(474,141)
Loss for the year			(1,493,536)

6. SEGMENT REPORTING *(continued)*

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

At 31 March 2011

	Card acceptance business *HK$*	Co-branded card partnership business and marketing business *HK$*	Consolidated *HK$*
Property, plant and equipment *<Remark>*	359,726	133,769	493,495
Other assets	9,387,323	28,130	9,415,453
Segment assets	9,747,049	161,899	9,908,948
Unallocated corporate assets			17,073,811
Consolidated total assets			26,982,759
Segment liabilities	6,558,374	–	6,558,374
Unallocated corporate liabilities			643,854
Consolidated total liabilities			7,202,228

<Remark>

During the year ended 31 March 2011, depreciation on the property, plant and equipment of the card acceptance business and the co-branded card partnership business and marketing business amounted to HK$153,937 and HK$10,382 respectively.

6. SEGMENT REPORTING *(continued)*

At 31 March 2010

	Card acceptance business *HK$*	Co-branded card partnership business and marketing business *HK$*	Consolidated *HK$*
Property, plant and equipment *<Remark>*	309,083	9,484	318,567
Other assets	3,474,072	193,085	3,667,157
Segment assets	3,783,155	202,569	3,985,724
Unallocated corporate assets			21,025,696
Consolidated total assets			25,011,420
Segment liabilities	1,952,599	–	1,952,599
Unallocated corporate liabilities			612,620
Consolidated total liabilities			2,565,219

<Remark>

During the year ended 31 March 2010, depreciation on the property, plant and equipment of the card acceptance business and the co-branded card partnership business and marketing business amounted to HK$296,249 and HK$2,968 respectively.

7. REVENUE

Revenue 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:

	2011 ***HK$***	2010 *HK$*
Co-branded card annual and transaction fee income	**46,638**	108,810
Card acceptance transaction fee income	**9,896,982**	9,604,094
Foreign exchange rate discount income	**2,598,385**	2,161,363
Marketing service fee income	**1,560,000**	590,000
	14,102,005	12,464,267

8. OTHER INCOME

	2011 ***HK$***	2010 *HK$*
Bank interest income	**32,871**	21,384
Income from operating sublease	**90,000**	–
Other interest income	**–**	2,003
Sundry income	**89,065**	16,692
	211,936	40,079

9. LOSS BEFORE TAXATION

	2011	2010
	HK$	*HK$*
This is stated after charging:		
(a) Finance costs		
Finance costs on other long-term liabilities	**30,682**	26,009
Interest expenses on other short-term loan	**–**	13,700
	30,682	39,709
(b) Staff costs, including key management remuneration		
Salaries, allowances and other short-term employee benefits	**2,768,149**	2,027,500
Contributions to defined contribution plans	**91,101**	57,132
	2,859,250	2,084,632
(c) Key management remuneration, including directors' remuneration		
Salaries, allowances and other short-term employee benefits	**2,132,878**	1,683,509
Contributions to defined contribution plans	**29,969**	20,891
	2,162,847	1,704,400
(d) Other items		
Auditor's remuneration	**313,650**	290,898
Depreciation of property, plant and equipment	**164,319**	299,217
Operating lease charges on premises	**633,332**	285,353

10. 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$*	Total *HK$*
Year ended 31 March 2011				
Executive director				
Mr. Yu Chun Fai	**–**	**120,000**	**6,000**	**126,000**
Mr. Cheng Nga Ming Vincent	**–**	**2,258**	**–**	**2,258**
Ms. Cheng Nga Yee	**–**	**2,258**	**–**	**2,258**
	–	**124,516**	**6,000**	**130,516**
Non-executive director				
Ms. Wong Lai Chun	**98,386**	**–**	**–**	**98,386**
Independent non-executive directors				
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	**903**	**–**	**–**	**903**
Mr. Chow King Lok	**903**	**–**	**–**	**903**
	298,578	**–**	**–**	**298,578**
	396,964	**124,516**	**6,000**	**572,480**
Year ended 31 March 2010				
Executive director				
Mr. Yu Chun Fai	–	220,323	5,016	225,339
Non-executive director				
Ms. Wong Lai Chun	59,409	–	–	59,409
Independent non-executive directors				
Mr. Chan Chun Wai	59,409	–	–	59,409
Mr. Chan Wing Cheung, Joseph	59,409	–	–	59,409
Mr. Tsang Siu Tung	59,409	–	–	59,409
	178,227	–	–	178,227
	237,636	220,323	5,016	462,975

10. DIRECTORS' REMUNERATION *(continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 March 2011 (2010: 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 2011 (2010: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2010: one) director, Mr. Yu Chun Fai, of whose remuneration is set out in note 10 to the consolidated financial statements. Details of the remuneration of the remaining four (2010: four) non-directors, highest paid employees for the year are as follows:

	2011	2010
	HK$	*HK$*
Salaries, allowances and other short-term employee benefits	**1,852,742**	1,260,180
Contributions to defined contribution plans	**33,192**	15,497
	1,885,934	1,275,677

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

	Number of employees	
	2011	2010
Band		
Nil to HK$1,000,000	**4**	4

During the year ended 31 March 2011, 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 (2010: 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 2011 (2010: Nil).

12. TAXATION

	2011	2010
	HK$	*HK$*
Current tax	**543,761**	163,346
Deferred tax		
Utilisation of tax losses	**–**	310,795
Tax expense for the year	**543,761**	474,141

(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 2011 and 2010.

(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 2011 and 2010.

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.

12. TAXATION *(continued)*

Reconciliation of tax expense

	2011	2010
	HK$	*HK$*
Loss before taxation	**(2,304,336)**	(1,019,395)
Income tax at applicable tax rate	**(577,445)**	(153,345)
Non-deductible expenses	**1,050,991**	544,721
Non-taxable income	**(161)**	(610)
Unrecognised tax losses	**69,755**	43,200
Others	**621**	40,175
Tax expense for the year	**543,761**	474,141

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. TAXATION *(continued)*

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:

	The Group	
	2011	2010
	HK$	*HK$*
Year 2011	**–**	648,664
Year 2012	**315,020**	308,644
Year 2013	**645,036**	631,981
Year 2014	**178,895**	175,274
Year 2015	**200,420**	196,364
Year 2016	**225,752**	–
	1,565,123	1,960,927

The retained earnings of certain foreign subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of retained earnings of these foreign subsidiaries are approximately HK$216,000 (2010: HK$156,000). In the opinion of the directors of the Company, these retained earnings, at the present time, are required for financing the continuing operations of the subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provision for additional deferred taxation has been made.

13. 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 2011 includes a loss of HK$2,959,451 (2010: HK$945,546) which has been dealt with in the financial statements of the Company.

14. LOSSES PER SHARE

Basic losses per share for the year ended 31 March 2011 are calculated based on the consolidated loss for the year attributable to the equity holders of the Company of HK$3,332,986 (2010: HK$1,879,136) and on the weighted average number of 600,000,000 ordinary shares (2010: 538,767,123) ordinary shares in issue during the year.

In determining the weighted average number of ordinary shares in issue, 1 ordinary share issued on incorporation of the Company, 893,332 ordinary shares issued as consideration for the acquisition by the Company for issued share captial of Charm Act Group Limited and 106,667 ordinary shares allotted to other shareholders and the capitalisation issue of 449,000,000 ordinary shares upon the Listing on 28 August 2009 were deemed to have been in issue on 1 April 2009 for the purpose of the calculation of basic losses per share.

Diluted losses per share amounts have not been presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 March 2011 and 2010.

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$	*HK$*
Unlisted shares, at cost	**8,933**	8,933
Due from subsidiaries	**1,699,161**	4,856,179
	1,708,094	4,865,112

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.

15. INTERESTS IN SUBSIDIARIES *(continued)*

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 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
奧思知（海南）服務有限公司 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.*

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.

15. INTERESTS IN SUBSIDIARIES *(continued)*

<Remark>

Prior to 28 April 2009, to comply with laws and regulations of Thailand on foreign invested companies, the Group operates its card acceptance business through OCG Thailand whose 11% ordinary equity interests (the "11% Security Interests") are held by Mr. Panthong Limpkittisin ("Mr. Limpkittisin"), a senior management personnel of OCG Thailand.

The paid-up capital of the 11% Security Interests was funded by Oriental City Group Limited ("OCG HK"), through loans of Baht 687,000 (equivalent to approximately HK$176,000) extended to Mr. Limpkittisin. OCG HK has entered into certain contractual arrangements (the "Structure Contracts") with Mr. Limpkittisin, including a loan agreement for Mr. Limpkittisin to contribute paid-up capital to OCG Thailand, a share purchase option agreement ("Share Purchase Option Agreement") for OCG HK to acquire the 11% Security Interests in OCG Thailand subject to compliance with Thailand's laws, a pledge of shares agreement ("Pledge of Shares Agreement") over the 11% Security Interests of OCG Thailand held by Mr. Limpkittisin, and a proxy agreement irrevocably authorising individuals designated by OCG HK to exercise the equity owners' rights over OCG Thailand, whichever is applicable.

On 28 December 2007, OCG HK (a) assigned to OCG Thailand (BVI) (i) all the interests and benefits of its loan in the aggregate of Baht 687,500 (equivalent to approximately HK$176,000) advanced to Mr. Limpkittisin and (ii) all its rights and interests under the Share Purchase Agreement, entered into between OCG HK and Mr. Limpkittisin; and (b) released unto Mr. Limpkittisin the Pledge of Shares Agreement entered into between OCG HK and Mr. Limpkittisin, at a total consideration of HK$2,245. On 28 December 2007, Mr. Limpkittisin pledged the 11% Security Interests to OCG Thailand (BVI) under a new pledge of shares agreement and irrevocably and unconditionally authorised individuals designated by OCG Thailand (BVI) to exercise the equity owner's rights over the 11% Security Interests under a new proxy agreement, after which OCG Thailand (BVI) holds, other than its 49% legal interests, the 11% Security Interests in OCG Thailand.

The Group believes that, notwithstanding the lack of equity ownership, the Structure Contracts described above give the Group control over OCG Thailand in substance. Accordingly, the results and financial position of OCG Thailand are included in the Group's consolidated financial statements to the extent of 60% effective interests, which includes the 49% ordinary equity interests plus the 11% Security Interests.

On 28 April 2009, OCG Thailand (BVI) exercised the option in the Share Purchase Option Agreement to acquire the 11% Security Interests from Mr. Limpkittisin at a consideration of Baht 687,500 (equivalent to approximately HK$176,000). At the same time, Mr. Limpkittisin fully repaid the outstanding loan of Baht 687,500 (equivalent to approximately HK$176,000) to OCG Thailand (BVI). Accordingly, the Structure Contracts entered into between Mr. Limpkittisin and OCG Thailand (BVI) ceased to operate on the same date.

15. INTERESTS IN SUBSIDIARIES *(continued)*

Pursuant to a special resolution passed in an extraordinary meeting of shareholders of OCG Thailand held on 28 April 2009, OCG Thailand allotted 550,000 preference shares to its then minority shareholders at a total consideration of Baht 1,375,000 (equivalent to approximately HK$352,000). Thereafter, OCG Thailand's share capital is comprised of ordinary share capital of Baht 6,250,000 (equivalent to approximately HK$1,602,000) and preference share capital of Baht 1,375,000 (equivalent to approximately HK$352,000).

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, starting from 29 April 2009, 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).

16. PROPERTY, PLANT AND EQUIPMENT

	The Group		
	Leasehold improvement	**Office equipments**	**Total**
	HK$	*HK$*	*HK$*
Cost			
At 1 April 2009	–	1,918,188	1,918,188
Additions	–	41,964	41,964
Exchange realignments	–	195,915	195,915
At 31 March 2010 and 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
At 31 March 2011	**80,324**	**2,548,286**	**2,628,610**
Accumulated depreciation			
At 1 April 2009	–	1,379,830	1,379,830
Charges	–	299,217	299,217
Exchange realignments	–	155,825	155,825
At 31 March 2010 and at 1 April 2010	–	1,834,872	1,834,872
Charges	22,786	141,533	164,319
Exchange realignments	755	135,169	135,924
At 31 March 2011	**23,541**	**2,111,574**	**2,135,115**
Net book value			
At 31 March 2011	**56,783**	**436,712**	**493,495**
At 31 March 2010	–	321,195	321,195

17. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
Trade receivables	**4,412,992**	1,185,814	**–**	–
Other receivables				
Deposits, prepayments and other debtors	**909,462**	531,129	**527,783**	5,293
	5,322,454	1,716,943	**527,783**	5,293

The ageing analysis of trade receivables at the end of the reporting period based on the invoice date is as follows:

	The Group	
	2011	2010
	HK$	*HK$*
Outstanding balances with ages:		
30 days or below	**4,412,992**	1,071,366
31 – 90 days	**–**	92,536
Over 90 days	**–**	21,912
	4,412,992	1,185,814

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	
	2011	2010
	HK$	*HK$*
United States Dollars ("US$")	**4,355,868**	1,004,631

18. 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.

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
Bank balances and cash are denominated in:				
HK$	**3,236,638**	5,452,107	**2,034,289**	7,726
Renminbi ("RMB")	**28,130**	24,691	**–**	–
Baht	**3,617,326**	2,009,026	**–**	–
	6,882,094	7,485,824	**2,034,289**	7,726
Time deposits, with original maturities within three months, are denominated in:				
HK$	**13,000,000**	15,000,000	**13,000,000**	15,000,000
	19,882,094	22,485,824	**15,034,289**	15,007,726

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
Trade payables	**5,617,854**	1,366,644	**–**	–
Other payables				
Accrued charges and other payables	**988,106**	827,031	**616,555**	265,069
	6,605,960	2,193,675	**616,555**	265,069

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.

21. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent preference shares issued by OCG Thailand as detailed in note 15 to the consolidated financial statements.

At 31 March 2011, the Group had an outstanding amount due to a minority shareholder of Baht 1,375,000 (equivalent to HK$352,438) (2010: Baht 1,375,000 (equivalent to HK$328,963)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum, with an accrued dividend payable of Baht 123,750 (equivalent to HK$30,682) (2010: Baht 113,918 (equivalent to HK$26,009)) as included in trade and other payables.

22. SHARE CAPITAL

		2011		2010	
	NOTE	**Number of shares**	**Nominal value *HK$***	Number of shares	Nominal value *HK$*
Authorised	*22(a)/(b)*	**2,000,000,000**	**20,000,000**	2,000,000,000	20,000,000
Issued and fully paid:					
At beginning of year	*22(a)*	**600,000,000**	**6,000,000**	1	–
Issue of shares upon reorganisation	*22(b)*	**–**	**–**	999,999	10,000
Placing of new shares	*22(c)*	**–**	**–**	150,000,000	1,500,000
Capitalisation issue	*22(c)*	**–**	**–**	449,000,000	4,490,000
At end of year		**600,000,000**	**6,000,000**	600,000,000	6,000,000

22. SHARE CAPITAL *(continued)*

Notes:

(a) The Company was incorporated on 12 December 2007 with an authorised share capital of HK$390,000 divided into 39,000,000 ordinary shares of HK$0.01 each, of which one share of HK$0.01 each was allotted and issued at nil paid to the subscriber (the "Subscriber's Share") and subsequently transferred to Oriental City Group Asia Limited ("OCG Asia"), the then immediate holding company of the Group, prior to the Reorganisation.

(b) In preparation for the listing of the Company's shares on the GEM, the following changes in authorised and issued share capital of the Company had taken place on 14 August 2009:

(i) the authorised share capital of the Company was increased from HK$390,000 to HK$20,000,000 by the creation of an additional 1,961,000,000 ordinary shares of HK$0.01 each;

(ii) as a consideration for the acquisition by the Company of the entire issued share capital of Charm Act from OCG Asia, an aggregate of 893,332 ordinary shares of the Company were issued and credited as fully paid to OCG Asia and credited as fully paid the nil paid Subscriber's Share; and

(iii) the allotment of 106,667 ordinary shares of the Company at HK$0.01 per share to the following individuals:

Name	**Relationship to the Group**	**No. of shares**
Mr. Yu Chun Fai	Executive director	53,334
Ms. Wong Lai Chun	Non-executive director (resigned on 25 March 2011)	13,333
Mr. Sung Hak Keung, Andy	Company secretary	26,667
Mr. Kanjanapas Shui Yiu Kelvin	Ex-director of OCG Thailand	13,333

(c) On 28 August 2009, 150,000,000 ordinary shares of HK$0.01 each were issued by way of placing (the "Placing") at a price of HK$0.23 per share for cash consideration of HK$34,500,000. The excess of the placing price over the par value of the shares issued was credited to the share premium account. On the same date, an aggregate of 449,000,000 ordinary shares of HK$0.01 each were allotted, issued at par and fully paid to the shareholders whose names appeared on the register of members of the Company as at 14 August 2009 by way of capitalisation of a total sum of HK$4,490,000 out of the share premium account of the Company arising from the Placing.

All the shares issued during the year ended 31 March 2010 rank pari passu in all respects with the then existing shares.

23. RESERVES

	The Company		
	Share premium *HK$*	**Accumulated losses** *HK$*	**Total** *HK$*
At 1 April 2009	–	–	–
Total comprehensive loss for the year	–	(945,546)	(945,546)
Placing of new shares	33,000,000	–	33,000,000
Capitalisation issue	(4,490,000)	–	(4,490,000)
Share placement expenses	(13,951,392)	–	(13,951,392)
At 31 March 2010	14,558,608	(945,546)	13,613,062
At 1 April 2010	14,558,608	(945,546)	13,613,062
Total comprehensive loss for the year	–	(2,959,451)	(2,959,451)
At 31 March 2011	**14,558,608**	**(3,904,997)**	**10,653,611**

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 as detailed in note 2 of the consolidated financial statements.

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 4 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 recognizing 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 2011. 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.

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 2011 and 2010.

25. CASH (USED IN) GENERATED FROM OPERATIONS

	2011	2010
	HK$	*HK$*
Loss before taxation	**(2,304,336)**	(1,019,395)
Deemed corporate administration expenses	**–**	150,000
Depreciation	**164,319**	299,217
Foreign exchange differences	**118,094**	161,906
Finance costs	**30,682**	39,709
Interest income	**(32,871)**	(21,384)
Changes in working capital:		
Restricted bank balances	**(834,785)**	2,465,729
Trade and other receivables	**(3,460,035)**	(2,855,119)
Trade and other payables	**4,169,423**	2,604,466
Cash (used in) generated from operations	**(2,149,509)**	1,825,129

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 2011 and 2010.

Relationship with the Group	Nature of transaction	2011 HK$	2010 HK$
Discontinued upon the Listing			
A senior management personnel of OCG Thailand	Interest income received	–	2,003
The Former Controlling Party of the Group	Share of corporate administration expenses	–	150,000
Continuing after the Listing			
A former fellow subsidiary of the Group*	Administrative service fee paid	**116,270**	190,776

* *A director of the Company, Mr. Yu Chun Fai, is also a director of the former fellow subsidiary of the Group.*

As set out in note 22(b) and 22(c) of the consolidated financial statements, the Company allotted 106,667 ordinary shares of the Company at HK$0.01 per share to certain individuals on 14 August 2009 (the "Pre-IPO shares") which were subsequently converted into 8% of the enlarged share capital of the Company upon the Listing. The relevant charges for the share-based payments in respect to the Pre-IPO shares were borne by the Former Controlling Party for which no reimbursement will be sought from the Group because the Former Controlling Party considers it has the sole responsibility in fulfilling such obligations.

During the year ended 31 March 2010, the amount due from related parties of HK$13,230 as at 31 March 2009 was collected.

During the year ended 31 March 2010, the Group settled the amount due to related parties of HK$2,401,518 as at 31 March 2009 using an unsecured 3-month short-term loan of HK$4,000,000 (the "Loan") borrowed from an independent third party. The Loan and related interest expenses accrued at 5% per annum were fully repaid on 7 September 2009.

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	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
Within one year	**1,024,971**	384,000	**825,600**	–
In the second to fifth years inclusive	**463,051**	160,000	**420,400**	–
	1,488,022	544,000	**1,246,000**	–

At 31 March 2011, the Group had total future minimum sublease payment expected to be received under non-cancellable operating sublease of HK$150,000 (2010: Nil).

Capital expenditure commitments

	The Group	
	2011	2010
	HK$	*HK$*
Contracted but not provided for, net of deposits paid	**225,000**	225,000

28. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise current accounts with related parties, preference shares issued by a non-wholly owned subsidiary, restricted and unrestricted bank balances and cash and time deposits. 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:

(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 17 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$. Notwithstanding the Group currently does not have a formal written foreign currency hedging policy but the management monitors the related foreign currency risk exposure closely and the Group would enter into foreign currency forward contracts should the need arise. At 31 March 2011, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$300,000 (equivalent to approximately HK$2,340,000) (2010: Nil). No material fair value gain or loss has been recognised for the foreign currency forward contracts.

At 31 March 2011, if US$ had strengthened/weakened by 1% (2010: 1%) against Baht with all other variables held constant, the Group's net loss for the year would have been approximately HK$44,000 lower/higher (2010: HK$10,000), mainly as a result of translation of the US$ denominated financial assets into Baht with a corresponding credit/charge to profit or loss.

28. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Foreign currency risk (continued)

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.

In addition, as detailed in note 18 and note 19 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 18 and note 19 of the consolidated financial statements. The management considers that the interest rate risk encountered by the Group is currently not significant.

28. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Credit risk

Credit risk mainly arises from restricted and unrestricted bank balances and cash and time deposits, trade receivables, other receivables and amounts due from related parties. 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**	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
Trade and other receivables	**5,322,454**	1,716,943	**527,783**	5,293
Restricted bank balances	**1,209,716**	349,958	**–**	–
Cash and cash equivalents	**19,882,094**	22,485,824	**15,034,289**	15,007,726

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.

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 31 March 2011, there was one trade debtor accounted for 99% (2010: 85%) 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.

28. FINANCIAL INSTRUMENTS *(continued)*

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

(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:

	The Group			The Company
	Within one year or on demand	**Upon winding up of OCG Thailand**	**Total**	**Within one year or on demand**
	HK$	*HK$*	*HK$*	*HK$*
At 31 March 2011				
Trade and other payables	**6,605,960**	**–**	**6,605,960**	**616,555**
Other long-term liabilities *<Remark>*	**–**	**352,438**	**352,438**	**–**
	6,605,960	**352,438**	**6,958,398**	**616,555**
At 31 March 2010				
Trade and other payables	2,193,675	–	2,193,675	265,069
Other long-term liabilities *<Remark>*	–	328,963	328,963	–
	2,193,675	328,963	2,522,638	265,069

<Remark>

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

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	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
Loans and receivables:				
Trade and other receivables	**5,322,454**	1,716,943	**527,783**	5,293
Restricted bank balances	**1,209,716**	349,958	**–**	–
Cash and cash equivalents	**19,882,094**	22,485,824	**15,034,289**	15,007,726
	26,414,264	24,552,725	**15,562,072**	15,013,019
Financial liabilities measured at amortised costs:				
Trade and other payables	**6,605,960**	2,193,675	**616,555**	265,069
Other long-term liabilities	**352,438**	328,963	**–**	–
	6,958,398	2,522,638	**616,555**	265,069

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 2011 and 2010.

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 2011, 2010, 2009, 2008 and 2007, as extracted from the published audited financial statements for the year ended 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.

	2011 ***HK$***	2010 *HK$*	2009 *HK$*	2008 *HK$*	2007 *HK$*
RESULTS					
Revenue	**14,102,005**	12,464,267	7,807,445	7,280,097	1,848,936
Cost of services rendered	**(8,695,634)**	(8,284,869)	(5,104,265)	(3,887,692)	(1,244,524)
Gross profit	**5,406,371**	4,179,398	2,703,180	3,392,405	604,412
Other income	**211,936**	40,079	32,072	209,095	264,236
General administrative expenses	**(7,197,475)**	(4,525,457)	(2,143,064)	(2,696,723)	(2,103,123)
Selling and distribution costs	**(694,486)**	(673,706)	(544,676)	(559,621)	(467,465)
Finance costs	**(30,682)**	(39,709)	–	–	–
(Loss) Profit before taxation	**(2,304,336)**	(1,019,395)	47,512	345,156	(1,701,940)
Taxation	**(543,761)**	(474,141)	307,977	–	–
(Loss) Profit for the year	**(2,848,097)**	(1,493,536)	355,489	345,156	(1,701,940)
Attributable to:					
Equity holders of the Company	**(3,332,986)**	(1,879,136)	(145,451)	345,156	(1,701,940)
Minority interests	**484,889**	385,600	500,940	–	–
	(2,848,097)	(1,493,536)	355,489	345,156	(1,701,940)
ASSETS, LIABILITES					
Total assets	**26,982,759**	25,011,420	11,427,525	11,489,569	3,368,688
Total liabilities	**(7,202,228)**	(2,565,219)	(8,406,314)	(8,848,258)	(5,706,873)
Net assets (liabilities)	**19,780,531**	22,446,201	3,021,211	2,641,311	(2,338,185)