奧思知集團
Oriental City Group

Oriental City Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8325)


THIRD QUARTERLY REPORT 2013

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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.

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK$89.42 million for the nine months ended 31 December 2013, which represented an increase of approximately 85% as compared with the Group's revenue recorded in the corresponding period in 2012.

- The Group reported a loss amounted to approximately HK$4.94 million for the nine months ended 31 December 2013 as compared with a profit of approximately HK$3.41 million for the corresponding period in 2012. The Group reported a loss attributable to equity holders of the Company for the nine months ended 31 December 2013 amounted to approximately HK$13.81 million (2012: approximately HK$0.13 million).

- Loss per share for the loss attributable to equity holders of the Company for the nine months ended 31 December 2013 was approximately 2.19 HK cents (2012: 0.02 HK cents).

- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2013 (2012: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31 December 2013 together with the comparative figures for the corresponding periods in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2013

		Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	NOTE	**2013 *HK$***	2012 *HK$*	**2013 *HK$***	2012 *HK$*
Revenue	2	**20,240,506**	23,170,757	**89,417,790**	48,218,787
Cost of services rendered		**(13,756,356)**	(15,742,695)	**(63,658,618)**	(32,625,822)
Gross profit		**6,484,150**	7,428,062	**25,759,172**	15,592,965
Other income		**60,622**	31,570	**119,522**	54,800
General administrative expenses		**(15,570,395)**	(3,399,270)	**(25,086,200)**	(8,468,577)
Selling and distribution costs		**(323,489)**	(193,794)	**(818,137)**	(634,848)
Finance costs	4	**(9,126)**	(8,878)	**(27,921)**	(24,193)
(Loss) Profit before taxation	4	**(9,358,238)**	3,857,690	**(53,564)**	6,520,147
Income tax expense	5	**(1,181,008)**	(1,647,797)	**(4,888,360)**	(3,107,341)
(Loss) Profit for the period		**(10,539,246)**	2,209,893	**(4,941,924)**	3,412,806
Attributable to:					
Equity holders of the Company		**(13,005,041)**	390,035	**(13,812,088)**	(133,367)
Non-controlling interests		**2,465,795**	1,819,858	**8,870,164**	3,546,173
		(10,539,246)	2,209,893	**(4,941,924)**	3,412,806
(Loss) Earnings per share for (loss) profit attributable to equity holders of the Company					
Basic and diluted	7	**(1.88) HK cents**	0.07 HK cents	**(2.19) HK cents**	(0.02) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2013

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
(Loss) Profit for the period	**(10,539,246)**	2,209,893	**(4,941,924)**	3,412,806
Other comprehensive (loss) income				
Item that will be reclassified subsequently to profit or loss				
Exchange difference on translation of foreign subsidiaries	**(409,787)**	206,449	**(1,360,956)**	215,002
Total comprehensive (loss) income for the period	**(10,949,033)**	2,416,342	**(6,302,880)**	3,627,808
Attributable to:				
Equity holders of the Company	**(12,982,605)**	438,497	**(14,625,299)**	(73,570)
Non-controlling interests	**2,033,572**	1,977,845	**8,322,419**	3,701,378
	(10,949,033)	2,416,342	**(6,302,880)**	3,627,808

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the nine months ended 31 December 2013

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

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

Basis of preparation

The condensed third quarterly financial statements of the Company for the nine months ended 31 December 2013 (the "Third Quarterly Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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

The Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 31 March 2013, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretation issued by Hong Kong Institute of Certified Public Accountants. They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2013 (the "Annual Report").

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

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the Annual Report.

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior years, except that certain presentation and disclosures of the Third Quarterly Financial Statements have been revised. A summary of the main effect on the accounting policies adopted by the Group is set out below.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION *(continued)*

Basis of preparation *(continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity has been modified accordingly.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 *Consolidated and Separate Financial Statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special Purpose Entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 11 Joint Arrangements and HKAS 28 Investment in Associates and Joint Ventures

HKFRS 11 replaces the requirements in HKAS 31 *Interest in Joint Ventures* and HK-SIC 13 *Joint Controlled Entities*. Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. HKFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, a jointly controlled entity that meets the definition of a joint venture should be accounted for using the equity method under HKAS 28 (2011). The adoption of HKFRS 11 does not have any financial impact on the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new requirements for unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of consolidated financial statements, the Group has not made additional disclosures in the Third Quarterly Financial Statements as a result of adopting of HKFRS 12.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION *(continued)*

Basis of preparation *(continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurement for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the Third Quarterly Financial Statements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement requirements prospectively. The adoption of HKFRS 13 does not have any material impact on the fair value measurement of the Group's assets and liabilities.

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

2. REVENUE

Revenue, which represents transaction fee income and foreign exchange rate discount income from card acceptance business, is analysed by category as follows:

	Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
Card acceptance transaction fee income	**15,233,001**	18,077,682	**70,112,364**	37,618,000
Foreign exchange rate discount income	**5,007,505**	5,093,075	**19,305,426**	10,600,787
	20,240,506	23,170,757	**89,417,790**	48,218,787

3. SEGMENT REPORTING

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

(i) card acceptance business in Thailand; and

(ii) marketing business in the People's Republic of China (the "PRC").

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

3. 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 interest and other income, finance costs, general administrative expenses incurred by corporate office and taxation.

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

Nine months ended 31 December 2013 (unaudited)

	Card acceptance business *HK$*	**Marketing business** *HK$*	**Consolidated** *HK$*
Segment revenue	**89,417,790**	**–**	**89,417,790**
Segment results	**21,051,426**	**(76,613)**	**20,974,813**
Unallocated interest and other income			**119,522**
Unallocated finance costs			**(27,921)**
Unallocated other expenses			**(21,119,978)**
Loss before taxation			**(53,564)**
Income tax expense			**(4,888,360)**
Loss for the period			**(4,941,924)**

Nine months ended 31 December 2012 (unaudited)

	Card acceptance business *HK$*	Marketing business *HK$*	Consolidated *HK$*
Segment revenue	48,218,787	–	48,218,787
Segment results	11,571,917	(70,195)	11,501,722
Unallocated interest and other income			54,800
Unallocated finance costs			(24,193)
Unallocated other expenses			(5,012,182)
Profit before taxation			6,520,147
Income tax expense			(3,107,341)
Profit for the period			3,412,806

4. (LOSS) PROFIT BEFORE TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
This is stated after charging:				
Finance costs				
Finance costs on other long-term liabilities	**9,126**	8,878	**27,921**	24,193
Other items				
Depreciation of property, plant and equipment	**259,407**	278,186	**782,989**	699,125
Staff costs, including directors' emoluments and equity-settled share-based payment expenses	**10,015,452**	1,617,737	**13,217,035**	3,493,434
Operating lease charges on premises	**371,385**	308,712	**1,114,162**	865,138

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
Current tax				
Thailand enterprise income tax	**973,008**	1,372,862	**3,973,742**	2,631,233
Withholding tax on dividend declared by a non-wholly owned subsidiary	**–**	304,935	**593,618**	411,108
	973,008	1,677,797	**4,567,360**	3,042,341
Deferred tax				
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**208,000**	(30,000)	**321,000**	65,000
Income tax expense for the period	**1,181,008**	1,647,797	**4,888,360**	3,107,341

5. TAXATION *(continued)*

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in or derived from Hong Kong during the periods.

(ii) Income taxes outside Hong Kong

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

Oriental City Group (Thailand) Company Limited ("OCG Thailand") is subject to Thailand income tax at 20% (2012: 23%).

Oriental City Group (Hainan) Services Limited ("OCG Hainan"), subject to PRC enterprise income tax at 25% since 2012. However, no income tax has been provided as OCG Hainan incurred losses for taxation purposes for the periods.

Dividends payable by a foreign invested enterprise in the PRC or 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 or Thailand that provides for a different withholding arrangement.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2013 (2012: Nil).

7. (LOSS) EARNINGS PER SHARE

Basic loss per share for the three months and nine months ended 31 December 2013 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of HK$13,005,041 and HK$13,812,088 respectively (2012: profit of HK$390,035 and loss of HK$133,367 respectively) and on the weighted average number of 688,695,652 ordinary shares and 629,672,727 ordinary shares respectively (2012: 600,000,000 ordinary shares and 600,000,000 ordinary shares respectively) in issue during the both periods.

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as the effect of potential ordinary shares is anti-dilutive during the three months and nine months ended 31 December 2013 and 31 December 2012.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company									
	Share capital *HK$*	Share premium *HK$*	Capital reserve *HK$*	Exchange reserve *HK$*	Statutory reserve *HK$* *<Remark 1>*	Share Options reserve *HK$*	Accumulated losses *HK$*	Total *HK$*	Non-controlling interests *HK$*	Total equity *HK$*
For the nine months ended 31 December 2013										
At 1 April 2013 (audited)	**6,000,000**	**14,558,608**	**6,996,322**	**421,311**	**766,101**	**928,417**	**(13,428,372)**	**16,242,387**	**2,228,996**	**18,471,383**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(13,812,088)**	**(13,812,088)**	**8,870,164**	**(4,941,924)**
Other comprehensive loss:										
Item that will be reclassified subsequently to profit or loss										
Exchange difference on translation of foreign subsidiaries	**–**	**–**	**–**	**(813,211)**	**–**	**–**	**–**	**(813,211)**	**(547,745)**	**(1,360,956)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(813,211)**	**–**	**–**	**(13,812,088)**	**(14,625,299)**	**8,322,419**	**(6,302,880)**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**8,412,750**	**–**	**8,412,750**	**–**	**8,412,750**
Placing of shares	**1,200,000**	**119,223,471**	**–**	**–**	**–**	**–**	**–**	**120,423,471**	**–**	**120,423,471**
Disposal of equity interest in a subsidiary *<Remark 2>*	**–**	**–**	**–**	**–**	**–**	**–**	**7,137,517**	**7,137,517**	**2,862,483**	**10,000,000**
Dividend to non-controlling interests of non-wholly owned subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,599,347)**	**(6,599,347)**
At 31 December 2013 (unaudited)	**7,200,000**	**133,782,079**	**6,996,322**	**(391,900)**	**766,101**	**9,341,167**	**(20,102,943)**	**137,590,826**	**6,814,551**	**144,405,377**
For the nine months ended 31 December 2012										
At 1 April 2012 (audited)	6,000,000	14,558,608	6,996,322	(248,891)	–	–	(12,162,413)	15,143,626	1,667,718	16,811,344
Profit for the period	–	–	–	–	–	–	(133,367)	(133,367)	3,546,173	3,412,806
Other comprehensive income:										
Exchange difference on translation of foreign subsidiaries	–	–	–	59,797	–	–	–	59,797	155,205	215,002
Total comprehensive income for the period	–	–	–	59,797	–	–	(133,367)	(73,570)	3,701,378	3,627,808
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	571,333	–	571,333	–	571,333
Transfer to statutory reserve	–	–	–	–	766,101	–	(766,101)	–	–	–
Dividend paid to non-controlling interest of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	(2,740,726)	(2,740,726)
At 31 December 2012 (unaudited)	6,000,000	14,558,608	6,996,322	(189,094)	766,101	571,333	(13,061,881)	15,641,389	2,628,370	18,269,759

<Remark 1>
In accordance with the relevant laws and regulations in Thailand, OCG Thailand is required to appropriate not less than 5% of its net profit to the statutory reserve upon each dividend distribution, until the statutory reserve reaches 10% of its registered authorised capital. The statutory reserve is not available for dividend distribution.

<Remark 2>
In March 2013, the Group entered into a sale and purchase agreement with two purchasers for the disposal of the Group's 30% equity interest in Oriental City Group Thailand Limited ("OCG Thailand (BVI)"), a wholly owned subsidiary, with an aggregate consideration of HK$10 million (the "Disposal"). The Disposal was approved in an extraordinary general meeting of the Company held on 10 May 2013. Upon the completion of the Disposal on 15 May 2013, OCG Thailand (BVI) becomes a non-wholly owned subsidiary of the Group and its financial position and results are continued to be consolidated by the Group. A gain of approximately HK$7.1 million is recognised directly in equity upon the completion of the Disposal.

9. EVENTS AFTER THE REPORTING PERIOD

In January 2014, the Group entered into a sale and purchase agreement with a third party in respect of an acquisition of 100% equity interests of a target company at a consideration of HK$2,500,000. The target company is incorporated in Hong Kong and principally engaged in e-commerce business in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Card acceptance business in Thailand is the major income stream of the Group for the nine months ended 31 December 2013 (the "Review Period"), which was mainly generated from the spending from the PRC's tourists in Thailand. Since early November 2013, there were certain demonstrations in Bangkok to protest against an amnesty bill that would pardon all political crimes and corruption cases committed during the period from 2004 to 2013. As a result, there was a decrease in the transaction volume handled by the Group during the three months ended 31 December 2013. However, with the significant growth in revenue in the first six months of the Review Period, the revenue for the nine months ended 31 December 2013 still outperformed the records in the same period in last year.

Business Outlook

The Group is negotiating for the acquisition of the equity interest of a target company which, together with its subsidiary, is principally engaged in the payment card business in the PRC. As at the date of this report, the parties involved in this possible acquisition are still undergoing the process of negotiating the terms of a formal agreement.

Further, in August 2013, the Group entered into a non-legally binding memorandum of understanding in respect of a possible investment in relation to a prepaid card business and internet payment services in the PRC (the "Possible Investment"). On 3 November 2013, the Group entered into the framework agreement with the relevant parties, pursuant to which the relevant parties will enter into the control agreements (the "Control Agreements") and the loan agreement upon completion of the framework agreement subject to fulfillment or wavier (as the case may be) of the conditions precedent as set out in the framework agreement. The purpose of the Control Agreements is to provide the Group with effective control over and the rights to enjoy the economic benefits in assets of a company established in the PRC, including its interest in a license company generating revenue via its prepaid card business. A supplemental agreement to the framework agreement was signed on 27 December 2013.

The Directors consider the above are in line with the business strategy of the Group and will enhance its profitability and thereby increase the value of the Company.

The Group will continue to seek new opportunities, included but not limited to e-commerce, e-finance and e-payment, aiming to broaden the revenue base and enhance the profitability of the Group and therefore to increase the value of the Company.

In January 2014, the Group entered into a sale and purchase agreement with a third party in respect of an acquisition of 100% equity interests of a target company at a consideration of HK$2,500,000. The target company is incorporated in Hong Kong and principally engaged in e-commerce business in the PRC.

Financial Review

The Group's revenue for the Review Period was approximately HK$89.42 million, representing an increase of approximately 85% from the corresponding period in last year. The increase was resulting from the increase in the number of transactions handled by the Group in Thailand throughout the Review Period.

The Group's gross profit for the Review Period was approximately HK$25.76 million, representing an increase of approximately 65% from the nine months ended 31 December 2012. Gross profit margin decreased from 32% for the nine months ended 31 December 2012 to approximately 29% for the Review Period. Such decrease was resulting from the political instability in Thailand and the decrease in the merchant discount rate charged to one of the major merchants of the Group.

The general administrative expenses of the Group for the Review Period amounted to approximately HK$25.09 million, increased by approximately HK$16.62 million as compared with the same recorded in last year. The increase was primarily attributable to the increase in the share based payment expenses on share options granted and the legal and professional expenses incurred for the possible acquisitions and investments during the Review Period.

The selling and distribution costs during the Review Period amounted to approximately HK$0.82 million, representing an increase of approximately 29% compared to the same period last year.

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

As at 31 December 2013, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in ordinary shares of HK$0.01 each ("Shares") and underlying shares of the Company

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation *(Note 1)*	243,000,000	33.75%
	Beneficial owner	27,000,000	3.75%
Mr. Cao Guoqi ("Mr. Cao")	Corporate – Interest of controlled corporation *(Note 2)*	49,140,000	6.83%
	Beneficial owner *(Note 4)*	6,000,000	0.83%
	Interest of spouse *(Note 3)*	770,000	0.11%
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner *(Note 4)*	2,000,000	0.28%
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner *(Note 4)*	6,000,000	0.83%

Note:

1. These Shares were held by Tian Li Holdings Limited ("Tian Li") which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee ("Ms. Cheng") respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 243,000,000 Shares held by Tian Li under the SFO.

2. These 49,140,000 Shares were held by Probest Limited ("Probest") which in turn is wholly owned by Mr. Cao. As Mr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 49,140,000 Shares held by Probest under the SFO.

3. These 770,000 Shares were held by Ms. Zheng Lu who is the wife of Mr. Cao. Accordingly, Mr. Cao is deemed to be interested in these 770,000 Shares held by Ms. Zheng Lu under the SFO.

4. These Shares represent the options of shares granted to Mr. Cao, Mr. Fung and Mr. Zhang pursuant to the Company's share option scheme. Accordingly, they are deemed to be interested in these Shares under the SFO.

(b) Associated corporation

As at 31 December 2013, Ms. Cheng held 30% equity interests in Tian Li.

Save as disclosed above, as at 31 December 2013, so far as is known to any of the Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

On 7 September 2012, options of 6,000,000 shares were granted to Mr. Zhang, a non-executive director of the Company appointed on the same date, under the Company's share option scheme to subscribe for the Company's ordinary shares at the exercise price of HK$0.84 per share. The validity of such share options was five years from 7 September 2012. 2,000,000 share options were vested on 6 March 2013 and 2,000,000 share options each will be vested on 6 March 2014 and 6 March 2015 respectively.

On 19 November 2013, total options of 54,000,000 shares were granted to certain eligible persons, of which 6,000,000 and 2,000,000 shares were granted to Mr. Cao and Mr. Fung, both being the executive directors of the Company, respectively under the Company's share option scheme to subscribe for the Company's ordinary shares at the exercise price of HK$1.66 per share. The validity of such share options was five years from 19 November 2013. 5,000,000 share options were vested on 19 November 2013 and 3,000,000 share options will be vested on 19 November 2014.

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

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

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

As at 31 December 2013, so far as is known to the Directors, the following persons (other than a Director or a 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 *(Note 1)*	Beneficial owner	243,000,000	33.75%
Probest *(Note 2)*	Beneficial owner	49,140,000	6.83%

Note:

1. Tian Li is a company owned as to 70% and 30% by Mr. Cheng and Ms. Cheng respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 243,000,000 Shares held by Tian Li under the SFO. Mr. Cheng is a director of Tian Li.

2. Probest is a company wholly owned by Mr. Cao. As Mr. Cao is the controlling shareholder of Probest, he is deemed to be interested in the 49,140,000 Shares held by Probest under the SFO. Mr. Cao is a director of Probest.

Save as disclosed above, as at 31 December 2013, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Review Period.

CORPORATE GOVERNANCE CODE

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 shareholder's value. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for approval by the Board before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. During the Review Period, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules, except the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Review Period, Mr. Cheng was the chairman and responsible for the duties of the chief executive officer ("CEO") of the Company. Mr. Cheng has 17 years of experience in financial sector. The Board considered that vesting the roles of chairman and CEO in Mr. Cheng provided the Group with consistent leadership in the development and execution of long-term business strategies. However, as announced by the Company, Mr. Fung, an executive director of the Company, was appointed as the CEO of the Company with effect from 7 November 2013.

Besides, 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. The Board is responsible for developing and reviewing the Group's policies and practices on corporate governance and reviewing and monitoring the training and continuous professional development of our Directors. The internal control committee is vested with the responsibility of reviewing and monitoring the training and continuous professional development of the Group's senior management whist the compliance committee is responsible for developing, reviewing and monitoring the code of conduct applicable to our Directors and the Group's employees and reviewing the Company's compliance with Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the disclosure in the Company's Corporate Governance Report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in the securities of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed 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 2013 to 31 December 2013.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises Mr. Chan Chun Wai (resigned on 2 August 2013), Mr. Lee Kin Fai, Mr. Chow King Lok (resigned on 8 October 2013) and Mr. Lu Dongcheng (appointed on 2 August 2013), all of whom are independent non-executive Directors. Mr. Chan Chun Wai was the chairman of the Audit Committee until 2 August 2013. On the same date, Mr. Lee Kin Fai was appointed as the chairman of the Audit Committee in replacement of Mr. Chan Chun Wai.

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

The Group's unaudited quarterly results for the nine months ended 31 December 2013 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Cheng Nga Ming Vincent
Chairman

Hong Kong, 10 February 2014

As at the date of this report, the Board of Directors of the Company comprises four executive Directors, namely Mr. Cheng Nga Ming Vincent, Ms. Cheng Nga Yee, Mr. Cao Guoqi and Mr. Fung Weichang, one non-executive Director, namely Mr. Zhang Huaqiao and three independent non-executive Directors, namely Mr. Lee Kin Fai, Mr. Wang Yiming and Mr. Lu Dongcheng.