



ANNUAL REPORT 2010

Oriental City Group Holdings Limited

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

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This report, for which the directors (the “Directors”) of Oriental City Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

DIRECTORS

Executive Director

Mr. Yu Chun Fai (*Chairman*)

Non-executive Director

Ms. Wong Lai Chun

Independent Non-executive Directors

Mr. Chan Chun Wai

Mr. Chan Wing Cheung, Joseph

Mr. Tsang Siu Tung

REGISTERED OFFICE

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Cayman Islands

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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. Chan Wing Cheung, Joseph

Mr. Tsang Siu Tung

REMUNERATION COMMITTEE

Mr. Tsang Siu Tung (*Chairman*)

Mr. Chan Chun Wai

Mr. Chan Wing Cheung, Joseph

NOMINATION COMMITTEE

Mr. Chan Wing Cheung, Joseph (*Chairman*)

Mr. Chan Chun Wai

Mr. Tsang Siu Tung

INTERNAL CONTROL COMMITTEE

Mr. Chan Chun Wai (*Chairman*)

Mr. Chan Wing Cheung, Joseph

Mr. Tsang Siu Tung

COMPLIANCE COMMITTEE

Mr. Yu Chun Fai (*Chairman*)

Mr. Chan Chun Wai

Mr. Chan Wing Cheung, Joseph

Mr. Tsang Siu Tung

AUTHORISED REPRESENTATIVES

Mr. Yu Chun Fai

Mr. Sung Hak Keung, Andy

COMPANY WEBSITE

www.ocg.com.hk

STOCK CODE

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COMPLIANCE ADVISER

SBI E2-Capital (HK) Limited

Unit A2

32/F, United Centre

95 Queensway

Hong Kong

AUDITOR

Mazars CPA Limited

Certified Public Accountants

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18 Harbour Road

Wan Chai

Hong Kong

LEGAL ADVISER

F. Zimmern & Co.

Suites 1501 – 1503

15/F, Gloucester Tower

The Landmark

15 Queen's Road Central

Central

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Dah Sing Bank Limited

Bangkok Bank Public Company Limited

The Siam Commercial Bank Plc.

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 would like to thank all the shareholders and investors for their support in the Company and its subsidiaries (collectively referred to as the "Group") in the past. I hereby report to all the shareholders on the results of the Group for the year ended 31 March 2010.

Results of the Year

For the year ended 31 March 2010, the Group recorded revenue of approximately HK\$12,464,000 and gross profit of approximately HK\$4,179,000. The revenue and gross profit of the Group were increased by approximately 60% and 55% respectively, as compared to the revenue and gross profit of last year. The increase was mainly due to the significant increase in China Unionpay (the "CUP") card acceptance transaction volume during the year. Basic losses per ordinary share were increased from 0.03 HK cents for the year ended 31 March 2009 to 0.35 HK cents for the year ended 31 March 2010. This was mainly attributable to the general increase in administrative and operating expenses.

Review for the Year

This year was meaningful to the Group, especially because of the successful listing of the shares of the Company on the GEM of the Stock Exchange on 28 August 2009 (the "Listing").

The Group has been focusing on establishing a quality payment platform in developing a quality lifestyle card membership base in China, and developing a quality international card acceptance network with CUP for its mainland Chinese card holders when traveling overseas. On the co-branded card business development, the Group has been exploring to expand its lifestyle card membership base from the province of Hainan to other key markets in China, and also exploring other lifestyle card platforms in addition to the lifestyle of Golf. On the card acceptance network development, the Group has been exploring other markets with CUP in addition to our traditional stronghold in Thailand, so as to diversify our business risk as a result of the recent political unrest in that country.

While the Group is exploring a number of key business initiatives in order to establish a solid growth foundation, our aim is to produce a win-win business platform for our card members and business partners in order to achieve the best possible business performance for the Group in a long term.

Chairman's Statement

APPRECIATION

On behalf of the Directors, I would like to express my heartfelt thanks to our shareholders, customers and business partners for their continued support to the Group. Moreover, I would also like to thank all staff for their tremendous effort and contribution. With a focused senior management and professional team, I believe the Group will succeed in achieving our business goals and create significant value for our shareholders in the forthcoming years.

Yu Chun Fai

Chairman

Hong Kong, 18 June 2010

Management Discussion and Analysis

BUSINESS REVIEW

The Group's revenue generated by the card acceptance business in Thailand during the year increased significantly. The increase was mainly driven by the increase in both the point-of-sale (the "POS") terminals and the expenditure by the Chinese tourists during the reporting period. Given that the business performance of the Group is highly dependent on the political stability of Thailand, the Directors consider that the revenue of the Group derived from the card acceptance business after the year end may be affected adversely due to the political turmoil in Thailand and the warning issued by the China National Tourism Administration in mid-April 2010 notifying the Chinese visitors to temporarily suspend visiting Thailand.

On 11 February 2010, Siam Commercial Bank Public Company Limited ("SCB") served a 3-month written notice to Oriental City Group (Thailand) Company Limited ("OCG Thailand"), a subsidiary of the Company, for the termination of the participation agreement in respect of electronic data capture machines entered into between SCB and OCG Thailand in 2006 (the "Agreement") with effective from 10 May 2010. With the termination of the Agreement, the Company may lose the business of card-acceptance merchants referred by SCB, including the King Power Group, a major customer of OCG Thailand.

Following the termination of the Agreement, the Group engaged Bangkok Bank Public Company Limited ("BBL") to provide settlement services pursuant to the terms of the existing bankcard acquiring agreement signed by both parties in 2004. In addition, OCG Thailand has been signing up new merchant customers and will also explore the feasibility of establishing a strategic partnership with another settlement bank in Thailand by entering into a fixed term settlement agreement with such bank so as to secure long term development prospects for OCG Thailand in the future.

For the development of the Group's card acceptance business in Laos, the preparation work is in the final stage. The Group has obtained a foreign investment license, business license and tax license for carrying out business in Laos. The card acceptance business will be commenced after the approval from CUP is obtained.

In order to expand the revenue base of the Group, the Group has signed a marketing services agreement with an independent third party to provide professional marketing services which mainly include data analysis, merchant support and marketing consultancy in the fourth quarter of 2009.

In view of the recent on-going political instability in Thailand, the Directors are actively exploring new business opportunities in Asia in order to diversify the revenue base and business risks of the Group.

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus dated 24 August 2009 (the "Prospectus") with the Group's actual business progress for the period from 14 August 2009, being the latest practicable date as defined in the Prospectus (the "LPD") to 31 March 2010 is set out below:

Business objectives for the period from the LPD to 31 March 2010 as stated in the Prospectus

Actual business progress up to 31 March 2010

1. Co-branded card partnership business

Further expand the co-branded card partnership business with another major bank

The Group has been in the negotiation stage with potential partnership banks for its expansion of co-branded card business. In order to explore opportunities to the best interest of the shareholders, no final agreement has yet been concluded.

Work with Bank of Communications Co., Ltd ("BOCOM") to expand customer coverage of the Pacific-OCG Golf Debit Card and Pacific-OCG Golf Credit Card in a major city of the PRC

Customer coverage was still focused on Hainan Province during the period. Promotion campaigns were launched and marketing booklets were distributed to enhance the awareness of the Pacific-OCG Golf Card.

Further expand the lifestyle co-branded card partnership business with another major bank to launch another lifestyle card in a major city of the PRC

The Group has been in the negotiation stage with potential partnership banks. No agreement is finalised yet.

2. Card acceptance business

Continue to play a leadership role in expanding CUP card acceptance service and coverage in Thailand and plan to establish a comprehensive merchants' network throughout major tourist areas in Thailand

With the on-going political instability in Thailand, the Group has slowed down its development of the card acceptance business in Thailand. The Directors will closely monitor the political situation in Thailand and adjust the use of proceeds according to the actual development.

Expand its merchants' base in processing CUP card acceptance services in Laos

Foreign investment license, business license and tax license for carrying out business in Laos have been obtained successfully in the first quarter of year 2010. In addition, the Group became the first participation member of Lao Central Payment Network (LCPN), a central electronic network for Laos which provides the service of clearing electronic transactions. Business will be commenced after the approval from CUP is obtained.

Management Discussion and Analysis

USE OF PROCEEDS

As disclosed in the Company's interim report for the six months ended 30 September 2009, the net proceeds from the issue of 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 were applied by the Company in accordance with the Directors' assessment of the development of the market condition as follows:

	Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus from the LPD to 31 March 2010 HK\$'000	Actual use of the proceeds from the LPD to 31 March 2010 HK\$'000
Co-branded card business	990	184
Card acceptance business	2,121	191
General working capital	707	1,679
Total	3,818	2,054

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 use of proceeds was applied in accordance with the actual development of the market.

1. Since the Listing, the Group proceeded to commence with its expansion and business development. The remaining proceeds were partially applied by the end of March 2010 in order for the Group to specially monitor the on-going and developing situation of political instability in Thailand and its implications for the Group's CUP card acceptance business;

Management Discussion and Analysis

2. On its co-branded card business, the Group is at the negotiation stage on the detailed partnership terms with potential partnership banks. During the year, the Group focused on the Pacific-OCG Golf Card usage and promotion campaigns for the Pacific-OCG Golf Card in Hainan Province, China.
3. On its card acceptance business, as a consequence of the on-going political instability in Thailand the Group has been expanding cautiously in Thailand, and is continuing to monitor the travelling pattern of mainland Chinese tourists closely in Thailand. The Group was in the final negotiation and development stage for expanding the card acceptance business in the country of Laos (located next to Thailand) during the year. The foreign investment license, business license and tax license in respect of such business in Laos were applied for and were issued successfully in the first quarter of 2010. The business will commence after the approval from CUP is obtained.
4. On the Group's expenditure relating to working capital, it mainly consisted of the payment of general and administrative expenses, including staff costs (including directors' remuneration), professional fees and other general operating expenses. The HK\$972,000 used in excess of the intended usage of proceeds was from the proceeds originally allocated for other usage; and
5. The remaining net proceeds as at 31 March 2010 have been placed in interest-bearing deposit account in banks in Hong Kong.

BUSINESS OUTLOOK

The Group was listed on GEM of the Stock Exchange on 28 August 2009. The net proceeds raised from the Listing amounted to HK\$20.5 million which helped the Group to strengthen its foundation for its further development.

In view of the political unrest in Thailand, the Board is exploring our card acceptance network in Laos market with CUP and also considering reallocating a portion of the use of proceeds in order to diversify the business risk of the Group. The Group is identifying and exploring new business opportunities for enhancing its revenue on a stable and long term basis. The Board will continue to seek for the best interest of the shareholders of the Company in relation to new business opportunities.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the year amounted to approximately HK\$12,464,000, representing an increase of approximately 60% as compared to approximately HK\$7,807,000 for the corresponding period in 2009.

The increase in the Group's revenue was mainly due to the significant increase in CUP card acceptance transaction volume as a result of the increase of the POS terminals and the growing number of Chinese tourists in Thailand for the year. The transaction volume reached approximately Baht 2,773 million (equivalent to approximately HK\$633 million) for the year ended 31 March 2010 compared to approximately Baht 1,704 million (equivalent to approximately HK\$386 million) for the year ended 31 March 2009. The transaction volume was further boosted up as a result of the increase in the POS terminals by 29 from last year. However, the favorable impact from the increased POS terminals is not expected to continue in the coming year given that the participation agreement with SCB was terminated in May 2010. As a result of SCB's termination of this participation, the merchants introduced by SCB have been lost and the number of POS terminals operated by the Group after the termination of the participation agreement has dropped substantially from 499 to 157 as at 31 March 2010 and 12 May 2010 respectively. Further, the Directors consider that the on-going political instability in Bangkok may also lead to adverse impact to the Group in the following year.

Cost of Services Rendered

Cost of services rendered of the Group increased by approximately 62% from approximately HK\$5,104,000 for the year ended 31 March 2009 to approximately HK\$8,285,000 for the year ended 31 March 2010. The increase was mainly derived from more cost of services payable to CUP incurred as a result of the increase in transaction volume during the year.

Gross Profit and Gross Profit Margin

The gross profit for the year was approximately HK\$4,179,000, representing an increase of approximately 55% from the year ended 31 March 2009. This was primarily attributable to the increase in card acceptance fee income and the marketing service fee. The gross profit margin remains stable at 34% and 35% for the years ended 31 March 2010 and 2009 respectively.

General Administrative Expenses

The general administrative expenses of the Group for the year amounted to approximately HK\$4,525,000, representing an increase of approximately 111% as compared to 2009. The increase in administrative expenses was mainly due to general increase in administrative and operating expenses, including rental expenses, staff costs (including directors' remuneration), professional fees and the costs incurred in connection with the Listing after 28 August 2009.

Management Discussion and Analysis

Selling and Distribution Costs

The selling and distribution costs for the year amounted to approximately HK\$674,000, representing an increase of approximately HK\$129,000 compared with the corresponding period in 2009. The increase was mainly due to the introduction of marketing research activity relating to the development for Laos market and the promotion campaign for the Pacific-OCG Golf Card program in Hainan Province during the year.

Finance Costs

The finance costs for the year amounted to approximately HK\$40,000 which represented (i) interest payment for an unsecured short term loan from an independent third party, which was financed to settle the amount due to related parties before the Listing; and (ii) 9% dividend payable to a minority shareholder in respect of the issue and paid up preference share capital of OCG Thailand. No finance cost was incurred for the year ended 31 March 2009.

Loss for the Year

The net loss attributable to equity holders of the Company was approximately HK\$1,879,000 for the year compared with approximately HK\$145,000 for the corresponding period in 2009. The loss was mainly attributable to the general increase in administrative and operating expenses. In addition, the Group recorded a deferred tax credit amounting to approximately HK\$308,000 for the year ended 31 March 2009 which was the initial recognition in that year, but for current year, no such further deferred tax credit was recorded and income tax expenses of approximately HK\$474,000 were recognised.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows and other borrowings. As at 31 March 2010, the Group's other long-term borrowings amounted to Thai Baht ("Baht") 1,375,000 (equivalent to approximately HK\$329,000) due to a minority shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries 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, was approximately 1% as at 31 March 2010 (31 March 2009: approximately 21%).

As at 31 March 2010, the Group had net current assets of approximately HK\$22,316,000 (2009: approximately HK\$2,188,000). Current ratio as at 31 March 2010 was 10.98 (2009: 1.26). The bank and cash position of the Group as at 31 March 2010 was approximately HK\$22,486,000 (2009: approximately HK\$675,000). The improvement of gearing ratio and the current ratio were attributable to the funds raised from issuance of 150,000,000 ordinary shares pursuant to the Placing on 28 August 2009.

Management Discussion and Analysis

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK\$21,640,000 as at 31 March 2010 (2009: approximately HK\$2,657,000). The increase was mainly due to the funds raised from the Placing as discussed above.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange rate risk as the Group's revenue is principally dominated in Renminbi ("RMB") and Baht while its operating expenditure is principally denominated in RMB, Baht and Hong Kong dollar. Further, the Group also received United States dollars from the operation of 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 not made other arrangement to hedge against the exchange rate risk involved in the Group's revenue and expenditure. The Directors and management will continue to monitor the foreign exchange exposure and will consider entering into forward contracts and utilising applicable derivatives to hedge out the exchange risk when necessary. As at 31 March 2010, our Group did not have any derivatives for hedging against the interest and exchange rate risk.

RESULTS AND DIVIDENDS

For the year ended 31 March 2010, the Group recorded a revenue of approximately HK\$12,464,000 (2009: approximately HK\$7,807,000) and a net loss attributable to equity holders of the Company of approximately HK\$1,879,000 as compared to approximately HK\$145,000 for the corresponding period in the previous financial year. The basic losses per share was 0.35 HK cents (2009: 0.03 HK cents).

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2010 (2009: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2010, the Group had a total staff of 12 (31 March 2009: 10) of whom 4 were based in Hong Kong, 5 were based in Thailand and the remaining staff were based in the PRC. The Group develops its human resources policies and procedures based on performance, merit and market conditions. Discretionary bonus is linked to the performance of the Group as well as individual performance. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. The Group also arranges its staff for training to enhance their skills and knowledge.

Management Discussion and Analysis

MATERIAL ACQUISITIONS, DISPOSAL AND SIGNIFICANT INVESTMENT

As disclosed in the Prospectus, on 28 April 2009, Oriental City Group Thailand Limited, a wholly owned subsidiary of the Company, exercised its option pursuant to the share purchase option agreement dated 22 June 2005 to buy back from Mr. Panthong Limpkittisin, a former shareholder of OCG Thailand, his prior 11% holding of ordinary shares in OCG Thailand for a consideration of Baht 687,500 (equivalent to approximately HK\$164,000).

Save as disclosed above, the Group had no material acquisitions, disposals or did it make significant investments during the year ended 31 March 2010.

CAPITAL COMMITMENTS

As at 31 March 2010, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounting to HK\$225,000 (2009: Nil).

CHARGES ON ASSETS

As at 31 March 2010, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not have any significant contingent liabilities.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Director

Mr. Yu Chun Fai, aged 48, is the founder and the Chairman of the Company. 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. Mr. Yu is also the chairman of the Company's compliance committee. He obtained a bachelor of business administration degree from North Texas State 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 ("PLUS").

Non-executive Director

Ms. Wong Lai Chun, aged 55, was appointed as a non-executive director in August 2009. Ms. Wong is the founder of Sup-AAA District (the name of her operating team/district) in the agency force of American International Assurance Company (Bermuda) Ltd. which is the subsidiary of AIG. She is head of the district and an agency building expert. She is running this front line life insurance selling business over 25 years. She brings professional insurance and financial services experience through working at American International Assurance Company (Bermuda) Ltd. which provides diversified financial and insurance products. She is also a qualified Chartered Insurance Agency Manager. Ms. Wong is a chief executive officer and executive director of OCG UK, a company listed on PLUS, focusing on providing business development advice.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Chan Chun Wai, aged 38, was appointed as an independent non-executive director in August 2009. Mr. Chan is the chairman of the Group's audit committee and internal control committee, a member of the Group'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 (practising) 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. Chan Wing Cheung, Joseph, aged 45, was appointed as an independent non-executive director in August 2009. Mr. Chan is also the chairman of the Group's nomination committee, a member of the Group's audit committee, remuneration committee, internal control committee and compliance committee. Mr. Chan is a chief executive officer and director of AsiaPay Ltd. and a director of various related companies of AsiaPay Ltd. Mr. Chan has more than 16 years of experience in the banking, finance and electronic payment industries. He graduated from Monash University in Australia with a bachelor degree in science and master degree in economics.

Mr. Tsang Siu Tung, aged 48, was appointed as an independent non-executive director in August 2009. Mr. Tsang is a Class A – Professional since January 2004. The Class A – Professional is offered by Professional Golf Teacher's Academy, a leading golf training and certification school in the PRC. Mr. Tsang has been trading as Tung Tat Industrial Company since 1996. His advice and strategy thinking is highly valuable to the Group's existing co-branded card business and issuing other lifestyle cards in the future. Mr. Tsang is also the chairman of the Group's remuneration committee, a member of the Group's audit committee, nomination committee, internal control committee and compliance committee.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Sung Hak Keung, Andy, aged 36, 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 the Hong Kong Institute of Certified Public Accountants and a member of American Institute of Certified Public Accountants. He holds a Master of Business Administration Degree from University of Manchester in the United Kingdom and a bachelor of commerce degree from University of Toronto in Canada.

Mr. Phuri Khamphidet, aged 44, joined the Group in January 2005. He is the managing director of OCG Thailand. Mr. Khamphidet has strong experience in credit card business development and marketing with more than 14 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 the bachelor degree in political science from Ramkhamhaeng University in Thailand in 1988.

Mr. Panthong Limpkittisin, aged 41, joined OCG Thailand in December 2004 as the operations controller who is in charge of the operation process for card acceptance business of OCG Thailand. Mr. Limpkittisin has many years of working experience since 1990 in credit card industry such as SCB Business Service Company Limited, a subsidiary of Siam Commercial Bank Public Company Limited, Standard Chartered Bank, Citibank N.A. and AIG Card (Thailand) Company Limited. He has in-depth professional knowledge in settlement, fraud analysis, chargeback, customer service, merchant service, card production and transaction processing. Mr. Limpkittisin holds a master of business administration in general management from Ramkhamhaeng University.

Ms. Chen Xiao Min, Sandy, aged 34, joined the Group in July 2007. She is the assistant manager of Oriental City Group (Hainan) Services Limited, a wholly owned subsidiary of the Company. She graduated from Broadcasting and Arts College of the Chengdu Institute of Technology (成都理工學院廣播影視與藝術學院) holding a bachelor degree in Decorative Arts Design (裝潢藝術).

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 period from the date of the Listing on 28 August 2009 to 31 March 2010, the Company has complied with the code provisions in the CG Code with the exception of the code provision A.2.1. Details of such deviation will be explained below.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from the date of the Listing up to 31 March 2010.

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 an executive director, a non-executive director 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 14 to 16 of this annual report.

Corporate Governance Report

After the Listing on 28 August 2009, the Board met 6 times up to 31 March 2010. The attendances of individual at these Board meetings were as follows:

Name of director	Board Meeting	Audit	Compliance Meeting	Internal	Remuneration Meeting	Nomination Meeting
		Committee Meeting		Control Meeting		
<i>Executive Director</i>						
Mr. Yu Chun Fai	6/6	N/A	8/8	N/A	N/A	N/A
<i>Non-executive Director</i>						
Ms. Wong Lai Chun	6/6	N/A	N/A	N/A	N/A	N/A
<i>Independent Non-executive Directors</i>						
Mr. Chan Chun Wai	6/6	2/2	8/8	8/8	1/1	1/1
Mr. Chan Wing Cheung, Joseph	3/6	2/2	7/8	8/8	1/1	1/1
Mr. Tsang Siu Tung	4/6	2/2	8/8	8/8	1/1	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 Director, 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 non-executive director and 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.

Corporate Governance Report

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 the nomination committee, remuneration committee, audit committee, internal control committee and the compliance committee. All of the committees are composed of INEDs with terms of reference in accordance with the principles set out in the CG Code.

Nomination committee

The Company has established a nomination committee on 14 August 2009 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. Chan Wing Cheung, Joseph, Mr. Chan Chun Wai and Mr. Tsang Siu Tung. Mr. Chan Wing Cheung, Joseph is the chairman of the nomination committee.

Remuneration committee

The Company has established a remuneration committee on 14 August 2009 which determines the remuneration and other benefits paid by the Group to the Directors and senior management. The remuneration of all of 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 comprises three INEDs, namely Mr. Tsang Siu Tung, Mr. Chan Chun Wai and Mr. Chan Wing Cheung, Joseph. Mr. Tsang Siu Tung is the chairman of the remuneration committee.

Corporate Governance Report

Audit committee

The Company has established an audit committee on 14 August 2009, comprising Mr. Chan Chun Wai, Mr. Tsang Siu Tung and Mr. Chan Wing Cheung, Joseph, 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 on 14 August 2009 to review the Group's internal control procedures on a regular basis to ensure that proper and appropriate control in respect of the Group's finance, operations and human resources is in place.

The internal control committee comprises Mr. Chan Chun Wai, Mr. Tsang Siu Tung and Mr. Chan Wing Cheung, Joseph, the three INEDs. The chairman of the internal control committee is Mr. Chan Chun Wai.

Compliance committee

The Company has established a compliance committee on 14 August 2009 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 shares 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 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. Chan Wing Cheung, Joseph and Mr. Tsang Siu Tung, 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 2010, the remuneration paid/payable to the auditor, Mazars CPA Limited, in respect of audit services amounted to HK\$220,000 (2009: Nil) and non-audit service assignment amounted to HK\$40,000 (2009: Nil).

Corporate Governance Report

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 of disposition, 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 first annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2010.

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 DIVIDENDS

The Group's results for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 37 to 85.

The Board does not recommend the payment of a dividend for the year ended 31 March 2010 (2009: 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 GEM of the Stock Exchange on 28 August 2009, after deduction of related issuance expenses, amounted to approximately HK\$20.5 million. Approximately HK\$2 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\$18.5 million as at 31 March 2010 had been placed with banks in Hong Kong. The Directors believe that the remaining net proceeds will be used according to the intended usages as set out in the Prospectus.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out in the financial summary on page 86 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

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

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 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 24 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately HK\$8,961,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2010, 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	34%
– The total of five largest customers	71%
Cost of services rendered	
– The largest supplier	91%
– 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' Report

DIRECTORS

The directors of the Company during the year were:

Executive Director:

Mr. Yu Chun Fai

Non-executive Director:

Ms. Wong Lai Chun (appointed on 14 August 2009)

Independent Non-executive Directors:

Mr. Chan Chun Wai (appointed on 14 August 2009)

Mr. Chan Wing Cheung, Joseph (appointed on 14 August 2009)

Mr. Tsang Siu Tung (appointed on 14 August 2009)

In accordance with article 84 of the Company's article of association, Mr. Yu Chun Fai and Ms. Wong Lai Chun shall retire from office and being eligible, had offered themselves for re-election, at the fourthcoming annual general meeting of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 14 to 16 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. The Executive Director 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, the Executive Director is also entitled, in respect of the financial year ending 31 March 2010 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

Directors' Report

but before the 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. The current basic annual salary of the Executive Director is as follows:

Name	Amount
Mr. Yu	HK\$120,000

The Non-executive Director and the INEDs have been appointed for a term of one year expiring on 13 August 2010. Save for the Directors' fees of HK\$100,000 per annum, none of the Non-executive Director and the INEDs is expected to receive any other remuneration (save for the share options that may be granted) for holding their offices as the Non-executive Director and the INEDs.

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 Directors 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.

Directors' Report

COMPLETING 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. He holds approximately 37% beneficial interest in OCG UK. 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 Non-executive Director of the Company, 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, 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.

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 Oriental City Group (Hainan) Services Ltd.. 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.

Directors' Report

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 2010, 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:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Yu Chun Fai ("Mr. Yu")	Corporate – Interest of controlled corporation <i>(Note 1)</i>	402,000,000	67%
	Beneficial owner	24,000,000	4%
Ms. Wong Lai Chun	Beneficial owner	6,000,000	1%

Note 1: These Shares were held by Oriental City Group Asia Limited which is in turn wholly-owned by Oriental City Group International Limited, a company wholly-owned by Oriental City Group plc. As Mr. Yu is the beneficial owner of the entire issued share capital of Straum Investments Limited, a controlling shareholder of Oriental City Group plc, Mr. Yu is deemed to be interested in the 402,000,000 Shares held by Oriental City Group Asia Limited under the SFO.

Directors' Report

Mr. Yu's interests in the associated corporations

Name of associated corporations	Capacity	Number of shares	Percentage of shareholding
Oriental City Group Asia Limited ("OCG Asia")	Corporate	23,116,988	100%
Oriental City Group International Limited ("OCG International")	Corporate	23,116,988	100%
Oriental City Group plc ("OCG UK")	Corporate	15,026,374	37.45%
Straum Investments Limited	Corporate	1 share of US\$1	100%
Oriental City Group Hong Kong Limited	Corporate (Note 2)	1 share of US\$1	100%
Oriental City Group Limited	Corporate (Note 2)	23,116,988 shares of HK\$0.00001 each	100%
Oriental City Group Bank Limited	Corporate (Note 3)	1,000 shares of US\$1,000 each	100%

Notes:-

- (2) As Oriental City Group Hong Kong Limited and Oriental City Group Limited are the fellow subsidiaries of the Company, Mr. Yu is deemed to be interested in these shares under the SFO.
- (3) As Oriental City Group Bank Limited is wholly-owned by Oriental City Group International Limited, Mr. Yu is deemed to be interested in its shares under the SFO.

Directors' Report

Save as disclosed above, as at 31 March 2010, none of the Directors or chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 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 recognizing 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 or any holder of any securities issued by the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; (iv) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity; (v) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity; or (vi) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity.

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

Directors' Report

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

The exercise price for Shares under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily 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 period from the date of the Listing up to 31 March 2010.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in the Prospectus, 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 in the Prospectus, 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).

Directors' Report

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

As at 31 March 2010, 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:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
OCG Asia	Beneficial owner	402,000,000	67%
OCG International	Corporate – Interest of controlled corporation (<i>Note</i>)	402,000,000	67%
OCG UK	Corporate – Interest of controlled corporation (<i>Note</i>)	402,000,000	67%
Straum Investments Limited	Corporate – Interest of controlled corporation (<i>Note</i>)	402,000,000	67%

Note: OCG Asia is a company wholly-owned by OCG International which is in turn wholly-owned by OCG UK, a company incorporated in England and Wales and listed on the PLUS-quoted market of the United Kingdom of which Straum Investments Limited is the controlling shareholder. Accordingly, each of OCG International, OCG UK and Straum Investments Limited is deemed to be interested in 402,000,000 Shares held by OCG Asia under the SFO. The deemed interests of OCG International, OCG UK, Straum Investments Limited and Mr. Yu and the interest of OCG Asia in the 402,000,000 Shares were in respect of the same interest and duplicated each other. Mr. Yu is a director of each of OCG Asia, OCG International, OCG UK and Straum Investments Limited.

Save as disclosed above, as at 31 March 2010, 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.

Directors' Report

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

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

Directors' Report

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

Service fee under the Supplemented OCG HK Administrative Service Agreement

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

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

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

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\$191,000 (a) has not been approved by the Board; (b) has not been entered into in accordance with the relevant agreement governing the transaction; and (c) had been exceed the annual cap of HK\$276,000 for the year ended 31 March 2010 as disclosed in the Prospectus in respect of the transaction.

RELATED PARTY TRANSACTIONS

Save for the transaction under the Supplemented OCG HK Administrative Service Agreement, details of the related party transactions entered into by the Group are set out in note 26 to the consolidated financial statements which were discontinued upon the Listing and did not constitute notifiable connected transactions under the GEM Listing Rules.

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.

Directors' Report

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.

INTEREST OF THE COMPLIANCE ADVISER

As notified by SBI E2-Capital (HK) Limited ("SBI"), the Company's compliance adviser, neither SBI nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2010.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 17 to 21 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 2010 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, 18 June 2010

Independent Auditor's Report



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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 37 to 85, which comprise the consolidated and the Company's statement of financial position as at 31 March 2010, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of the consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 2010 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, 18 June 2010

Fung Shiu Hang

Practising Certificate number: P04793

Consolidated Income Statement

Year ended 31 March 2010

	NOTE	2010 HK\$	2009 HK\$
Revenue	7	12,464,267	7,807,445
Cost of services rendered		(8,284,869)	(5,104,265)
Gross profit		4,179,398	2,703,180
Other income	8	40,079	32,072
General administrative expenses		(4,525,457)	(2,143,064)
Selling and distribution costs		(673,706)	(544,676)
Finance costs	9	(39,709)	–
(Loss) Profit before taxation	9	(1,019,395)	47,512
Taxation	12	(474,141)	307,977
(Loss) Profit for the year		(1,493,536)	355,489
Attributable to:			
Equity holders of the Company	13	(1,879,136)	(145,451)
Minority interests		385,600	500,940
		(1,493,536)	355,489
Losses per share for loss attributable to equity holders of the Company			
Basic and diluted	14	(0.35) HK cents	(0.03) HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2010

	2010 HK\$	2009 HK\$
(Loss) Profit for the year	(1,493,536)	355,489
Other comprehensive income (loss)		
Exchange difference on translation of foreign subsidiaries	218,851	(275,589)
Total comprehensive (loss) income for the year	(1,274,685)	79,900
Attributable to:		
Equity holders of the Company	(1,716,248)	(284,455)
Minority interests	441,563	364,355
	(1,274,685)	79,900

Consolidated Statement of Financial Position

At 31 March 2010

	NOTE	2010 HK\$	2009 HK\$
Non-current assets			
Property, plant and equipment	16	321,195	538,358
Deferred tax assets	17	–	295,284
Other non-current assets		137,500	–
		458,695	833,642
Current assets			
Trade and other receivables	18	1,716,943	7,365,987
Restricted bank balances	19	349,958	2,552,930
Cash and cash equivalents	20	22,485,824	674,966
		24,552,725	10,593,883
Current liabilities			
Trade and other payables	21	2,193,675	8,406,314
Tax payables		42,581	–
		2,236,256	8,406,314
Net current assets		22,316,469	2,187,569
Total assets less current liabilities		22,775,164	3,021,211
Non-current liabilities			
Other long-term liabilities	22	328,963	–
NET ASSETS		22,446,201	3,021,211

Consolidated Statement of Financial Position

At 31 March 2010

	NOTE	2010 HK\$	2009 HK\$
Capital and reserves			
Share capital	23	6,000,000	–
Reserves		15,640,283	2,656,856
Total equity attributable to equity holders of the Company		21,640,283	2,656,856
Minority interests		805,918	364,355
TOTAL EQUITY		22,446,201	3,021,211

Approved and authorised for issue by the Board of Directors on 18 June 2010

Yu Chun Fai
Director

Wong Lai Chun
Director

Statement of Financial Position

At 31 March 2010

	NOTE	2010 HK\$	2009 HK\$
Non-current assets			
Interests in subsidiaries	15	4,865,112	–
Current assets			
Trade and other receivables	18	5,293	–
Cash and cash equivalents	20	15,007,726	–
		15,013,019	–
Current liabilities			
Trade and other payables	21	265,069	–
Net current assets			
		14,747,950	–
NET ASSETS			
		19,613,062	–
Capital and reserves			
Share capital	23	6,000,000	–
Reserves	24	13,613,062	–
TOTAL EQUITY			
		19,613,062	–

Approved and authorised for issue by the Board of Directors on 18 June 2010

Yu Chun Fai
Director

Wong Lai Chun
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2010

	Attributable to equity holders of the Company					Total	Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses			
	HK\$	HK\$	HK\$	HK\$	HK\$			
	(note 24(a))	(note 24(b))	(note 24(c))					
At 1 April 2008	-	-	6,555,255	(340,754)	(3,573,190)	2,641,311	-	2,641,311
Total comprehensive income for the year	-	-	-	(139,004)	(145,451)	(284,455)	364,355	79,900
Deemed capital contribution from equity holders of the Company	-	-	300,000	-	-	300,000	-	300,000
At 31 March 2009	-	-	6,855,255	(479,758)	(3,718,641)	2,656,856	364,355	3,021,211
At 1 April 2009	-	-	6,855,255	(479,758)	(3,718,641)	2,656,856	364,355	3,021,211
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

Consolidated Statement of Cash Flows

Year ended 31 March 2010

	NOTE	2010 HK\$	2009 HK\$
OPERATING ACTIVITIES			
Cash generated from operations	25	1,825,129	1,021,759
Interest received		21,384	27,451
Interest paid		(13,700)	–
Income tax paid		(128,498)	–
Net cash from operating activities		1,704,315	1,049,210
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(41,964)	(406,263)
Payment for non-current assets		(137,500)	–
Net cash used in investing activities		(179,464)	(406,263)
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)	(1,758,649)
Repayment of other short-term loan		(4,000,000)	–
Repayment of advances from related parties		(3,662,921)	–
Net cash from (used in) financing activities		20,235,769	(1,758,649)
Net increase (decrease) in cash and cash equivalents		21,760,620	(1,115,702)
Cash and cash equivalents at beginning of year		674,966	2,011,658
Effect on exchange rate changes		50,238	(220,990)
Cash and cash equivalents at end of year	20	22,485,824	674,966

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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, KY1-11, 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 2010 and at the date of authorising the consolidated financial statements, the immediate holding company of the Group is Oriental City Group Asia Limited ("OCG Asia"), which is incorporated in the British Virgin Islands ("BVI"). In the opinion of directors, the ultimate holding company of the Group is Oriental City Group plc (the "Controlling Party"), which is incorporated in England and Wales and its shares are listed on The PLUS-quoted market operated by Plus Markets plc of the United Kingdom.

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 the Controlling Party 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").

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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

Basis of presentation *(continued)*

As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any change of economic substances, the consolidated financial statements of the Group for the years ended 31 March 2010 and 2009 have been presented as a continuation of the existing group using the pooling of interests method. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are prepared 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, and throughout the years ended 31 March 2010 and 2009.

Likewise, the comparative consolidated statement of financial position as at 31 March 2009 presents the assets and liabilities of the entities now comprising the Group as if the current group structure had been in existence at that date.

The net assets of the consolidating entities or businesses are consolidated using the existing book values from the 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 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 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 the cost of those corporate administration services was part of business activities of the Group, the following costs as shared with the Controlling Party have been charged to profit or loss and credited as deemed capital contribution from the Controlling Party in the equity.

	2010 HK\$	2009 HK\$
Corporate administration expenses	150,000	300,000

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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 accountants' report as set out in Appendix I of the Prospectus 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, except that certain presentation and disclosures of financial statements items have been revised, as appropriate.

HKAS 1 (Revised): Presentation of Financial Statements

HKAS 1 (Revised) requires transactions with owners to be presented separately from all other income and expenses in a revised statement of changes in equity. The revised standard however allows non-owner changes in equity to be shown in a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of other comprehensive income). The Group has elected to prepare two statements. In addition, the revised standard requires that when comparative information is restated or reclassified, a statement of financial position as at the beginning of the comparative period, in addition to the statements of financial position as at the end of the current period and the comparative period, should be presented. Since the Group and the Company did not restate any comparative information during the current year, this new requirement has no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new/revised HKFRS *(continued)*

HKAS 23 (Revised): Borrowing costs

HKAS 23 (Revised) eliminated the option to expense borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. Since the Group has not previously adopted the option to expense all borrowing costs, the revised standard has no impact on the consolidated financial statements.

Improvements to HKFRS (2008)

Improvements to HKFRS (2008) contain improvements to a number of standards aiming to remove inconsistencies and clarify wording in the standards. The adoption of those improvements has no impact on the consolidated financial statements.

HKFRS 8: Operating Segments

HKFRS 8 replaces HKAS 14 "Segment Reporting" and requires segment information to be reported based on internal information used by the chief operating decision makers to evaluate the performance of operating segments and allocate resources to those segments. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14.

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 at the end of each reporting period (i.e. 31 March each year). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All significant intra-group 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 of such control ceased.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Minority interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of the Company. Losses applicable to the minority shareholders in excess of their interests in the subsidiary's equity are allocated against the interests of the Company except to the extent that the minority shareholders have a binding obligation and are able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, the Company's interests are allocated with all such profits until the minority shareholders' share of losses previously absorbed by the Company has been recovered.

The Group applies a policy of treating transactions with minority shareholders as transactions with equity owners of the Group. In acquiring minority interests, the difference between the consideration paid and the carrying value of the share of the net assets acquired is recognised as a deduction from equity. Disposals to minority interests result in gains and losses for the Group are recorded in equity.

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.

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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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%
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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.

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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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.

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.

Cash equivalents

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

Revenue recognition

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

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

Service income is recognised when services are rendered.

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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

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).

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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.

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.

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 under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

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

Employee benefits

Short term employee benefits

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

Defined contribution plans

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

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Defined contribution plans (continued)

In accordance with the rules and regulations in the People's Republic of China ("PRC") and Thailand, the employees of the Group's entities established in the PRC and Thailand 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.

Taxation

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

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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 follow the guidance of HKAS 39 in determining whether the amounts due from subsidiaries are impaired. Details of the approach are stated in the respective accounting policies. 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standard¹</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters²</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters⁴</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions²</i>
HKFRS 3 (Revised)	<i>Business Combinations¹</i>
HKFRS 9	<i>Financial Instruments⁶</i>
HKAS 24 (Revised)	<i>Related Party Disclosures⁵</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements¹</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues³</i>
HKAS 39 Amendments	<i>Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items¹</i>
HKFRIC 14 Amendments	<i>Amendments to HKFRIC 14 Prepayments of a Minimum Funding Requirement⁵</i>
HKFRIC 17	<i>Distributions of Non-cash Assets to Owners¹</i>
HKFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments⁴</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases²</i>
Amendments to HKFRS 5 included in Improvements to HKFRS issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary¹</i>
HKFRS (Amendments – 2009)	<i>Improvements to HKFRS issued in May 2009⁷</i>
HKFRS (Amendments – 2010)	<i>Improvements to HKFRS issued in May 2010⁸</i>

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

5. FUTURE CHANGES IN HKFRS *(continued)*

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2010
- ³ Effective for annual periods beginning on or after 1 February 2010
- ⁴ Effective for annual periods beginning on or after 1 July 2010
- ⁵ Effective for annual periods beginning on or after 1 January 2011
- ⁶ Effective for annual periods beginning on or after 1 January 2013
- ⁷ Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
- ⁸ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

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

6. SEGMENT REPORTING

The Group has adopted HKFRS 8 with effect from 1 April 2009. However, the adoption of this standard has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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.

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, other expenses 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 already disclosed together with operating segment information.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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 B	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)

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

6. SEGMENT REPORTING *(continued)*

Year ended 31 March 2009

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue			
Major customer A	2,869,565	–	2,869,565
Major customer B	1,869,622	–	1,869,622
Other customers	2,969,095	99,163	3,068,258
	<u>7,708,282</u>	<u>99,163</u>	<u>7,807,445</u>
Segment results	<u>732,701</u>	<u>(273,383)</u>	459,318
Unallocated share of corporate administration expenses			(300,000)
Unallocated interest and other income			27,451
Unallocated other expenses			<u>(139,257)</u>
Profit before taxation			47,512
Taxation			<u>307,977</u>
Profit for the year			<u>355,489</u>

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

6. SEGMENT REPORTING (continued)

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

At 31 March 2010

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Property, plant and equipment	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

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

6. SEGMENT REPORTING (continued)

At 31 March 2009

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Property, plant and equipment	527,407	10,950	538,357
Other assets	5,671,604	28,051	5,699,655
Segment assets	6,199,011	39,001	6,238,012
Unallocated corporate assets			5,189,513
Consolidated total assets			11,427,525
Segment liabilities	5,122,608	7,996	5,130,604
Unallocated corporate liabilities			3,275,710
Consolidated total liabilities			8,406,314

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:

	2010 HK\$	2009 HK\$
Co-branded card annual and transaction fee income	108,810	99,163
Card acceptance transaction fee income	9,604,094	5,838,660
Foreign exchange rate discount income	2,161,363	1,869,622
Marketing service fee income	590,000	–
	12,464,267	7,807,445

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

8. OTHER INCOME

	2010 HK\$	2009 HK\$
Bank interest income	21,384	11,962
Other interest income	2,003	15,489
Marketing and promoting sponsorship fees received	–	4,621
Sundry income	16,692	–
	40,079	32,072

9. (LOSS) PROFIT BEFORE TAXATION

	2010 HK\$	2009 HK\$
This is stated after charging:		
(a) Finance costs		
Finance costs on other long-term liabilities	26,009	–
Interest expenses on other short-term loan	13,700	–
	39,709	–
(b) Staff costs, including key management remuneration		
Salaries, allowances and other short-term employee benefits	2,027,500	1,035,138
Contributions to defined contribution plans	57,132	83,714
	2,084,632	1,118,852
(c) Key management remuneration, including directors' remuneration		
Salaries, allowances and other short-term employee benefits	1,683,509	806,317
Contributions to defined contribution plans	20,891	8,460
	1,704,400	814,777
(d) Other items		
Auditor's remuneration	290,898	23,926
Depreciation of property, plant and equipment	299,217	397,819
Write-off of property, plant and equipment	–	799
Operating lease charges on premises	285,353	56,769

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

10. DIRECTORS' REMUNERATION

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

	Directors' fees <i>HK\$</i>	Salaries, allowances and other short-term employee benefits <i>HK\$</i>	Contributions to defined contribution plans <i>HK\$</i>	Total <i>HK\$</i>
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

Year ended 31 March 2009

Executive director				
Mr. Yu Chun Fai	–	–	–	–
Non-executive director				
Ms. Wong Lai Chun	–	–	–	–
Independent non-executive directors				
Mr. Chan Chun Wai	–	–	–	–
Mr. Chan Wing Cheung, Joseph	–	–	–	–
Mr. Tsang Siu Tung	–	–	–	–
	–	–	–	–
	–	–	–	–

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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 2010 (2009: 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 2010 (2009: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2009: none) 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 (2009: five) non-directors, highest paid employees for the year are as follows:

	2010 HK\$	2009 HK\$
Salaries, allowances and other short-term employee benefits	1,260,180	882,416
Contributions to defined contribution plans	15,497	13,380
	1,275,677	895,796

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

	Number of employees	
	2010	2009
Band		
Nil to HK\$1,000,000	4	5

During the year ended 31 March 2010, 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 (2009: 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 2010 (2009: Nil).

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

12. TAXATION

	2010 HK\$	2009 HK\$
Current tax	163,346	–
Deferred tax		
Utilisation (Benefit) of tax losses	310,795	(307,977)
Tax expense (credit) for the year	474,141	(307,977)

(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 2010 and 2009.

(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.

OCG Thailand is subject to Thailand income tax at 30% after deduction of any unutilised tax losses. However, no Thailand income tax has been provided for the year ended 31 March 2009 as OCG Thailand's assessable profits are wholly absorbed by unrelieved tax losses brought forward from previous years.

Oriental City Group (Hainan) Services Limited ("OCG China") is subject to state and local income taxes in the PRC at a standard rate of 30% and 3% respectively, up to 31 December 2007. Pursuant to the Income Tax Law for Foreign Invested Enterprises and Foreign Owned Enterprise of the PRC which was abolished on 1 January 2008, OCG China was eligible to enjoy a preferential enterprise income tax rate of 15%.

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law, which became effective on 1 January 2008 (the "New EIT Law"). In December 2007, the State Council promulgated the Implementation Regulations to the EIT Law and the Notice to Enterprise Income Tax Transition Incentive Policy, which also became 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 2010 and 2009.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

12. TAXATION *(continued)*

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

Under those laws and regulations, a unified income tax rate of 25% will apply to all domestic and foreign invested enterprises, unless they qualify for special tax benefits under certain limited exceptions. The applicable income tax for enterprises incorporated in special economic zones (including Hainan Province of where OCG China is established) which were subject to the enterprise income tax rate of 15% in the year 2007 would be increased to 18% in the year 2008, 20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012 respectively. Since the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and deferred tax liabilities of OCG China. As OCG China does not recognise any deferred tax assets and deferred tax liabilities at the end of the reporting period, there is no impact on the Group's results or financial position.

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

Reconciliation of tax expense (credit)

	2010 HK\$	2009 HK\$
(Loss) Profit before taxation	(1,019,395)	47,512
Income tax at applicable tax rate	(153,345)	41,591
Non-deductible expenses	544,721	122,408
Non-taxable income	(610)	–
Utilisation of previously unrecognised tax losses	–	(375,939)
Unrecognised tax losses	43,200	35,135
Unrecognised temporary differences	40,175	176,805
Recognition of previously unrecognised deferred tax assets	–	(307,977)
Tax expense (credit) for the year	474,141	(307,977)

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) profit 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2010 includes a loss of HK\$945,546 (2009: Nil) 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 2010 are calculated based on the consolidated loss for the year attributable to the equity holders of the Company of HK\$1,879,136 (2009: HK\$145,451) and on the weighted average number of 538,767,123 ordinary shares (2009: 450,000,000 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 capital 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 2008 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 2010 and 2009.

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2010 HK\$	2009 HK\$
Unlisted shares, at cost	8,933	–
Due from subsidiaries	4,856,179	–
	4,865,112	–

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. In the opinion of the Directors, the settlement of the amounts due is neither planned nor likely to occur in the foreseeable future.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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 (formerly known as Oriental City Group Lao Limited) ("OCG South Asia")	BVI, 19 March 2010	Ordinary, US\$1	-	100%	Investment holding
Oriental City Group Lao Co., Limited ("OCG Laos")	Laos, 8 January 2010	Registered capital, US\$100,000	-	100%	Card acceptance business
Charm Act Group Limited ("Charm Act")	BVI, 30 November 2007	Ordinary, US\$100	100%	-	Investment holding
Oriental City Group China Limited ("OCG China (BVI)")	BVI, 7 May 2007	Ordinary, US\$1	-	100%	Investment holding and marketing business
Oriental City Group Thailand Limited ("OCG Thailand (BVI)")	BVI, 7 May 2007	Ordinary, US\$1	-	100%	Investment holding
奥思知(海南)服务有限公司 Oriental City Group (Hainan) Services Limited* ("OCG China")	PRC, 24 October 2005	Registered capital, HK\$150,000	-	100%	Co-branded cards partnership business
Oriental City Group (Thailand) Company Limited ("OCG Thailand")	Thailand, 27 September 2004	Ordinary, Baht 6,250,000 Preference, Baht 1,375,000 <Remark>	-	60% Nil	Card acceptance business

* The English name is for identification purpose only.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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\$164,000) 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\$164,000) 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\$164,000). At the same time, Mr. Limpkittisin fully repaid the outstanding loan of Baht 687,500 (equivalent to approximately HK\$164,000) to OCG Thailand (BVI). Accordingly, the Structure Contracts entered into between Mr. Limpkittisin and OCG Thailand (BVI) ceased to operate on the same date.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

15. INTERESTS IN SUBSIDIARIES *(continued)*

<Remark> (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\$329,000). Thereafter, OCG Thailand's share capital is comprised of ordinary share capital of Baht 6,250,000 (equivalent to approximately HK\$1,495,000) and preference share capital of Baht 1,375,000 (equivalent to approximately HK\$329,000).

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).

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Year ended 31 March 2010

16. PROPERTY, PLANT AND EQUIPMENT

	The Group
	Office equipment
	<i>HK\$</i>
Cost	
At 1 April 2008	1,714,267
Additions	406,263
Disposals	(3,688)
Exchange realignments	(198,654)
	<hr/>
At 31 March 2009 and at 1 April 2009	1,918,188
Additions	41,964
Exchange realignments	195,915
	<hr/>
At 31 March 2010	2,156,067
Accumulated depreciation	
At 1 April 2008	1,133,445
Charges	397,819
Disposals	(2,889)
Exchange realignments	(148,545)
	<hr/>
At 31 March 2009 and at 1 April 2009	1,379,830
Charges	299,217
Exchange realignments	155,825
	<hr/>
At 31 March 2010	1,834,872
Net book value	
At 31 March 2010	321,195
	<hr/>
At 31 March 2009	538,358
	<hr/>

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

17. DEFERRED TAXATION

Recognised deferred tax assets

The movement in the Group's deferred tax assets is as follows:

	The Group	
	2010 HK\$	2009 HK\$
At beginning of year	295,284	–
(Charge) Credit to profit or loss	(310,795)	307,977
Exchange realignments	15,511	(12,693)
At end of year	–	295,284
Amount expected to be recovered within 12 months	–	295,284

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	
	2010 HK\$	2009 HK\$
Year 2011	648,664	650,131
Year 2012	308,644	309,342
Year 2013	631,981	633,410
Year 2014	175,274	175,670
Year 2015	196,364	–
	1,960,927	1,768,553

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\$156,000 (2009: Nil). In the opinion of the directors, 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

18. TRADE AND OTHER RECEIVABLES

	NOTE	The Group		The Company	
		2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Trade receivables		1,185,814	2,272,570	–	–
Other receivables					
Deposits, prepayments and other debtors		531,129	5,080,187	5,293	–
Due from related parties	18(a)	–	13,230	–	–
		531,129	5,093,417	5,293	–
		1,716,943	7,365,987	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	
	2010 HK\$	2009 HK\$
Outstanding balances with ages:		
30 days or below	1,071,366	2,256,407
31 – 90 days	92,536	16,163
Over 90 days	21,912	–
	1,185,814	2,272,570

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

18. TRADE AND OTHER RECEIVABLES *(continued)*

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	
	2010 HK\$	2009 HK\$
United States Dollars ("US\$")	1,004,631	2,215,533

18(a) DUE FROM RELATED PARTIES

The amounts due were unsecured, interest-free and had no fixed repayment term.

19. 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.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Bank balances and cash are denominated in:				
HK\$	5,452,107	101,269	7,726	–
Renminbi ("RMB")	24,691	85,584	–	–
Baht	2,009,026	488,113	–	–
	7,485,824	674,966	7,726	–
Time deposits are denominated in:				
HK\$	15,000,000	–	15,000,000	–
	22,485,824	674,966	15,007,726	–

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

21. TRADE AND OTHER PAYABLES

	NOTE	The Group		The Company	
		2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Trade payables		1,366,644	4,953,935	–	–
Other payables					
Accrued charges and other payables		827,031	1,050,861	265,069	–
Due to related parties	21(a)	–	2,401,518	–	–
		827,031	3,452,379	265,069	–
		2,193,675	8,406,314	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(a) DUE TO RELATED PARTIES

The amounts due were unsecured, interest-free and had no fixed repayment terms.

22. 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 2010, the Group had an outstanding amount due to a minority shareholder of Baht 1,375,000 (equivalent to HK\$328,963) (2009: Nil) 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 113,918 (equivalent to HK\$26,009) (2009: Nil) as included in trade and other payables.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

23. SHARE CAPITAL

	NOTE	2010		2009	
		Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised	23(a)/(b)	2,000,000,000	20,000,000	39,000,000	390,000
Issued and fully paid:					
At beginning of year	23(a)	1	–	1	–
Issue of shares upon reorganisation	23(b)	999,999	10,000	–	–
Placing of new shares	23(c)	150,000,000	1,500,000	–	–
Capitalisation issue	23(c)	449,000,000	4,490,000	–	–
At end of year		600,000,000	6,000,000	1	–

Note:

- (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 OCG Asia, the 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

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

23. SHARE CAPITAL (continued)

Note: (continued)

- (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	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.

24. RESERVES

	The Company		
	Share premium	Accumulated losses	Total
	HK\$	HK\$	HK\$
At 12 December 2007, 31 March 2009 and 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

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

24(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 laws 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.

24(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 Controlling Party as detailed in note 2 of the consolidated financial statements.

24(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 policy set out in note 4 of the consolidated financial statements.

25. CASH GENERATED FROM OPERATIONS

	2010 HK\$	2009 HK\$
(Loss) Profit before taxation	(1,019,395)	47,512
Deemed corporate administration expenses	150,000	300,000
Depreciation	299,217	397,819
Foreign exchange differences	161,906	12,054
Finance costs	39,709	–
Interest income	(21,384)	(27,451)
Write-off of property, plant and equipment	–	799
Changes in working capital:		
Restricted bank balances	2,465,729	742,536
Trade and other receivables	(2,855,119)	(961,420)
Trade and other payables	2,604,466	509,910
Cash generated from operations	1,825,129	1,021,759

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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.

Relationship with the Group	Nature of transaction	2010 HK\$	2009 HK\$
Discontinued upon the Listing			
An ex-minority shareholder of OCG Thailand	Interest income received	-	2,259
A senior management personnel of OCG Thailand	Interest income received	2,003	13,230
A company of which a controlling party of an ex-minority shareholder of OCG Thailand is a director	Administration expenses paid	-	24,434
Ultimate holding company of the Group	Share of corporate administration expenses	150,000	300,000
Continuing after the Listing			
A fellow subsidiary of the Group	Administrative service fee paid	190,776	57,560

As set out in note 23(b) and 23(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 of the Pre-IPO shares were borne by the Controlling Party for which no reimbursement will be sought from the Group because the 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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 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	
	2010 HK\$	2009 HK\$
Within one year	384,000	84,161
In the second to fifth years inclusive	160,000	–
	544,000	84,161

Capital expenditure commitments

	The Group	
	2010 HK\$	2009 HK\$
Contracted but not provided for, net of deposits paid	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:

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

28. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Foreign currency risk

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

However, as detailed in note 18 of the consolidated financial statements, US\$ is also used to collect the Group's revenue from the operation of card acceptance business in Thailand. The Group currently does not have a foreign currency hedging policy but the management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arise.

The following table details the Group's sensitivity to a reasonably daily change of 1% in exchange rate of US\$ against Baht while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period and adjusted their translation for 1% change in foreign currency rate.

	The Group	
	2010	2009
	HK\$	HK\$
Gain (loss)		
– if US\$ strengthens against Baht	9,584	23,269
– if US\$ weakens against Baht	(9,590)	(22,949)

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 19 and note 20 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

28. FINANCIAL INSTRUMENTS (continued)

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

(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 19 and note 20 of the consolidated financial statements. The management considers that the interest rate risk encountered by the Group is currently not significant.

(iii) Credit risk

Credit risk mainly arises from restricted and unrestricted bank balances and cash and time deposits, trade receivables, 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	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Restricted bank balances	349,958	2,552,930	–	–
Cash and cash equivalents	22,485,824	674,966	15,007,726	–
Trade and other receivables	1,716,943	7,365,987	5,293	–

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 sole director 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 2010, there was one trade debtor accounted for 85% (2009: 97%) 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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 raising and advances from related parties.

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 <i>HK\$</i>	Upon winding up of OCG Thailand <i>HK\$</i>	Total <i>HK\$</i>	Within one year or on demand <i>HK\$</i>
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

At 31 March 2009

Trade and other payables	8,406,314	–	8,406,314	–
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<Remark>

The estimated annual finance cost of other long-term liabilities approximates to Baht 114,000 (equivalent to approximately HK\$26,000).

Notes to the Consolidated Financial Statements

Year ended 31 March 2010

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	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Loans and receivables:				
Trade and other receivables	1,716,943	7,365,987	5,293	–
Restricted bank balances	349,958	2,552,930	–	–
Cash and cash equivalents	22,485,824	674,966	15,007,726	–
	24,552,725	10,593,883	15,013,019	–
Financial liabilities measured at amortised costs:				
Trade and other payables	2,193,675	8,406,314	265,069	–
Other long-term liabilities	328,963	–	–	–
	2,522,638	8,406,314	265,069	–

In the opinion of the directors, 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 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 2010 and 2009.

30. COMPARATIVE FIGURES

Conforming to current year's presentation, expenses of HK\$495,965 for the year ended 31 March 2009 that was included in administrative expenses has been reclassified under selling and distribution costs. The revised presentation reflects more appropriately the nature of these expenses. The reclassification has no effect on the reported financial position, results or cash flows of the Group.

Financial Summary

A summary of the Group's results for the last four financial years and the assets and liabilities of the Group as at 31 March 2010, 2009, 2008 and 2007, as extracted from the published audited financial statements for the year ended 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.

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