



奧思知集團

Oriental City Group

THIRD QUARTERLY REPORT 2011

Oriental City Group Holdings Limited

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

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

HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$15,004,000 for the nine months ended 31 December 2011, which represented an increase of approximately 98% as compared with the Group's revenue recorded in the corresponding period in 2010.
- The loss attributable to equity holders of the Company was approximately HK\$2,155,000 for the nine months ended 31 December 2011 which was slightly increased as compared with that of approximately HK\$2,059,000 recorded in the corresponding period in 2010.
- Loss per share for the nine months ended 31 December 2011 was approximately HK\$0.36 cents (2010: HK\$0.34 cents).
- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2011 (2010: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and the nine months ended 31 December 2011 together with the comparative figures for the corresponding periods in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and the nine months ended 31 December 2011

	NOTES	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Revenue	2	2,968,861	3,770,775	15,004,004	7,576,652
Cost of services rendered		(2,217,752)	(2,317,179)	(9,906,357)	(4,369,694)
Gross profit		751,109	1,453,596	5,097,647	3,206,958
Other income		20,724	11,371	192,602	26,912
General administrative expenses		(1,820,077)	(1,792,130)	(5,446,317)	(4,445,567)
Selling and distribution costs		(222,842)	(151,707)	(631,155)	(439,975)
Finance costs	4	(7,777)	(7,997)	(23,676)	(22,952)
Loss before taxation	4	(1,278,863)	(486,867)	(810,899)	(1,674,624)
Taxation	5	-	(167,991)	(712,624)	(206,219)
Loss for the period		(1,278,863)	(654,858)	(1,523,523)	(1,880,843)
Attributable to:					
Equity holders of the Company		(1,254,502)	(807,413)	(2,154,560)	(2,058,927)
Minority interests		(24,361)	152,555	631,037)	178,084
		(1,278,863)	(654,858)	(1,523,523)	(1,880,843)
Losses per share for loss attributable to equity holders of the Company					
Basic and Diluted	7	(0.21) HK cents	(0.13) HK cents	(0.36) HK cents	(0.34) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the nine months ended 31 December 2011

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Loss for the period	(1,278,863)	(654,858)	(1,523,523)	(1,880,843)
Other comprehensive (loss) income				
Exchange difference on translation of foreign subsidiaries	(76,128)	76,679	(201,422)	193,150
Total comprehensive loss for the period	(1,354,991)	(578,179)	(1,724,945)	(1,687,693)
Attributable to:				
Equity holders of the Company	(1,302,369)	(751,640)	(2,274,990)	(1,936,437)
Minority interests	(52,622)	173,461	550,045	248,744
	(1,354,991)	(578,179)	(1,724,945)	(1,687,693)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the nine months ended 31 December 2011

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

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

Basis of preparation

The unaudited condensed third quarterly financial statements of the Company for the nine months ended 31 December 2011 (the "Third Quarterly Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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

The Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the financial performances of the Group since 31 March 2011, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards and Interpretation issued by Hong Kong Institute of Certified Public Accountants. They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2011 (the "Annual Report").

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

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

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

2. REVENUE

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Co-branded card annual fee and transaction income	–	20,821	–	33,613
Card acceptance transaction fee income	2,520,675	2,646,655	11,097,570	5,065,605
Foreign exchange rate discount income	318,186	713,299	2,996,434	1,307,434
Marketing service fee income	130,000	390,000	910,000	1,170,000
	2,968,861	3,770,775	15,004,004	7,576,652

3. SEGMENT REPORTING

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

- (i) card acceptance business in Thailand; and
- (ii) co-branded card partnership business and marketing business in the People's Republic of China (the "PRC").

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

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

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

Nine months ended 31 December 2011 (unaudited)

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue	14,094,004	910,000	15,004,004
Segment results	2,294,070	747,444	3,041,514
Unallocated interest and other income			192,602
Unallocated finance costs			(23,676)
Unallocated other expenses			(4,021,339)
Loss before taxation			(810,899)
Taxation			(712,624)
Loss for the period			(1,523,523)

Nine months ended 31 December 2010 (unaudited)

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue	6,373,039	1,203,613	7,576,652
Segment results	664,161	891,926	1,556,087
Unallocated interest and other income			26,912
Unallocated finance costs			(22,952)
Unallocated other expenses			(3,234,671)
Loss before taxation			(1,674,624)
Taxation			(206,219)
Loss for the period			(1,880,843)

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
This is stated after charging:				
Finance costs				
Finance costs on other long-term liabilities	7,777	7,997	23,676	22,952
Other items				
Depreciation of property, plant and equipment	116,194	40,061	221,888	112,109
Staff costs, including directors' emoluments	680,917	689,688	2,179,445	2,034,185
Operating lease charges on premises	175,225	166,637	698,870	358,634

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Current tax	–	167,991	712,624	206,219

(i) **Hong Kong Profits Tax**

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

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

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

Oriental City Group (Thailand) Company Limited ("OCG Thailand") is subject to Thailand income tax at the rate of 30%.

Oriental City Group (Hainan) Services Limited ("OCG China"), being a foreign-invested enterprise established in a special economic zone of the PRC, is subject to PRC enterprise income tax at the rate of 18% in the year 2008, 20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012 (and thereafter), respectively. However, no income tax has been provided as OCG China incurred losses for taxation purposes during the periods.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2011 (2010: Nil).

7. LOSSES PER SHARE

Basic losses per share for the three months and the nine months ended 31 December 2011 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of HK\$1,254,502 and HK\$2,154,560 respectively (2010: HK\$807,413 and HK\$2,058,927 respectively) and on the weighted average number of 600,000,000 ordinary shares (2010: 600,000,000 ordinary shares) in issue during both periods.

Diluted losses per share amounts have not been presented as the Company did not have any dilutive potential ordinary shares during the periods.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company						Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
For the nine months ended 31 December 2011								
At 1 April 2011 (audited)	6,000,000	14,558,608	6,996,322	(208,340)	(8,930,763)	18,415,827	1,364,704	19,780,531
Loss for the period	-	-	-	-	(2,154,560)	(2,154,560)	631,037	(1,523,523)
Exchange difference on translation of foreign subsidiaries	-	-	-	(120,430)	-	(120,430)	(80,992)	(201,422)
Total comprehensive loss for the period	-	-	-	(120,430)	(2,154,560)	(2,274,990)	550,045	(1,724,945)
At 31 December 2011 (unaudited)	6,000,000	14,558,608	6,996,322	(328,770)	(11,085,323)	16,140,837	1,914,749	18,055,586

	Attributable to equity holders of the Company						Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
For the nine months ended 31 December 2010								
At 1 April 2010 (audited)	6,000,000	14,558,608	6,996,322	(316,870)	(5,597,777)	21,640,283	805,918	22,446,201
Loss for the period	-	-	-	-	(2,058,927)	(2,058,927)	178,084	(1,880,843)
Exchange difference on translation of foreign subsidiaries	-	-	-	122,490	-	122,490	70,660	193,150
Total comprehensive loss for the period	-	-	-	122,490	(2,058,927)	(1,936,437)	248,744	(1,687,693)
At 31 December 2010 (unaudited)	6,000,000	14,558,608	6,996,322	(194,380)	(7,656,704)	19,703,846	1,054,662	20,758,508

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the nine months ended 31 December 2011 (the “Review Period”), the Group focused on its card acceptance business in Thailand. The Group’s total revenue for the Review Period had experienced a significant increase of approximately 98%, despite the impact of recent severe flooding in Bangkok, where the Group’s card acceptance business was mainly located. For the foreign exchange rate discount income, with the appreciation of the Thai Baht against the US dollar in the early of October 2011, the Company’s foreign exchange rate discount income was impacted, although, for the Review Period when compared with the same for the corresponding period in 2010, such income was increased by approximately 129%. Revenue generated from the card acceptance business in Thailand during the Review Period amounted to approximately HK\$14,094,000, representing an increase of 121% as compared with the same for the corresponding period in 2010. Total revenue for the Group increased from approximately HK\$7,577,000 to approximately HK\$15,004,000 for the nine months ended 31 December 2010 and 2011 respectively, representing an increase of 98%.

Use of Proceeds

The net proceeds from placing of the Company’s shares on the GEM of the Stock Exchange on 28 August 2009 (the “Placing”) have been applied by the Group in accordance with the Directors’ assessment of the development of the market condition:

1. In relation to the Group’s co-branded card partnership business: during the period between 14 August 2009, being the latest practicable date as defined in the prospectus of the Company dated 24 August 2009, and 24 February 2011,

the Group focused on promotion campaigns for the Pacific – OCG Golf Card in accordance with the agreement signed between OCG China and the Hainan branch of Bank of Communications Co., Ltd. The agreement expired on 24 February 2011 and both parties to the agreement decided not to renew the agreement upon such expiration. The Group established a non-wholly owned subsidiary in Hong Kong in December 2011 and plans to set up a wholly foreign-owned enterprise through this subsidiary to facilitate the development of the Group's lifestyle payment card issuance business of the Group in the PRC. In January 2012, OCG China entered into a cooperation agreement with the Haikou Rural Commercial Bank for the development of payment cards in the PRC;

2. In relation to the Group's card acceptance business: after the termination of the participation agreement with Siam Commercial Bank Public Company Limited on 10 May 2010, the Group installed 35 new point-of-sales card terminals (the "POS terminals") in tourist areas including Bangkok, Phuket and Pattaya. Further, during the Review Period, OCG Thailand upgraded its existing information technology system in order to catch up with the system development of China Unionpay. However, Thailand, especially Bangkok, suffered from severe flooding for the period commencing from the end of October 2011 and ending in December 2011. The Directors will continue to closely monitor the situation and the development of its card acceptance business in Thailand. As regards the expansion of the card acceptance business in Laos, the Group has already obtained a foreign investment licence, business operating licence and tax licence in respect of such business in Laos. The Directors are assessing the potential market in Laos and are in contact with China Unionpay in relation to the timing of roll out of the Group's card acceptance business in Laos.
3. In relation to the Group's general expenditure, including the payment of general and administrative expenses, such as staff costs (including Directors' remuneration), professional fees and other general operating expenses; and
4. As regards the remaining net proceeds from the Placing as at 31 December 2011, they are being held in an interest bearing deposit account maintained with a bank in Hong Kong.

BUSINESS OUTLOOK

The Group mainly concentrated on its card acceptance business during the Review Period. However, Thailand had been suffering from severe flooding since late October 2011. Average daily transaction volume for the two months ended 31 December 2011 was approximately Baht 4.97 million (equivalent to approximately HK\$1.26 million), compared with the average daily transaction volume for the same period in 2010 of approximately Baht 9.35 million (equivalent to approximately HK\$2.30 million), representing a decrease of 47%. The Directors confirm that the POS terminals operated by the Group's merchants have not been damaged or compromised as a result of the flooding as at the date of this report and that the Group's transaction volume for the card acceptance business was improved since January 2012. However, the Directors are of the view that the performance of the Group's card acceptance business in Thailand highly depends on the prevailing political, environmental and other circumstances of Thailand, which are out of the control of the Group. In addition, the agreement for marketing service income between the Group and an independent third party expired in October 2011 and has not been renewed. The Directors will continue to seek for the best interest of the shareholders of the Company. While the Group will seek to continue the development of the Group's card acceptance business in Thailand, it will also look for other new business opportunities in order to broaden the revenue base of the Group and thereby lessen its exposure to Thailand.

FINANCIAL REVIEW

Resulting from the severe flooding, the Group's card acceptance business encountered significant decrease since late October 2011. Notwithstanding this, owing to the tremendous increase in the transaction volume handled by the Group during the Interim Period, the Group's revenue for the Review Period as a whole increased to approximately HK\$15,004,000, representing an increase of approximately 98% as compared with the Group's revenue recorded in the corresponding period in 2010. The net loss attributable to equity holders of the Company was approximately HK\$2,155,000 for the Review Period representing slight increase as compared with approximately HK\$2,059,000 that was recorded in the corresponding period in 2010.

The Group's gross profit for the Review Period was approximately HK\$5,098,000, representing an increase of approximately 59% from the nine months ended 31 December 2010. Gross profit margin for the nine months ended 31 December 2011 and 2010 amounted to 34% and 42% respectively. This decrease in the Group's gross profit margin was mainly attributable to the decrease in the proportion of the marketing service fee income, in respect of which direct costs were minimal, over the total revenue earned during the Review Period.

The general administrative expenses of the Group for the Review Period amounted to approximately HK\$5,446,000, representing an increase of approximately 23% as compared with the same as recorded in the corresponding period in 2010. The increase in administrative expenses was mainly due to the general increase in administrative and operating expenses, including rental expenses, depreciation and other general expenses.

The selling and distribution costs for the Review Period amounted to approximately HK\$631,000, representing an increase of approximately HK\$191,000 compared with the same as recorded in the corresponding period in 2010. The increase was mainly due to the increase in staff costs for the marketing team in Thailand during the Review Period.

As such, the net loss attributable to the equity holders of the Company for the Review Period was approximately HK\$2,155,000, representing an increase of approximately 5% from that of last year.

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

As at 31 December 2011, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company

and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Cheng Nga Ming Vincent (“Mr. Cheng”)	Corporate – Interest of controlled corporation <i>(Note 1)</i>	393,000,000	65.50%
	Beneficial owner	27,000,000	4.50%
Mr. Yu Chun Fai (“Mr. Yu”)	Beneficial owner <i>(Note 2)</i>	22,040,000	3.67%

Note:

1. These Shares were held by Tian Li Holdings Limited (“Tian Li”) which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee (“Ms. Cheng”) respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 393,000,000 Shares held by Tian Li under the SFO.
2. Mr. Yu resigned as the executive Director of the Company with effect from 11 November 2011.

(b) Associated corporations

As at 31 December 2011, Ms. Cheng held 30% equity interests in Tian Li.

Save as disclosed above, as at 31 December 2011, so far as is known to any Directors or chief executive of the Company, none of the Director or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

As at 31 December 2011, so far as is known to the Directors, the following person (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

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

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

Save as disclosed above, as at 31 December 2011, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

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

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

Saved as disclosed above, during the Review Period, 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.

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 shares during the Review Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules during the Review Period, except the code provision A.2.1 that the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. On 11 November 2011, Mr. Yu resigned as an executive Director, the chairman, the CEO, the compliance officer and the chairman and member of the compliance committee of the Company. Immediately upon Mr. Yu’s resignation from these offices, Mr. Cheng, an executive Director, has been appointed as the chairman, the CEO, the compliance officer and the chairman and member of the compliance committee of the Company in his stead. Mr. Cheng has about 15 years of experience in financial sector. The Board considers that vesting the roles of chairman and CEO in Mr. Cheng provided the Group with consistent leadership in the development and execution of long-term business strategies.

The Company established an internal control committee and a compliance committee on 14 August 2009 to ensure the Group’s proper and appropriate control and the compliance of the applicable rules and regulations, which the two committees would meet on a quarterly basis.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 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, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors’ securities transactions from 1 April 2011 to 31 December 2011.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by SBI E2-Capital (HK) Limited (“SBI”), the Company’s compliance adviser, neither SBI nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2011.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises Mr. Chan Chun Wai, Mr. Lee Kin Fai and Mr. Chow King Lok, all of whom are independent non-executive Directors, with written terms of reference in compliance with rule 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 reports and quarterly reports and provide advice, comments thereon to the Board and (ii) to review and supervise the financial reporting process and internal control system of the Group.

The Group’s unaudited quarterly results for the nine months ended 31 December 2011 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Cheng Nga Ming Vincent
Chairman

Hong Kong, 8 February 2012

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