



First Quarterly 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”) 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\$1,266,000 for the three months ended 30 June 2010, which represented a decrease of approximately 19% as compared with the corresponding period in 2009.
- The loss attributable to equity holders of the Company was approximately HK\$616,000 for the three months ended 30 June 2010 compared with approximately HK\$316,000 for the corresponding period in 2009.
- Loss per share for the three months ended 30 June 2010 was approximately HK\$0.10 cents.
- The Board does not recommend the payment of interim dividend for the three months ended 30 June 2010.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2010

		Unaudited Three months ended 30 June	
	<i>NOTE</i>	2010 HK\$	2009 HK\$
Revenue	2	1,265,669	1,569,992
Cost of services rendered		(566,632)	(1,159,680)
Gross profit		699,037	410,312
Other income		10,761	6,682
General administrative expenses		(1,193,313)	(635,696)
Selling and distribution costs		(153,155)	(106,068)
Finance costs	4	(7,359)	(4,713)
Loss before taxation	4	(644,029)	(329,483)
Taxation	5	-	(5,354)
Loss for the period		(644,029)	(334,837)
Attributable to:			
Equity holders of the Company		(616,423)	(315,783)
Minority interests		(27,606)	(19,054)
		(644,029)	(334,837)
Loss per share for loss attributable to equity holders of the Company			
Basic and Diluted	7	(0.10) HK cents	(0.07) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2010

	Unaudited Three months ended 30 June	
	2010 HK\$	2009 HK\$
Loss for the period	(644,029)	(334,837)
Other comprehensive (loss) income		
Exchange difference on translation of foreign subsidiaries	(3,358)	209,339
Total comprehensive loss for the period	(647,387)	(125,498)
Attributable to:		
Equity holders of the Company	(619,139)	(122,752)
Minority interests	(28,248)	(2,746)
	(647,387)	(125,498)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the three months ended 30 June 2010

1. GROUP REORGANISATION AND BASIS OF PREPARATION

Group reorganisation

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

The shares of the Company were listed on the GEM on 28 August 2009 (the "Listing").

As the Group were controlled by the ultimate holding company of the Group (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").

Under this basis, the unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2010 (the "First Quarterly Financial Statements"), including comparative figures, are presented as if the current group structure had been in existence since the date of incorporation/establishment of the group entities or since the date when the combining entities or business first came under common control, regardless of the date of the common control combination.

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 the condensed consolidated income statements and credited as deemed capital contribution from the Controlling Party in the equity.

	Unaudited	
	Three months ended	
	30 June	
	2010	2009
	HK\$	HK\$
Corporate administration expenses	–	79,000

Basis of preparation

The First Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the financial performance of the Group since 31 March 2010, 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 (“HKAS”) and Interpretation issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2010.

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

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 March 2010. In the current period, the Group has adopted all the new and revised HKFRS issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. The adoption of these new and revised HKFRS did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior 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 Group has already commenced an assessment of the impact of these new and revised HKFRS but is 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 represents the share of annual and transaction fee income from co-branded card partnership business, transaction fee income and foreign exchange rate discount income from card acceptance business and marketing service fee income, is analysed by category as follows:

	Unaudited	
	Three months ended	
	30 June	
	2010	2009
	HK\$	HK\$
Co-branded card annual and transaction fee income	3,817	13,313
Card acceptance transaction fee income	669,900	1,335,387
Foreign exchange rate discount income	201,952	221,292
Marketing service fee income	390,000	–
	1,265,669	1,569,992

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
- (ii) co-branded card partnership business and marketing business in the People's Republic of China (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.

Three months ended 30 June 2010 (unaudited)

	Card acceptance business HK\$	Co-branded card partnership business and marketing business HK\$	Consolidated HK\$
Segment revenue	871,852	393,817	1,265,669
Segment results	(69,015)	303,542	234,527
Unallocated interest and other income			10,761
Unallocated finance costs			(7,359)
Unallocated other expenses			(881,958)
Loss before taxation			(644,029)
Taxation			-
Loss for the period			(644,029)

Three months ended 30 June 2009 (unaudited)

	Card acceptance business <i>HK\$</i>	Co-branded card partnership business and marketing business <i>HK\$</i>	Consolidated <i>HK\$</i>
Segment revenue	1,556,679	13,313	1,569,992
Segment results	(42,282)	(49,672)	(91,954)
Unallocated corporate administration expenses			(79,000)
Unallocated interest and other income			(4,713)
Unallocated other expenses			<u>(153,816)</u>
Loss before taxation			(329,483)
Taxation			<u>(5,354)</u>
Profit for the period			<u>(334,837)</u>

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 30 June	
	2010 HK\$	2009 HK\$
This is stated after charging:		
Finance costs		
Finance costs on other long-term liabilities	7,359	4,713
Other items		
Depreciation of property, plant and equipment	27,590	101,613
Staff costs, including directors' emoluments	646,995	234,077
Operating lease charges on premises	91,076	45,659

5. TAXATION

	Unaudited Three months ended 30 June	
	2010 HK\$	2009 HK\$
Current tax	–	–
Deferred tax		
Utilisation of tax losses	–	5,354
Tax expenses for the period	–	5,354

(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 BVI are exempted from the payment of income tax in the Cayman Islands and the BVI.

Oriental City Group (Thailand) Company Limited ("OCG Thailand"), the Company's subsidiary established in Thailand, is subject to Thailand income tax at 30%. However, no income tax has been provided as OCG Thailand incurred losses for taxation purposes during the periods.

Oriental City Group (Hainan) Services Limited ("OCG China"), the Company's subsidiary established in the PRC, is subject to the statutory enterprise income tax rate of 25% for the periods under the income tax rules and regulations of the PRC. OCG China is entitled for special tax benefits in special economic zones under a preferential lower tax rate of 18%, 20%, 22%, 24% and 25% for the years ending from year 2008 to 2012, 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 interim dividend for the three months ended 30 June 2010 (2009: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 30 June 2010 is calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of HK\$616,000 (2009: HK\$316,000) and on the weighted average number of 600,000,000 ordinary shares (2009: 450,000,000 ordinary shares) in issue during the periods.

In determining the weighted average number of ordinary shares in issue, 1 ordinary shares 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 2009 for the purpose of the calculation of basic loss per share.

Diluted loss 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					Total HK\$	Minority interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$			
For the three months ended								
30 June 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	-	-	-	-	(616,423)	(616,423)	(27,606)	(644,029)
Exchange difference on translation of foreign subsidiaries	-	-	-	(2,716)	-	(2,716)	(642)	(3,358)
Total comprehensive loss for the period	-	-	-	(2,716)	(616,423)	(619,139)	(28,248)	(647,387)
At 30 June 2010 (unaudited)	6,000,000	14,558,608	6,996,322	(319,586)	(6,214,200)	21,021,144	777,670	21,798,814
Attributable to equity holders of the Company								
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$	Minority interests HK\$	Total equity HK\$
For the three months ended								
30 June 2009								
At 1 April 2009 (audited)	-	-	6,855,255	(479,758)	(3,718,641)	2,656,856	364,355	3,021,211
Loss for the period	-	-	-	-	(315,783)	(315,783)	(19,054)	(334,837)
Exchange difference on translation of foreign subsidiaries	-	-	-	193,031	-	193,031	16,308	209,339
Total comprehensive loss for the period	-	-	-	193,031	(315,783)	(122,752)	(2,746)	(125,498)
Deemed capital contribution from equity holders of the Company	-	-	79,000	-	-	79,000	-	79,000
At 30 June 2009 (unaudited)	-	-	6,934,255	(286,727)	(4,034,424)	2,613,104	361,609	2,974,713

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the three months ended 30 June 2010 (the "Review Period"), there were political unrest and violence occurred in the urban area of Bangkok, Thailand, where the Group's Thai business is headquartered. Following a warning issued in mid-April by the China National Tourism Administration notifying the Chinese tourists to temporarily suspend their visits to Thailand, there was a significant reduction in the number of PRC tour groups going to Thailand. As a result, the transaction volumes processed by the Group as well as the Group's revenue during the Review Period have been reduced significantly. During the Review Period, the Group's revenue generated from Thailand was approximately HK\$872,000 (2009: approximately HK\$1,557,000), representing a decrease of approximately 44% as compared to the same period in 2009. With the significant reduction in revenue, loss attributable to the equity holders increased from approximately HK\$316,000 to approximately HK\$616,000 for the three months ended 30 June 2009 and 2010 respectively.

Use of proceeds

As stated in the annual report of the Group for the year ended 31 March 2010, the Group planned to expand its card acceptance business and co-branded card partnership business in the forthcoming future. The net proceeds from the placing of the Company's shares on 28 August 2009 (the "Placing") were applied by the Company in accordance with the Directors' assessment of the development of the market condition:

1. The proceeds were partially applied by the end of June 2010 in order for the Group to specifically monitor the on-going and developing situation of political instability in Thailand and its complications for the Group's China Unionpay (the "CUP") card acceptance business;

2. On its co-branded card business, the Group focused on the Pacific-OCG Golf Card usage and promotion campaigns for the Pacific-OCG Golf Card in Hainan Province, China. The Group was at the negotiation stage with other potential partnership banks. In order to explore opportunities to the best interest of the shareholders, no final agreement has been concluded;
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 continued to closely monitor the travelling pattern of mainland Chinese tourists 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). 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; and
5. The remaining net proceeds as at 30 June 2010 have been placed in interest-bearing deposit account in bank in Hong Kong.

BUSINESS OUTLOOK

Although the political stability in Thailand was started to improve by the end of the Review Period, the Group was expanding cautiously in Thailand. The Group is considering reallocating a portion of the use of proceeds raised from the Placing 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 new business opportunities in the best interest of the shareholders of the Company.

FINANCIAL REVIEW

The Group's revenue for the Review Period amounted to approximately HK\$1,266,000, representing a decrease of approximately 19% as compared to HK\$1,570,000 for the corresponding period in 2009. The net loss attributable to equity holders of the Company was approximately HK\$616,000 for the Review Period compared with approximately HK\$316,000 for the corresponding period in 2009.

The decrease in the Group's revenue was mainly due to the significant decrease in CUP Cards acceptance transaction volume as the number of Chinese tourists in Thailand has been dropped significantly during the Review Period. The transaction volume dropped to approximately Baht 199 million (equivalent to approximately HK\$47 million) for the three months ended 30 June 2010 compared to approximately Baht 385 million (equivalent to approximately HK\$85 million) for the three months ended 30 June 2009. As a result, although the Group has a new marketing service income from the co-branded card business in the PRC which amounted to HK\$390,000 during the Review Period, the turnover still suffered from a drop of approximately 19%.

The gross profit for the Review Period was approximately HK\$699,000, representing an increase of approximately 70% from the three months ended 30 June 2009. This was primarily attributable to the marketing service fee which started from November 2009 having insignificant direct costs.

Further to the decrease in revenue, the loss result was also attributable to the general increase in administrative and operating expenses during the Review Period.

The general administrative expenses of the Group for the Review Period amounted to approximately HK\$1,193,000, representing an increase of approximately 88% as compared to the corresponding period in 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 other general expenses.

The selling and distribution costs for the Review Period amounted to approximately HK\$153,000, representing a increase of approximately HK\$47,000 compared with the corresponding period in 2009. The increase was mainly due to the increase in staff cost for the marketing staff in Thailand during the Review Period.

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

As at 30 June 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 corporations (<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.

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%

Name of associated corporations	Capacity	Number of shares	Percentage of shareholding
Straum Investments Limited	Corporate	1 share of US\$1	100%
Oriental City Group Hong Kong Limited	Corporate (<i>Note 2</i>)	1 share of US\$1	100%
Oriental City Group Limited	Corporate (<i>Note 2</i>)	23,116,988 shares of HK\$0.00001 each	100%
Oriental City Group Bank Limited	Corporate (<i>Note 3</i>)	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.

Save as disclosed above, as at 30 June 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.

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 30 June 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 30 June 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.

COMPETING INTERESTS

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 over 30% 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 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.

Save 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

The Company has not redeemed any of its listed shares during the Review Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the Reviewed 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 should be separate and should not be performed by the same individual. Mr. Yu is the Chairman and assumes the duties of the CEO of the Company. Mr. Yu has over 8 years of experience in card payment industry and 12 years of experience in financial services and card 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.

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 rules and regulations. The Directors consider that the internal control and the compliance functions of the Group have become matured and consequently resolved that the two committees would meet on a quarterly, rather than monthly, basis with effective from July 2010.

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 1 April 2010 to 30 June 2010.

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 30 June 2010.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors, namely Mr. Chan Chun Wai (Chairman), Mr. Tsang Siu Tung and Mr. Chan Wing Cheung, Joseph. The primary responsibilities of the Audit Committee are (i) to review the annual report and accounts, interim reports and quarterly reports and provide advice, comments thereon and recommendation to the Board and (ii) to review and supervise the financial

reporting process and internal control system of the Group. The Group's unaudited results for the three months ended 30 June 2010 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

On behalf of the Board

Yu Chun Fai

Chairman

Hong Kong, 10 August 2010

As at the date of this report, the executive director of the Company is Mr. Yu Chun Fai; the non-executive director is Ms. Wong Lai Chun; and the independent non-executive directors are Mr. Chan Chun Wai, Mr. Chan Wing Cheung, Joseph and Mr. Tsang Siu Tung.