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smartpay
中國支付通

China Smartpay Group Holdings Limited

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

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Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhang Huaqiao *(Chairman)*
(re-designated from a non-executive director to an executive director on 13 May 2015)
Dr. Cao Guoqi
Mr. Fung Weichang
Mr. Xiong Wensen
Mr. Song Xiangping
Mr. Cheng Nga Ming Vincent (vacated on 30 June 2015)

Independent Non-executive Directors

Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin
Dr. Zhou Jinhuang (appointed on 8 June 2016)

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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COMPANY SECRETARY

Mr. Tang Wai Leung, *HKICPA*

COMPLIANCE OFFICERS

Dr. Yuan Shumin
Dr. Cao Guoqi (appointed on 30 June 2015)
Mr. Cheng Nga Ming Vincent (vacated on 30 June 2015)

AUDIT COMMITTEE

Dr. Yuan Shumin *(Chairman)*
Mr. Wang Yiming
Mr. Lu Dongcheng

REMUNERATION COMMITTEE

Dr. Yuan Shumin *(Chairman)*
Mr. Wang Yiming
Mr. Lu Dongcheng

NOMINATION COMMITTEE

Mr. Lu Dongcheng *(Chairman)*
Mr. Wang Yiming
Dr. Yuan Shumin

INTERNAL CONTROL COMMITTEE

Dr. Yuan Shumin *(Chairman)*
Mr. Wang Yiming
Mr. Lu Dongcheng

COMPLIANCE COMMITTEE

Dr. Cao Guoqi *(Chairman)* (appointed on 30 June 2015)
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin
Mr. Cheng Nga Ming Vincent (vacated on 30 June 2015)

AUTHORISED REPRESENTATIVES

Dr. Cao Guoqi (appointed on 30 June 2015)
Mr. Tang Wai Leung
Mr. Cheng Nga Ming Vincent (vacated on 30 June 2015)

COMPANY WEBSITE

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STOCK CODE

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Corporate Information

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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited
Bangkok Bank Public Company Limited
China Merchants Bank Co., Limited
China Minsheng Bank
Bank of Communications Co., Limited
Bank of Ningbo Co., Limited

INVESTOR RELATIONS CONTACT

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Chairman's Statement

To all shareholders,

I am pleased to present the annual report of China Smartpay Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016 to the shareholders of the Company.

The last financial year is an exciting year for us. During the year, we achieved fascinating profit growth from a net loss of approximately HK$71 million for the year ended 31 March 2015, to a net profit of approximately HK$70 million. If the effect of share-based compensation costs to be excluded, our net profit would stand at approximately HK$136 million.

On the operation side, we have broken ground in providing integrated electronic payment and e-commerce solutions in important areas such as tourism, healthcare and public transportation. We are well-positioned to achieve more in the years ahead.

We are integrating the Group's various business divisions, hoping to achieve synergy. For instance, our prestige benefits division have teamed up with our payment business, especially in international travel-related products offerings. Over time, we plan to merge the two divisions as mobile technology will make the two almost indistinguishable. As their respective user base grows, we hope to be able to use it in our new internet finance business based out of Chongqing. In the past year, we have explored the possibility of providing trade finance to our cross-border e-commerce customers. If we succeed there, we hope to link that business with our internet finance business.

We are in a very competitive sector dominated by established giants. Therefore, we have to be nimble and innovative. Fortunately, new opportunities often present themselves. We will continue to experiment newer and better ways of serving customers. Many of our experiments may not work eventually, but that is the nature of our business. However, we will always be prudent in our risk-taking.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, investors, customers and business partners for your strong support. I would also like to express our sincere appreciation to the management and all staff of the Group for your dedication, creativity and perseverance.

Zhang Hauqiao
Chairman

Hong Kong, 24 June 2016

BUSINESS REVIEW

The Company aims to offer a full suite of payment-focused e-commerce services to merchants and consumers, covering prepaid card payment, electronic payment, credit card acceptance, prestige benefit programs, e-commerce and trade financing. For the financial year ended 31 March 2016, the Company continues to develop and experience solid growth in all of its core strategic areas, namely 1) Prepaid cards and Internet Payment Services; 2) Prestige Benefits Program; 3) E-commerce and Trade Financing, 4) Card Acceptance in Thailand and 5) Investment.

Prepaid cards and Internet Payment Services

The Company controls one of only six payment service licences for nationwide prepaid cards and internet payment services. This strategic permit enables us to become one of the few companies that can manage and operate large-scale countrywide prepaid programs in the PRC.

In the financial year ended 31 March 2016, this segment has played a key role in our profit growth. Specifically, Open Union's legacy prepaid gift-card business remains strong despite economic and political headwinds, while in the meantime we have commenced a number of meaningful initiatives which will transform our payment business into a complete internet-based ecosystem. Here are some notable cases:

- **Tourism:** Our smart tourism solutions in collaboration with Dalian Youwawa Business Service Limited (Dalian Youwawa, English translation of 游娃娃（大連）網絡科技有限公司) have been deployed in over 60 notable parks and scenic sites in the PRC. We have also entered into an exclusive strategic relationship with Chinese Association of National Parks and Scenic Sites, an industry association under the direct guidance of Ministry of Housing and Urban-Rural Development of the PRC, to co-develop smart tourism services across China.

- **Healthcare:** The MSYPAY project, which includes a prepaid card plus an online account system that allows patients to pay for hospital services and access personal medical data with convenience, is fully connected and operational at 10 hospitals at the date of this report.

- **E-commerce and Merchant O2O:** During the financial year ended 31 March 2016 we have also deployed over 4,000 smart POS terminals at 30 Wanda Plazas and connecting over 3,500 merchants as of 31 March 2016.

Prestige Benefits

In July 2015, the Company completed its acquisition of AE Investment Consulting Limited (the "Colourful Group"), a prestige benefits business, which designs, sells, and manages benefits packages to banks and card issuing organisations which will in turn offer the packages to their own premium members of cardholders. Colourful Group has since become one of the fastest growing businesses of the Company.

There is natural synergy between payment and benefits products businesses. Both payment and benefits products are essentially e-commerce services that help merchants to better market their goods and services, while at the same time help consumers to enjoy a more convenient and interactive consumption experience.

Since the acquisition, Colourful Group's prestige benefits products have been steadily integrated with payment products of the Group. Our overseas payment programs in Singapore and South Korea have collaborated with Colourful Group, leveraging on Colourful Group's major distribution channel, and have sold Singaporean and Korean "payment + benefit" products to banks and card issuing organizations in the PRC.

E-commerce and Trade Financing

While we have experienced solid top-line growth in this segment, in response to fierce competition and macro-economic downturn, the Company has focused more on the provision of supply chain financing for other e-commerce trading companies. Essentially, instead of trading the cross-border goods with our own platform, the Company is now offering lending services along the supply chain to facilitate the trading process, and help upstream suppliers receive payments more efficiently. Instead of profiting from the price difference of the traded goods, the Company now charges interest rates or service fees on the credit services provided to the entire supply chain.

This slight shift in focus is closely in line with the Group's long-term strategy to become a comprehensive internet finance platform. The Company can offer micro-credit and lending services to not only trading companies, but also small businesses and individuals, while leveraging on the Company's small-value, high-frequency payment businesses to provide data and statistics for credit analysis and risk management.

On 19 May 2016, the Company received an approval granted by Chongqing Liang Jiang new area modern services industry bureau, allowing us to co-invest in internet micro-credit business on a nation-wide basis in collaboration with Haitong International Securities Group Limited.

Card Acceptance in Thailand

For the Group's card acceptance business in Thailand, although Thai tourism was suffered for a few months resulting from the bombing in Bangkok which happened in August 2015, the business was rebounded in November 2015 and the total transaction volume handled by the Group in Thailand was increased from approximately Thai Baht ("Baht") 27,475 million for the year end 31 March 2015 to approximately Baht 28,084 million for the year ended 31 March 2016. However, total revenue generated from the card acceptance business was decreased from approximately HK$106 million for the year ended 31 March 2015 to approximately HK$101 million for the year ended 31 March 2016. The slight decrease of revenue was mainly due to devaluation of Baht.

During the year ended 31 March 2016, the Group has entered several key merchant agreements with new well-known merchants such as Toyrus and International SOS based in Thailand. In addition, we have recruited new regional business managers for the market of Chiangmai and Phuket in January and February 2016 respectively. We are confident that the new appointments, will have a more focused and in-depth strategic development for our business in the developing tourist attractions for the areas outside of Bangkok and Pattaya.

Furthermore, the Group has been in progress of building up the indirect system host connection with UnionPay International for our UnionPay card acceptance business requested by UnionPay International based in Thailand. The indirect system connection is developed to enhance the existing direct system connection established earlier with UnionPay International. The migration from direct connection to indirect connection is expected to be completed in second half of 2016.

Investment

One important new development in the financial year ended 31 March 2016 is that we have made strategic investment into businesses in industries that are related to our core business, such as payment, technology, financing and internet finance. We expect such investments to not only reap monetary rewards, but also create synergy for the Group's wider business eco-system. For instance, in the financial year ended 31 March 2016, we have successfully invested into Zhi Cheng Holdings Limited to develop financial leasing and other comprehensive financing solutions, making momentous profit contribution to the Group. We have also acquired minority stakes in Dalian Youwawa, in an important business partner in our tourism business.

BUSINESS OUTLOOK

For prepaid cards and internet payment business, we will continue to seek major near-term breakthroughs for our electronic payment in areas ranging from tourism, e-commerce, healthcare to public transportation. We are also evaluating several strategic options, such as investment and/or acquisitions that can rapidly realize our strategic goals.

For prestige benefits program, we will further integrate the Colourful Group into other business segments of the Company and further combine our prepaid and internet payment products, especially in tourist "payment + benefit" business in Singapore and South Korea. In the long term, we will introduce electronic benefits that can run smoothly on mobile platforms and integrate more seamlessly with electronic payment solutions.

For e-commerce and trade financing business, the Company will further develop the financing and lending side of the e-commerce business. By establishing online micro-credit business in Chongqing, we will further integrate e-commerce and trade financing business with the internet finance business. We expect various new projects and collaborations in the lending industry to further utilize its payments and e-commerce business and consolidate the Group's position as an integrated payment service and internet finance service provider.

For card acceptance business in Thailand, we have been working with UnionPay International to launch UnionPay Quickpass/contactless payment services to both domestic and visiting UnionPay Cardholders as soon as practicable in 2016/2017, and will endeavour to further simplify the payment process for Chinese tourists with a more comprehensive payment approach. We are also studying the feasibility to implement the UnionPay online payment for Thai market, in order to further strengthen our local market leadership with diversified payment platforms by UnionPay.

For investment business, we will continue to search for financial investment opportunities in the Company's related industries or markets in order to enhance capital returns and to facilitate future growth of our core business segments.

FINANCIAL REVIEW

Revenue

The e-commerce and trading financing services business, the card acceptance transaction fee income and the foreign exchange rate discount income from the card acceptance business in Thailand, the prepaid cards and internet payment business and the prestige benefits business which was carried out by a new subsidiary acquired by the Group in July 2015 all contributed to the total revenue of the Group for the year ended 31 March 2016. Total revenue of the Group for the year ended 31 March 2016 amounted to approximately HK$598 million, of which approximately HK$280 million was attributed from the e-commerce and trading financing services business, approximately HK$140 million was attributed from the prepaid cards and internet payment business, approximately HK$101 million was attributed from the card acceptance business in Thailand and approximately HK$77 million was attributed from the prestige benefits business respectively.

The income generated from the prepaid cards and internet payment business and e-commerce and trading financing services business was driven by the increasing volume of prepaid cards and internet payment and cross-border e-commerce trading activities. The revenue of prepaid cards and internet payment business and e-commerce and trading financing services business for the year amounted to approximately HK$420 million, representing 70% of total revenue of the Group.

For the card acceptance business, throughout the year, total transaction volume handled by the Group in Thailand amounted to approximately Baht 28,084 million with an increase of Baht 609 million as compared with the same recorded in last year. The slight decrease in revenue was mainly due to devaluation of Baht during the year.

Cost of Goods Sold/Cost of Services Rendered

Total cost of goods sold and cost of services rendered amounted to approximately HK$394 million, representing an increase of approximately 46% as compared with the same recorded in last year. Cost of goods sold for the e-commerce and trading financing services business represents the cost for goods traded. The cost of service rendered comprised the information network cost and the licence fee cost of the card acceptance business in Thailand. The increase in cost of goods sold and cost of services rendered was consistent with the increase in revenue generated from the e-commerce and trading financing business, the prepaid cards and internet payment business and the prestige benefits business during the financial year ended 31 March 2016.

General Administrative Expenses

The general administrative expenses of the Group for the year ended 31 March 2016 were approximately HK$177 million, representing an increase of approximately 55% from that of last year. The increase was primarily attributable to an increase in overall staff costs, including the recognition of share-based compensation costs of approximately HK$66 million and directors' remuneration, and the legal and professional fees incurred for the investment acquisition projects of the Group during the year.

Selling and Distribution Costs

The selling and distribution costs for the year ended 31 March 2016 amounted to approximately HK$38 million, representing an increase of approximately 407% from last year. The increase was mainly arising from the newly acquired subsidiaries and the overseas travelling expenses of the Group.

Finance Costs

The finance costs for the year ended 31 March 2016 amounted to approximately HK$11 million, representing an increase of approximately 318% from last year. The increase was mainly arising from the increase effective interest expense on convertible bonds amounted to approximately HK$5 million and the increase in interest expense amounted to approximately HK$3 million from secured interest bearing borrowings.

Profit for the Year

During the year ended 31 March 2016, the Group reported a net profit attributable to equity holders of the Company amounted to approximately HK$64 million, representing an increase of approximately 2 times over the last year. Basic earnings per share was approximately 5.06 HK cents compared with basic losses per share of 8.15 HK cents recorded in last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows, public fund raising (as mentioned in "Fund Raising Activities and Use of Proceeds") and other borrowings.

As at 31 March 2016, the interest-bearing borrowings, which are denominated in RMB and bear a floating interest rate at 120% of 1-year base lending rate published by the People's Bank of China, were secured by the leasehold land and buildings of the Group with a carrying amount of approximately HK$31,816,000. In October 2015, the Company had fully settled the interest-bearing borrowings as at 31 March 2015 of RMB70,000,000 (equivalent to approximately HK$88,466,000) and its associated buyback obligation was discharged.

At 31 March 2015, the Group's other long-term borrowings amounted to Baht 1,650,000 (equivalent to approximately HK$393,000) due to a non-controlling shareholder, represented 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. Upon completion of the capital restructuring, a new class of issued and paid up preference shares of Baht 7,650,000 (equivalent to approximately HK$1,690,000), which carries cumulative dividend at 9.5% per annum was issued to the same non-controlling shareholder on 12 November 2015. Such dividend was also recorded as finance cost. The original issued and paid up preference share capital of Baht 1,650,000 was deleted with effect from 14 December 2015.

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for the years ended 31 March 2016 and 31 March 2015 were approximately 1% and 6% respectively.

As at 31 March 2016, the Group had net current assets of approximately HK$597.38 million (2015: HK$28.18 million). Current ratio as at 31 March 2016 was 1.82 (2015: 1.03). The cash and cash equivalents of the Group included cash held by a security broker as at 31 March 2016 were approximately HK$243.06 million (2015: approximately HK$37.58 million).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK$1,367.26 million as at 31 March 2016 (2015: approximately HK$562.40 million).

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 31 March 2016, the Group had investments in securities in Hong Kong with a market value of approximately HK$208 million, representing a listed equity in Hong Kong. The Group recorded an unrealised fair value gain of approximately HK$139.70 million in respect of investment in listed securities as at 31 March 2016. The details of the investments as at 31 March 2016 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised gain (loss) for the year	Unrealised gain on fair value change for the year	Cost of acquisition	Fair value as at 31 March 2016	% of net assets	Principal activities
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		
Zhi Cheng Holdings Limited	8130	508,000,000	19.68%	–	139,700	68,580	208,280	14.99%	Provision of financial leasing and other financing services, provision of consultancy services, advertising and media related services, provision of project management services, travel agency and related operations.

During the financial year ended 31 March 2016, there were no dividend received from the securities held.

Since the share price of the listed securities as set out above arose from HK$0.135 at the date of subscription to HK$0.41 as at 31 March 2016, the Group recorded an unrealised fair value gain of approximately HK$139.70 million respect of investment in listed securities as at 31 March 2016.

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board closely monitors the performance of its investment.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in Hong Kong dollars ("HK$"), Renminbi ("RMB") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars ("US$"). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 31 March 2016, the Group has outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$1,500,000 (equivalent to approximately HK$11,631,000) (2015: Nil). The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as 31 March 2016.

RESULTS AND DIVIDENDS

For the year ended 31 March 2016 the Group recorded a revenue of approximately HK$598.30 million (2015: approximately HK$333.39 million) and a profit attributable to equity holders of the Company of approximately HK$63.82 million as compared with loss attributable to equity holders of the Company of approximately HK$78.23 million for the previous year. The basic earnings per share was 5.06 HK cents (2015: basic losses per share 8.15 HK cents).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

EMPLOYESS AND REMUNERATION POLICY

As at 31 March 2016, the Group had a total staff of 387 (2015: 183) of whom 32 (2015: 10) were based in Hong Kong, 330 (2015: 162) were based in the PRC, 13 (2015: 11) were based in Thailand and 12 (2015: Nil) were based in Singapore. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group has made no other material acquisitions, disposals or any significant investments during the year ended 31 March 2016.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Date of announcement	Fund raising activities	Net Proceeds	Intended use of proceeds	Actual use of proceeds
25 October 2015	Subscription of 422,809,720 new shares under specific mandate at the subscription price of HK$1.90 per share.	(i) Approximately HK$350 million; (ii) For the remaining of approximately HK$453 million, please refer to the announcement dated 31 May 2016.	(i) pursue acquisition in the payment, internet finance and e-commerce industry in the PRC; (ii) as general capital of the Group.	(i) approximately HK$69 million was used in the subscription of new shares issued by Zhi Cheng Holdings Limited (Stock code: 8130); (ii) approximately HK$61 million was used to invest in internet micro credit business; (iii) approximately HK$45 million was used to invest in payments and prestige benefits business; (iv) approximately HK$90 million was used as general working capital of the Group; (v) the remaining will be ultilised for the purpose of intended use of proceeds.

Date of announcement	Fund raising activities	Net Proceeds	Intended use of proceeds	Actual use of proceeds
20 April 2015	Subscription of 63,953,488 new shares at a subscription price of HK$2.15 per Share.	Approximately HK$137.5 million.	(i) to develop the benefits card business of the Group as disclosed in the circular of the Group dated 12 June 2015; (ii) to pursue further acquisition and investment in the payment and internet finance industry in the PRC; (iii) to fund the co-brand payment card cooperation projects in the PRC as disclosed in the circular of the Group dated 5 February 2015; (iv) as general working capital of the Group.	(i) approximately HK$137.4 million was used in the acquisition of a high-end benefits cards business.
12 April 2015	(i) Subscription of the 6% convertible bonds of the Company in the principal amount of US$10 million (equivalent to approximately HK$77.55 million) due on 30 April 2018 convertible into a maximum of 41,918,918 Shares at the initial conversion price of HK$1.85 per Share; (ii) Subscription of the 6% convertible bonds of the Company in the principal amount of US$10 million (equivalent to approximately HK$77.55 million) due on 30 April 2018 convertible into a maximum of 41,918,918 Shares at the initial conversion price of HK$1.85 per Share; (iii) Placing of the 6% convertible bonds of the Company in the principal amount of US$20 million (equivalent to approximately HK$155.1 million) due on 30 April 2018 convertible into a maximum of 83,837,835 Shares at the initial conversion price of HK$1.85 per Share.	Approximately HK$307 million.	(i) to pursue acquisition in the payment and internet finance industry in the PRC; (ii) to fund the co-brand payment card cooperation projects in the PRC as disclosed in the circular of the Company dated 5 February 2015; (iii) as general working capital of the Group.	(i) approximately HK$90 million was used in the acquisition of a high-end benefit cards business and an internet payment business; (ii) approximately HK$100 million was used to repay a bank loan; (iii) approximately HK$117 million was used as general working capital of the Group.

Save as disclosed above, the Company did not conduct any other fund raising activities during the year.

CAPITAL COMMITMENTS

As at 31 March 2016, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to (i) HK$0.52 million (2015: HK$1.31 million) in respect of the purchase of softwares and licences; and (ii) not more than RMB13 million (equivalent to approximately HK$15.9 million) in respect of the 10% equity interests in Zhongchao Hismart Information Technology (Beijing) Co. Ltd. ("Zhongchao Hismart", English translation of 中鈔海思信息技術（北京）有限公司 for identification purpose only) together with the system development on customer consumption behavior analysis (2015: RMB13 million (equivalent to approximately HK$16.7 million)).

CHARGES ON ASSETS

As at 31 March 2016, the Group's leasehold land and buildings with HK$31,816,000 was pledged to a financial institution in the PRC for securing a loan facility of RMB22,400,000 (equivalent to HK$26,941,000) granted to Open Union.

CONTINGENT LIABILITIES

Save as disclosed in this annual report, as at 31 March 2016, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 42 to the consolidated financial statements.

INFORMATION ON THE STRUCTURED AGREEMENTS

(i) On 20 April 2015, the Group entered into a sale and purchase agreement on the acquisition of entire issued share capital of AE Investment Consulting Limited and its subsidiaries (together the "AE Group") through the structured agreement. AE Group is primarily engaged in the issuance of prestige benefits cards to premium consumers and financial institutions. For details, please refer to the Company's circular dated 12 June 2015.

(ii) On 25 May 2014, the Group entered into a framework agreement (the "Framework Agreement") on the acquisition of 33% interests in Beijing Weike, which is a company established in the PRC with limited liability and holds 90% equity interests in Open Union. On 23 September 2014, upon completion of the acquisition of 33% interest in Beijing Weike and its 90%-owned subsidiary, Open Union (collectively referred as to the "Beijing Weike Group"), which are engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service, through the Structured Agreements (as defined below) with 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Company Limited, "Shanghai Yongle", its English translation is for identification purpose only), at an aggregated cash consideration of RMB156,000,000 (equivalent to approximately HK$196,076,000) (the "Beijing Weike JV Transaction"), Beijing Weike is classified as a joint venture of the Group and accounted for in the Group's consolidated financial statements under the equity method. Details of the Beijing Weike JV Transaction are set out in the Company's circular dated 1 September 2014.

On 15 October 2014, Beijing Weike, the shareholder of Beijing Weike, Shanghai Yongle, the shareholders of Shanghai Yongle (the "Shanghai Yongle Shareholders") and 深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited, "Shenzhen Yongle", its English translation is for identification purpose only), an indirect wholly owned subsidiary of the Company, also entered into an option framework agreement on the proposed exercise of the call option to acquire the remaining 67% interest in Beijing Weike by Shanghai Yongle (the "Beijing Weike Acquisition"). Upon completion of the Beijing Weike Acquisition on 27 January 2015, Shenzhen Yongle, through Shanghai Yongle, acquired the remaining 67% interest in Beijing Weike at an aggregated consideration of RMB312,000,000 (equivalent to approximately HK$392,152,000) which was settled by cash. Upon completion of the Beijing Weike Acquisition, Shenzhen Yongle, through Shanghai Yongle, enjoys 100% interest in Beijing Weike and Beijing Weike is classified as a subsidiary of the Group. Details of the Beijing Weike Acquisition are set out in the Company's circular dated 29 December 2014.

To facilitate the Beijing Weike JV Transaction and the Beijing Weike Acquisition, the Group's indirect wholly owned subsidiary, Shenzhen Yongle entered into a series of structured agreements (the "Structured Agreements") with Shanghai Yongle (which acquired 33% equity interests of Beijing Weike under the Beijing Weike JV Transaction and further acquired the remaining 67% equity interests in Beijing Weike under the Beijing Weike Acquisition), and the Shanghai Yongle Shareholders which enables Shenzhen Yongle to: (i) exercise effective financial and operational control over Shanghai Yongle; (ii) exercise the entire owners' voting rights of Shanghai Yongle; (iii) receive and be exposed to substantially all of the economic interest returns generated by Shanghai Yongle; (iv) have an irrevocable option to purchase the entire equity interest in Shanghai Yongle when and to the extent permitted under the PRC laws; and (v) obtain pledges over the entire equity interest of Shanghai Yongle from the Shanghai Yongle Shareholders.

A summary of the information of Shenzhen Yongle, Shanghai Yongle, the Shanghai Yongle Shareholders, Beijing Weike, Open Union and the Structured Agreements is set out below.

1.1 Particulars of Shenzhen Yongle, Shanghai Yongle, the Shanghai Yongle Shareholders, Beijing Weikie and Open Union

Shenzhen Yongle, a wholly-foreign-owned enterprise established in the PRC, is an indirect wholly owned subsidiary of the Company. The business scope of Shenzhen Yongle includes (i) development and provision of consultancy of computer hardware and software and network technology; (ii) provision of relevant technological services in respect of marketing promotion of bank cards and payment platform related products; and (iii) provision of consultancy of economic information.

Shanghai Yongle is a company established in the PRC with limited liability in accordance with the instruction of the Company for the investment in Open Union by the Group as contemplated under the Framework Agreement. The business scope of Shanghai Yongle includes provision of relevant technology development, technological services, technological consultation, technology transfer, software development and sales, graphic design, integration of computer system, sales and lease of hardware, consumable resources and office equipment (except finance lease) and network technology (excluding technology intermediary) within the scope of information technology (where the projects which require approval under laws shall only commence operating activities after the grant of approval by the relevant authority). Mr. Lin Xiaofeng ("Mr. Lin") and Mr. Wu Mianqing ("Mr. Wu") are the Shanghai Yongle Shareholders who owns 90% and 10% of the equity interests in Shanghai Yongle respectively. Mr. Lin and Mr. Wu are both the employees of the Company.

Beijing Weike is a company established in the PRC with limited liability and is wholly owned by Shanghai Yongle as at the date of this annual report. The principal businesses of Beijing Weike are research and development and provision of internet technology for e-commerce and mobile payment system such as prepaid cards. Open Union, which is owned by Beijing Weike as to 90% equity interests as at the date of this annual report, is a company established in the PRC with limited liability and is principally engaged in prepaid card business and internet payment services in the PRC.

1.2 Description of the business of the Beijing Weike Group

A substantial portion of revenue and profit of the Beijing Weike Group was derived from its prepaid card business. The Beijing Weike Group generates revenue via its prepaid card business by (i) charging card issuance service fee at 1.0% of the total prepaid amount (according to iResearch, other prepaid card companies may charge an issuance fee at a rate ranging from 1% to 3% with a cap of RMB15 whereas debit cards may charge an issuance fee of RMB5 and no issuance is required for credit cards. Meanwhile, debit cards and credit cards may charge for annual fees which has a wide range); (ii) charging merchant services fees at a percentage (ranging from 0.5% to 1.0%) of transaction amount to merchants (such as supermarkets and chain-stores) who accept the prepaid cards issued by the Beijing Weike Group and use the POS system supplied by the Beijing Weike Group in the settlement process (according to iResearch, merchant fee of other prepaid card companies may be charged at a rate ranging from 0.65% to 1.50% whereas merchant fee for debit cards and credit cards is charged at a rate ranging from 0.8% to 1.25%); (iii) receiving interest income arising from the deposit of cardholders; (iv) receiving commission income by selling goods on behalf of merchants at the card centres of Open Union; and (v) charging management fee income to the holders of prepaid cards at specific rate (i.e. 5%) on the unutilised float funds which has been inactive over three years.

1.3 Summary of the major terms of the Structured Agreements

The Structured Agreements have been entered into among the parties to facilitate the contractual arrangement among, Shenzhen Yongle, Shanghai Yongle, Beijing Weike and Open Union for the Beijing Weike JV Transaction and the Beijing Weike Acquisition. Through the Structured Agreements, the Group is able to exercise full and effective control over the finance and operation of Shanghai Yongle and in effect obtain the entire economic interest and benefits in Shanghai Yongle.

Shenzhen Yongle and Shanghai Yongle entered into certain loan agreements (the "Loan Agreements") in order to facilitate the acquisition of equity interests in Beijing Weike by providing capital to Shanghai Yongle from Shenzhen Yongle.

The Structured Agreements include (i) the Business Cooperation Agreement; (ii) the Technical Consultation and Services Agreement; (iii) the Pledge Agreements; (iv) the Share Disposal Agreements; (v) the Voting Rights Proxy Agreements; and (vi) the Spouse Consent entered into by the relevant parties on the completion of the Framework Agreement. A summary of the principal terms of the Structured Agreements is set out below:

A. Business Cooperation Agreement

Parties:	(i) Shenzhen Yongle; and (ii) Shanghai Yongle.
Services:	Pursuant to the Business Cooperation Agreement, Shanghai Yongle will appoint Shenzhen Yongle as its exclusive service provider to provide complete technical support, business support and related consulting services during the term of the Business Cooperation Agreement in accordance with its terms and conditions, which may include all necessary services within the scope of Shanghai Yongle's business as may be determined from time to time by Shanghai Yongle and consented by Shenzhen Yongle, such as technical services, business consultations, equipment or property leasing, marketing consultancy, system integration, product research and development, system maintenance and assisting Shanghai Yongle to provide necessary services to Beijing Weike and Open Union.

Fees:	Details of the services to be provided by Shenzhen Yongle to Shanghai Yongle, the service fees and the payment terms are set out in the Technical Consultation and Services Agreement.
Term:	The Business Cooperation Agreement shall take effect from the date of its execution and shall maintain effective unless it is terminated by Shenzhen Yongle by giving 30 days' prior written notice to Shanghai Yongle or is required to be terminated under applicable laws and regulations of the PRC.

B. *Technical Consultation and Services Agreement*

Parties:	(i) Shenzhen Yongle; and (ii) Shanghai Yongle.
Services:	Pursuant to the Technical Consultation and Services Agreement, Shenzhen Yongle will be the exclusive consultation and service provider of Shanghai Yongle and shall provide consultation and services to Shanghai Yongle in the areas of funding, human resources, technology and intellectual properties and shall assist Shanghai Yongle in providing aforesaid services to Beijing Weike and Open Union, and Shanghai Yongle shall accept such consultation and services in accordance with the terms and conditions under the Technical Consultation and Services Agreement. The consultation and services to be provided by Shenzhen Yongle include (i) research and development of the relevant software and technology according to the needs of Shanghai Yongle's business and shall grant Shanghai Yongle the right to use the relevant software and technology; (ii) development, design, monitoring, testing and troubleshooting of the computer network equipment and website(s) of Shanghai Yongle; (iii) providing training and technical support to the staff of Shanghai Yongle; (iv) providing consultation services regarding the marketing of Shanghai Yongle; and (v) assisting Shanghai Yongle in providing the services as required by Beijing Weike and Open Union.
Fees:	Shanghai Yongle shall pay an annual service fees of RMB1 million to Shenzhen Yongle for the technical consultation services under the Technical Consultation and Services Agreement. Such fees will be payable on quarterly basis and shall be settled within 15 business days after the beginning of the relevant quarter. Nevertheless, in the event that Shanghai Yongle does not have sufficient working capital to settle the service fees, Shanghai Yongle has the right not to settle such fees.

Apart from the abovementioned annual service fees, Shanghai Yongle shall also, based on the actual amount of technical consultation and services provided by Shenzhen Yongle under the Technical Consultation and Services Agreement in the relevant quarter, pay a quarterly floating service fee to Shenzhen Yongle. Such floating fees shall be in the amount equivalent to the net income of Shanghai Yongle in the relevant quarter, including but not limited to, its revenue and all of the dividends derived from its interests in Beijing Weike in each quarter (provided that when Shanghai Yongle repays the loan amount to Shenzhen Yongle under the Loan Agreements), only 50% of the dividends derived from its interests in Beijing Weike will be used to settle the service fees) or to be determined after taking into account, among other things, the number and qualification of the staff deployed to provide services and the time spent to provide the services for the relevant quarter.

Term: The Technical Consultation and Services Agreement shall be effective perpetually from the date of its execution until Shenzhen Yongle agrees in writing to its termination.

C. Pledge Agreements

Parties:

(i) Shenzhen Yongle (as pledgee);

(ii) the Shanghai Yongle Shareholders (each of them has entered into this Pledge Agreement separately) (as pledgor); and

(iii) Shanghai Yongle.

Pledge: Pursuant to the Pledge Agreements, each of the Shanghai Yongle Shareholders will pledge to Shenzhen Yongle his respective equity interests in Shanghai Yongle (the “Equity Interests”) as security for (A) the full performance by the Shanghai Yongle Shareholders and Shanghai Yongle of their obligations under the Structured Agreements and the timely and full payment of fees payable to Shenzhen Yongle under the Structured Agreements (including but not limited to the consultation and service fees); and (B) the full performance by Shanghai Yongle of its obligations under the Loan Agreements and the timely and full repayment of loans to Shenzhen Yongle under the Loan Agreements.

The pledge shall take effect from the date of registration of the same with the relevant Industrial and Commercial Administration Bureau in the PRC and shall remain effective until the abovementioned registration is discharged or released. The parties agree that within three business days following the execution of the Pledge Agreements, the Shanghai Yongle Shareholders and Shanghai Yongle shall register the pledge in the shareholders’ register of Shanghai Yongle.

Prior to the full payment of the consultation and service fees under the Structured Agreements or full repayment of loans under the Loan Agreements, the Shanghai Yongle Shareholders shall not assign the Equity Interests without the prior written consent of Shenzhen Yongle.

Termination: If (i) the Structured Agreements (other than the Pledge Agreements) and the Loan Agreements are terminated in accordance with their respective terms; (ii) Shanghai Yongle shall no longer be held responsible for any obligations under the Structured Agreements and the Loan Agreements; and (iii) Shenzhen Yongle agrees in writing to terminate the Pledge Agreements, the Pledge Agreements shall be terminated and Shenzhen Yongle shall then release the equity pledge under the Pledge Agreements as soon as reasonably practicable.

Undertakings: The Shanghai Yongle Shareholders and Shanghai Yongle undertake to Shenzhen Yongle, among other things, that:

(i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Yongle; and

(iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

D. Share Disposal Agreements

Parties:

(i) Shenzhen Yongle;

(ii) the Shanghai Yongle Shareholders (each of them will enter into this Share Disposal Agreement separately); and

(iii) Shanghai Yongle.

Option:	In consideration of the payment of RMB1 by Shenzhen Yongle, the Shanghai Yongle Shareholders irrevocably agree that on the condition that it is permitted by the PRC laws, Shenzhen Yongle has the right to require the Shanghai Yongle Shareholders to fulfill and complete all approval and registration procedures as required under PRC laws so as to allow Shenzhen Yongle to purchase, or designate one or more persons (each, a "Designee") to purchase, the entire equity interests of the Shanghai Yongle Shareholders in Shanghai Yongle or any part thereof, at one or multiple time(s) at any time at Shenzhen Yongle's sole and absolute discretion and at the lowest price as permitted by the laws of PRC at the relevant time (such right being the "Equity Interest Purchase Option"). Shenzhen Yongle's Equity Interest Purchase Option shall be exclusive. Shanghai Yongle agrees to the grant by the Shanghai Yongle Shareholders of the Equity Interest Purchase Option to Shenzhen Yongle. Without the prior written consent of Shenzhen Yongle, the Shanghai Yongle Shareholders shall not assign or delegate its rights and obligations under the Share Disposal Agreements.
Term:	The Share Disposal Agreements shall take effect from the date of its execution and shall remain effective until all the equity interests in Shanghai Yongle owned by the Shanghai Yongle Shareholders have been legally transferred to Shenzhen Yongle or the Designee(s) in accordance with the terms of the Share Disposal Agreements.
Undertakings:	The Shanghai Yongle Shareholders and Shanghai Yongle undertake to Shenzhen Yongle, among other things, that: (i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to ordinary and usual business) and shall not incur, inherit, provide guarantee for or allow the existence of, any liability; (ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the business operations and asset value of Shanghai Yongle; and (iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

E. Voting Rights Proxy Agreements

Parties:	(i) The Shanghai Yongle Shareholders (each of them will enter into this Voting Rights Proxy Agreement separately) (as entrusting party);

(ii) Shenzhen Yongle; and

(iii) Shanghai Yongle.

Proxy of voting rights: Pursuant to the Voting Rights Proxy Agreements, Shenzhen Yongle (or its designee, which can be a director or his/her successor of the direct or indirect shareholder of Shenzhen Yongle (including a liquidator replacing such director and his/her successor)) will have the power to, inter alia, exercise all shareholder's voting rights with respect to all matters to be discussed and voted in the shareholders' meeting of Shanghai Yongle, including but not limited to designation and appointment of, among others, the director, the chief executive officer and other senior management members of Shanghai Yongle, and execution of all necessary documents to be signed by the Shanghai Yongle Shareholders, minutes of Shanghai Yongle and any documents for registration to be lodged with relevant authority for and on behalf of the Shanghai Yongle Shareholders.

Term: The Voting Rights Proxy Agreements shall be effective perpetually from the date of its execution until Shenzhen Yongle agrees in writing to its termination.

Undertakings: The Shanghai Yongle Shareholders and Shanghai Yongle undertake to Shenzhen Yongle, among other things, that:

(i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to those ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Yongle; and

(iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

F. Spouse Consent

Parties: The spouse of Mr. Lin

Particulars:	Pursuant to the Spouse Consent, the spouse of Mr. Lin shall, inter alia, (i) confirms that she does not have any interests in the equity interests in Shanghai Yongle and undertakes not to make any claim in relation to the interests in Shanghai Yongle; (ii) confirms that the Pledge Agreement, the Share Disposal Agreement and the Voting Rights Proxy Agreement entered into by Mr. Lin and any amendment or termination of such documents do not require her consent; (iii) undertakes to sign all the necessary documentation and do all necessary acts to ensure the proper performance of the aforesaid documents; and (iv) undertakes that if she is, due to whatsoever reason, entitled to any equity interests in Shanghai Yongle, she will be bound by the obligations as its shareholder under those documents (as amended from time to time), and to notify Shenzhen Yongle immediately of any breach of such documents or any material change of Shanghai Yongle and to assist Shenzhen Yongle in protecting its legitimate rights and obligations under those documents.

Further details of the Structured Agreements are set out in the Company's circulars dated 1 September 2014 and 29 December 2014.

2. Revenue and assets subject to the Structured Agreements

The revenue attributable to Shanghai Yongle (i.e. the Structured Agreements) amounted to approximately RMB86,229,000 (equivalent to approximately HK$105,881,000) for the year ended 31 March 2016 (2015: approximately RMB6,021,000 (equivalent to approximately HK$7,584,000)). The total assets and net assets attributable to Shanghai Yongle (i.e. the Structured Agreements) amounted to approximately RMB1,057,623,000 (equivalent to approximately HK$1,272,034,000) (2015: approximately RMB1,156,029,000 (equivalent to approximately HK$1,460,998,000)) and RMB495,763,000 (equivalent to approximately HK$596,269,000) (2015: RMB474,950,000 (equivalent to approximately HK$600,245,000)) as at 31 March 2016.

3. Reasons for using Structured Agreements

Open Union is engaged in the issuance and acceptance of prepaid cards and internet payment services in the PRC and it possesses a licence which allows it to issue and accept prepaid cards within the PRC on a nationwide basis. The payment service business currently engaged by Open Union is subject to regulations in accordance with, among others, the "Administrative Measures Relating to Payment Services by Non-financial Institutions (非金融機構支付服務管理辦法)" (hereinafter referred to as the "Payment Service Measures") promulgated by the PBOC. The Payment Service Measures stipulates that non-financial institutions must not engage in the provision of payment services (such as online payments, the issue and acceptance of prepaid cards, and POS systems) without first obtaining an approval and a payment service licence from the PBOC. In accordance with Article 9 of the Payment Service Measures, regulations and rules addressing the scope of business and ownership restrictions for foreign investment in non-financial institutions engaged in payment services shall be separately stipulated by the PBOC and approved by the State Council of the PRC. As at the Latest Practicable Date, the PBOC has not yet stipulated any relevant rules and regulations nor granted any payment service licence to any foreign invested enterprise intending to be engaged in the provision of prepaid card business and internet payment services.

Moreover, according to the Guidance of Foreign Enterprise Investments (2011 Amended) the internet payment service provided by Open Union is a type of value-added telecommunications business where foreign investment is restricted. According to the Administrative Provisions on Foreign-Invested Telecommunications Enterprises, the foreign investor of a foreign-invested telecommunications services provider needs to demonstrate a good track record and experience in providing value-added telecommunications services. Based on the consultation with the Ministry of Industry and Information Technology of the PRC (the "MIIT") by the PRC Legal Adviser, it is understood that if the nature or substance of business run by a foreign enterprise is the same or similar to the value-added services in the telecommunications industry as described in 電信業務分類目錄 ("Category of Telecommunications Businesses") of the PRC, such foreign enterprise can be deemed to have the required operating track records and operating experience in value-added telecommunications industry. Since the Group has been conducting business of card acceptance using public telecommunications networks in Thailand, the PRC Legal Adviser considers that the industry experience requirements of the MIIT should be satisfied.

After consultation with the PBOC, the Company was advised by the PRC Legal Adviser that since no relevant administrative measures have been promulgated by the State Council of the PRC, the PBOC normally does not accept any application for foreign direct investment in (i) a PRC company holding a payment service licence (which allows the holder to engage in internet payment and issuance and acceptance of prepaid card businesses); and (ii) the parent company of such licensed company (irrespective of the proportion of interests to be invested). Therefore, the PRC Legal Adviser considers that the PBOC currently does not allow foreign investors to invest in the internet payment business either directly or indirectly and irrespective of the proportion of such investment. Thus, it is not possible for the Group to participate in prepaid card business and internet payment services in the PRC through direct or indirect acquisition of the equity interests in Open Union and the most feasible way in achieving this is to provide capital to Shanghai Yongle by way of loans to facilitate its acquisition of Beijing Weike, which holds 90% of the equity interests in Open Union, and to obtain effective control over and the rights to enjoy the economic benefits in the assets of Beijing Weike, including 90% of the equity interests in Open Union through the Structured Agreements and other arrangements under the New Framework Agreement.

4. Risks relating to the Structured Agreements

The PRC government may determine that the Structured Agreements and the Loan Agreements do not comply with the applicable laws and regulations

The PRC Legal Adviser is of the opinion that the Structured Agreements and the Loan Agreements do not violate the mandatory laws and regulations in the PRC and are not considered to be in violation of Article 52 of the PRC Contract Law, which renders void any contracts deemed to be "concealing illegal intentions with a lawful form", and the related rules of the General Principle of Civil Law of the PRC, and therefore they are valid, binding and enforceable among relevant parties. However, the PRC Legal Adviser is also of the view that there can be no assurance that the Structured Agreements and the Loan Agreements will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Structured Agreements and the Loan Agreements will be deemed to be in compliance of the PRC laws and regulations. In particular, any future acquisition of rights, benefits or assets of or equity interests in Open Union pursuant to the Structured Agreements and the Loan Agreements will be subject to the laws and regulations then applicable.

The Structured Agreements may not be as effective as direct ownership in providing control over Open Union
The Group relies on Structured Agreements with Shanghai Yongle to operate the prepaid card business and internet payment services of Open Union (i.e. value-added telecommunications service) in the PRC. These Structured Agreements may not be as effective in providing the Group with control over Open Union as direct ownership in rare circumstance. If the Group had direct ownership of Open Union, the Group would be able to deal with the equity interests in and the assets of Open Union in winding up situation rather than acquiring such assets by exercising its exclusive acquisition right which are subject to the approval of the PBOC.

The Shanghai Yongle Shareholders may potentially have a conflict of interests with the Group
The Group's control over Open Union is based on the contractual arrangement under the Structured Agreements and the Loan Agreements with, among others, Shanghai Yongle. Therefore, conflict of interests of the Shanghai Yongle Shareholders will adversely affect the interests of the Company. Since the Shanghai Yongle Shareholders are employees of the Company, they are required to follow instructions of the Company. However, there is no absolute certainty that the Shanghai Yongle Shareholders will act in favour of the Group at all times and the Group may suffer from any potential conflict of interests.

The Structured Agreements under the Framework Agreement may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed
The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the Structured Agreements, the Loan Agreements, the agreements in relation to the exclusive acquisition rights of the Company to acquire Open Union were not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Shanghai Yongle, and this could further result in late payment fees and other penalties to Shanghai Yongle for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

The Company does not have any insurance which covers the risks relating to the Framework Agreement and the transactions contemplated thereunder
The insurance of the Group does not cover the risks relating to the Framework Agreement and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Framework Agreement in the future, such as those affecting the enforceability of the Structured Agreements and the relevant agreements for the transactions contemplated thereunder and the operation of Shanghai Yongle, Beijing Weike and Open Union, the results of the Group may be adversely affected.

Certain provisions in the Structured Agreements and the Loan Agreements may not be enforceable under PRC laws

The Structured Agreements and the Loan Agreements contain a provision for resolving disputes by arbitration at South China International Economic and Trade Arbitration Commission, Shenzhen in accordance with its then prevailing arbitration rules. The Structured Agreements and the Loan Agreements include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and Cayman Islands shall have the power to grant interim remedies, such as withholding or freezing of the assets or on the equity interests of the party in breach. Upon the coming into effect of the relevant arbitral award, any party shall have the right to apply to the courts in the abovementioned jurisdictions for execution of such award.

However, due to restrictions of the PRC laws, the PRC Legal Adviser is of the view that, even though the Structured Agreements and the Loan Agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by the PRC courts. As a result, in the event that Shanghai Yongle or any of the Shanghai Yongle Shareholders breaches the terms of the Structured Agreements and the Loan Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Shanghai Yongle, Beijing Weike and Open Union could be materially and adversely affected.

The Company may incur substantial costs when the ownership of Shanghai Yongle is transferred to Shenzhen Yongle

The Group does not currently hold any equity interest in Shanghai Yongle and the Group (through Shenzhen Yongle) maintains effective control over Shanghai Yongle under the Structured Agreements. Pursuant to the Company's undertaking in relation to the contractual arrangement under the Framework Agreement and the terms of the Framework Agreement and the Structured Agreements, the Company will unwind the Structured Agreements and the Loan Agreements and procure Shenzhen Yongle to acquire the equity interests of Shanghai Yongle as soon as the relevant foreign investment restrictions in the PRC no longer exist. As a result, the exact time for such acquisition is uncertain and it is possible that such acquisition may be subject to substantial costs which may materially affect the financial positions and results of the Company.

5. Material change

Save as disclosed above, as at the date of this annual report, there is no material change in the Structured Agreements and/or the circumstances under which they were adopted.

6. Unwinding of Structured Agreements

The Company has undertaken to unwind the Structured Agreements as soon as the relevant foreign investment restrictions in the PRC no longer exist such that the Company is allowed to hold interests in Open Union directly or indirectly.

However, as at the date of this annual report, there is no unwinding of any of the Structured Agreements or failure to unwind when the restrictions that led to the adoption of the Structured Agreements are removed.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Huaqiao ("Mr. Zhang"), aged 53, was appointed as the non-executive director and the chairman of the Company in September 2012 and March 2014 respectively and was re-designated as an executive Director of the Company with effect from 13 May 2015. He worked at the Equities Department of UBS AG, Hong Kong Branch from June 1999 to April 2006 with last capacity as the co-head of its China research team. From May 2006 to September 2008, Mr. Zhang served as an executive director of Shenzhen Investment Limited, a company listed on the Main Board of the Stock Exchange. From September 2008 to June 2011, Mr. Zhang worked with UBS AG, Hong Kong with last capacity as the deputy head of China Investment Banking Department. Mr. Zhang then was and an executive director and chief executive officer of Man Sang International Limited, a company listed on the Main Board of the Stock Exchange, between September 2011 and April 2012.

Currently, Mr. Zhang is an independent non-executive director of Fosun International Limited, Zhong An Real Estate Limited, China Huirong Financial Holdings Limited, Logan Property Holdings Company Limited, Luye Pharma Group Limited, Wanda Hotel Development Company Limited and Sinopec Oilfield Service Corporation and a non-executive director of Boer Power Holdings Limited, and the shares of the eight companies are listed on the Main Board of the Stock Exchange. He was appointed as a director of Nanjing Central Emporium (Group) Stocks Co., Ltd. in March 2013, a company whose shares are listed on the Shanghai Stock Exchange. He resigned from it in June 2015. He was an independent non-executive director of Fuguiniao Co. Ltd., a company whose shares are listed on the Stock Exchange, between May 2013 and June 2014. He was an independent non-executive director of Ernest Borel Holdings Limited, a company whose shares are listed on the Stock Exchange, from the period between June 2014 and November 2014. In April 2014, Mr. Zhang was appointed as an executive director of Yancoal Australia Limited (ASX: YAL), a company whose shares are listed on the stock exchange in Australia.

Mr. Zhang obtained a master's degree in economics from the Financial Research Institute of the People's Bank of China in 1986 and a master's degree of economics of development from the Australian National University in 1991.

Dr. Cao Guoqi ("Dr. Cao"), aged 52, was appointed as an executive director of the Company in September 2013. Dr. Cao has a Ph.D. in Economics and graduated from the Shanghai University of Finance and Economics, the University of Hong Kong, and the Shanghai Academy of Social Sciences. He has over 20 years of experience in project financing and investment, finance, fund investment and management, mergers and acquisitions, and corporate advisory. Dr. Cao is the executive director and general manager of Probest Limited and Master Energy Inc. He is also the deputy president of Asian Economics Research Institute at Shanghai University of Finance and Economics, an EMBA professor of Hunan University, a MBA supervisor at Advanced Institute of Finance of Shanghai Jiaotong University, and a research fellow at Shanghai Institute of Development Strategy. Currently, he acts as an independent non-executive director of Century Ginwa Retail Holdings Ltd., whose shares are listed on Main Board and an independent non-executive director of Dongwu Cement International Ltd., whose shares are listed on the Main Board of the Stock Exchange. From April 2014, he takes the position as the Chairman of SBI China Capital Group.

Dr. Cao was a probationary Economist in the International Currency Department of the Economic and Financial Affairs Councils, European Communities, as well as a Project Coordinator of the World Bank. From 1998 to 1999, he also acted as a CEO of Sui Chong Holdings Limited, whose shares were listed on the Main Board of the Stock Exchange. He co-founded Shanghai Jingcheng Internet Consulting Co. Ltd. with Shanghai Jiaotong University, and was elected as Chairman and CEO. In the early 2000s, Dr. Cao acted as the director and CEO of Shanghai Lingang New City Investment and Development Group Co., Ltd., and was in charge of the development of the Yangshan Deep Water Port and Lingang New City. He was also a director of Donghai Bridge Project Construction Co. Ltd., which built Donghai Bridge, the longest cross-sea bridges in the world with 32-kilometre cross-sea portion distance.

Mr. Fung Weichang ("Mr. Fung"), aged 67, was appointed as an executive director and chief executive officer of the Company in September 2013 and November 2013 respectively. He obtained a master degree in business administration from the Santa Clara University in California in the United States in 1976. Mr. Fung had worked for MasterCard International from October 1992 to December 2008 and his last position was executive vice president and general manager of the Greater China region for MasterCard International, Asia Pacific Region. From January 2009 to December 2010, Mr. Fung was the senior consultant of MasterCard International, Asia Pacific Region. Prior to joining the Company, Mr. Fung worked with a couple of friends to set up an mobile payment company in China and was the Chairman of that company for 2 years.

Mr. Xiong Wensen ("Mr. Xiong"), aged 48, was appointed as an executive director and president of the Company in June 2014. He obtained a bachelor's degree in engineering (Computer Science and Technology) from Tsinghua University in July 1990 and a master's degree in business administration from Cheung Kong Graduate School of Business in December 2004. Mr. Xiong joined China Merchants Bank from 1990 as the programmer of the computer department at the head office and the deputy general manager until 2003. He was the Chairman of 深圳鵬潤信息科技有限公司 (Shenzhen Pengrun Information Technology Ltd.*) from September 2006 to August 2007; and the president of 開聯信息技術有限公司 (Open Union Information Technology Co. Ltd.*) from October 2007 to October 2008 respectively. From October 2008 and up to May 2014, Mr. Xiong had been the vice president and the senior vice president, and the director of 通聯支付網絡服務股份有限公司 (Allinpay Network Service Co., Ltd.*).

Mr. Song Xiangping ("Mr. Song"), aged 52, was appointed as an executive director of the Company in January 2015. He graduated from the Faculty of Electrification of 武漢鋼鐵學院 (Wuhan Institute of Iron and Steel Engineering*) in November 1983. He also obtained a degree of executive master of business administration from Cheung Kong Graduate School of Business in September 2013. Mr. Song joined the Industrial and Commercial Bank of China as engineering in August 1988. From October 2004 to June 2006, Mr. Song was the deputy general manager and overseas representative of the marketing department and the Hong Kong Branch of 上海銀商資訊有限公司 (China Union Loyalty Co. Ltd.*) and was promoted to the general manager of its Beijing and Hong Kong Branches from July 2006 to December 2007. From December 2007 to November 2010, Mr. Song joined 開聯信息技術有限公司 (Open Union Information Technology Co. Ltd.*) as the executive vice president and the general manager of the prepaid card business department. Since November 2010, Mr. Song has been the director and the president of Open Union, which is 90% owned by Beijing Weike. The Group has obtained effective control over Beijing Weike under the Control Agreements (as defined and detailed in the Company's circular dated 1 September 2014).

* *English translation is for identification purpose only*

Independent Non-executive Directors

Mr. Wang Yiming ("Mr. Wang"), aged 49, was appointed as an independent non-executive director of the Company in August 2013. Mr. Wang is a member of the Company's audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Wang holds a bachelor degree in electronic and a master degree in business administration from Shanghai Jiao Tong University. He was appointed as an executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on GEM, in September 2004. Mr. Wang was resigned as the chief executive officer and the executive director of Shanghai Jiaoda Withub Information Industrial Company Limited in June 2014. He is currently the general manager of 上海申廣科技發展有限公司 (Shanghai Shenguang Technology Development Ltd.*).

Mr. Lu Dongcheng ("Mr. Lu"), aged 49, was appointed as an independent non-executive director of the Company in August 2013. Mr. Lu is the chairman of the Company's nomination committee and a member of the Company's audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Lu holds a Master degree of Business Administration from Yale University and a Doctor degree from Peking Medical University which has merged with Peking University. He was the partner of Infinity Group (Peking) Venture Capital Management Co., Ltd. during June 2008 to April 2011 and the chief executive officer of AnPing Capital Management Limited during May 2011 to April 2012. Mr. Lu is currently the chief executive officer of Suzhou Mountain View Equity Investment Management Co., Ltd. and the supervising partner of Mountain View Capital PE Funds. In May 2015, Mr. Lu was appointed as the managing partner of 北京重山遠志醫療健康基金 (Beijing Zhongshan Medical Health Fund*).

Dr. Yuan Shumin ("Dr. Yuan"), aged 67, was appointed as an independent non-executive director of the Company in May 2014. Dr. Yuan is the Company's compliance officer, the chairman of the Company's audit committee, remuneration committee and internal control committee, and a member of the Company's nomination committee and compliance committee. Dr. Yuan was a member of the Chinese Institute of Certified Public Accountants. He obtained a doctorate degree in Science (part-time doctorate program) in the School of Management from Fudan University in January 1998. Dr. Yuan was the supervisor of teaching department, the assistant supervisor and the assistant dean of the School of Accountancy in Shanghai University of Finance and Economics from 1993 to 2000; and the standing assistant dean of the School of Adult Education in Shanghai University of Finance and Economics from 2000 to 2005, Dr. Yuan has joined the School of Accountancy in Shanghai Finance University since September 2005 and had been the president of that School of Accountancy until 2013.

Dr. Zhou Jinhuang ("Dr. Zhou"), aged 50, was appointed as an independent non-executive director of the Company in June 2016. He obtained a Master of Economics from the School of Economics of the Beijing University in 1997 and a Doctorate degree in Economics from the Beijing Normal University (北京師範大學) in 2007. He has over 19 years of experience in banking and finance in the PRC. Dr Zhou is currently the vice-president of Shanghai Huarui Bank (上海華瑞銀行副行長). Prior to joining Shanghai Huarui Bank, Dr. Zhou has been the deputy director of the payment system department of the People's Bank of China (人民銀行支付結算司副司長), the director of the general office of the payment system department of the People's Bank of China (人民銀行支付結算司綜合處處長) and the deputy director and secretary of the secretariat department of the general office of the People's Bank of China (人民銀行辦公廳秘書處秘書、副處長).

* *English translation is for identification purpose only*

SENIOR MANAGEMENT

Mr. Lin Xiaofeng ("Mr. Lin"), aged 42, joined the Group in October 2013. He is the senior vice president of investment of the Company. Mr. Lin is an independent non-executive director of DX.com Holdings Limited; a non-executive director of China Singyes Solar Technologies holdings Limited from April 2008 to June 2011; and an executive director of AUPU Group Holdings Company Limited ("AUPU") from August 2011 to September 2013 and has been redesignated as a non-executive director of AUPU since September 2013, the shares of all these companies are listed on the Main Board of the Stock Exchange. Mr. Lin has extensive experience in finance and venture capital investment.

Mrs. Lu Min ("Mrs. Lu"), aged 43, joined the Group in October 2015. She is an experienced professional in China's payment and banking industry. Between 1997 and 2001, she worked in the Legal Affairs Department of People's Bank of China. Between January 2005 and October 2007, Mrs. Lu served in the Business Management Department of China Unionpay as Director of the Pricing Office. Between October 2007 and June 2012, Mrs. Lu worked at 上海富友金融網絡技術有限公司 (Shanghai Fuyou Financial Network Technology Limited*) as Vice President. Between October 2012 and September 2015, she was in charge of establishing 北京暢捷通支付技術有限公司 (Beijing Chanjet Payment Technology Limited*), and was appointed as its President. At Chanjet Payment, she successfully led the mission to obtain the Payment Service Licence for bank card acceptance and internet payment on the nationwide basis.

Mr. Tan Zhihui ("Mr. Tan"), aged 39, joined the Group in January 2015. He is the vice president of the Company and is in charge of internet payment, cross-border payment and e-commerce business of the Company. He is the former head of strategic development for Universal Technologies Holdings Limited involving in the development of various projects including international card security, CAT payment, and credit card payment platform. He is the former Chief Operation Officer DX.com Holdings Limited and his duty is in charge of the group supply chain and international logistic. Mr. Tan has more than 10 years' experience in internet payment and cross-border e-commerce.

Mr. Wei Hanyao ("Mr. Wei"), aged 47, joined the Group in April 2014. He is the assistant president of the Company. He was the former assistant director and deputy director at Innovative Payment Department of All-in-Pay, and general manager at mobile service department.

Mr. Tang Wai Leung ("Mr. Tang") aged 35, was appointed as the company secretary of the Company in February 2014. Mr. Tang holds a bachelor degree of Bachelor of Arts (Hons) in Accounting from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tang has over 10 years of experience in accounting and auditing.

* *English translation is for identification purpose only*

CORPORATE GOVERNANCE CODE

The Board of the Company is committed to establish and maintain 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 Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the year ended 31 March 2016, the Company has complied with all the code provisions in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2015 to 31 March 2016.

BOARD OF DIRECTORS

Board composition

As at the date of this annual report, the Board comprised the following five executive Directors, and four independent non-executive Directors:

Executive Directors:

Mr. Zhang Huaqiao *(Chairman)* (re-designated from a non-executive Director to an executive Director on 13 May 2015)
Dr. Cao Guoqi
Mr. Fung Weichang
Mr. Xiong Wensen
Mr. Song Xiangping

Independent Non-executive Directors:

Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin
Dr. Zhou Jinhuang (appointed on 8 June 2016)

Biographical Details of Directors and Senior Management

The composition of the Board reflects the necessary balance of skills, experience and diversity of perspectives desirable for effective leadership of the Company and independence on decision thinking.

As at 31 March 2016, there were eight members in the Board comprising five executive Directors and three independent non-executive Directors ("INEDs"). The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on page 25 to page 27 of this annual report. Their role and function are published on the Company's website and the Stock Exchange's website. Save as disclosed in this annual report, to the best knowledge of the Company, there is no other financial, business or family relationship among the Board members.

Board Meetings

During the year ended 31 March 2016, a total of 28 Board meetings, 1 annual general meeting and 5 extraordinary general meetings of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

	Attendance of meetings		
	Board meetings	Annual general meeting	Extraordinary general meetings
Executive Directors			
Mr. Zhang Huaqiao *(Chairman)* (re-designated to executive Director on 13 May 2015)	28/28	1/1	4/5
Dr. Cao Guoqi	28/28	0/1	3/5
Mr. Fung Weichang	25/28	0/1	1/5
Mr. Xiong Wensen	28/28	0/1	1/5
Mr. Song Xiangping	26/28	0/1	1/5
Mr. Cheng Nga Ming Vincent (vacated on 30 June 2015)	0/8	N/A	N/A
Independent Non-executive Directors			
Mr. Wang Yiming	25/28	0/1	1/5
Mr. Lu Dongcheng	23/28	0/1	1/5
Dr. Yuan Shumin	22/28	1/1	1/5

Responsibility and Delegation

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.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for approval by the Board before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is also responsible for developing and reviewing the Group's policies and practices on corporate governance and reviewing and monitoring the training and continuous professional development of our Directors.

Independent Non-executive Directors

In compliance with Rules 5.05 (1), 5.05 (2) and 5.05A 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 and that the number of INEDs must be at least one-third of the Board. The INEDs, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards and that appropriate systems are in place to protect the interest of the Company and its shareholders. The Company has received an annual confirmation of independence from each of the INEDs and considers that their independence is in compliance with the Rule 5.09 of the GEM Listing Rules as at the date of this report.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statues, laws, rules and regulations. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Records of continuous professional development were received from the Directors. All of them have attended seminars and/or read materials and update relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements during the year ended 31 March 2016.

All Directors pursued continuous professional development and relevant details are set out below:

	Attending seminars/ conferences/forums	Reading journals/ updates/articles/ materials
Executive Directors		
Mr. Zhang Huaqiao (re-designated to executive Director on 13 May 2015)	✓	✓
Dr. Cao Guoqi	✓	✓
Mr. Fung Weichang	✓	✓
Mr. Xiong Wensen	✓	✓
Mr. Song Xiangping	✓	✓
Mr. Cheng Nga Ming Vincent (vacated on 30 June 2015)	–	–
Independent non-executive Directors		
Mr. Wang Yiming	✓	✓
Mr. Lu Dongcheng	✓	✓
Dr. Yuan Shumin	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

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, and that the division of responsibilities between the Chairman and the CEO should be clearly stated.

The Company fully supports this division of responsibilities between the Chairman and CEO in order to ensure a balance of power and authority. The positions of the Chairman and the CEO are segregated and are held by Mr. Zhang Huaqiao, a non-executive Director who was re-designated to an executive Director on 13 May 2015, and Mr. Fung Weichang, an executive Director, respectively. These positions have clearly defined separate responsibilities.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All Directors are appointed for a specific term. All the executive Directors of the Company are engaged on a service contract/letter of appointment with the Company for a term of three years.

Each of the non-executive Director and INEDs was appointed by a letter of appointment with the Company which is for a term of one year and a period of three years respectively, subject to re-election and other requirements under the Company's Articles of Association and their respective letters of appointment.

Besides, the procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. According to the Article 84 of the Article of Association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Details for the re-election of Directors are set out in the "Directors' Report" of this annual report.

COMMITTEES

As part of the corporate governance practices, the Board has established an audit committee, a nomination committee, a remuneration committee, an internal control committee and a compliance committee. All of the committees are composed of INEDs (except the compliance committee which comprises all the three INEDs and Dr. Cao) with terms of reference in accordance with the principles set out in the CG Code. The respective terms of reference of the audit committee, the nomination committee and the remuneration committee have been published on the Company's website and the Stock Exchange's website. The compositions of the various committees of the Company on 31 March 2016 were set out below:

Audit committee

The audit committee members of the Company are as follows:

Independent non-executive Directors	**Attendance at meetings**
Dr. Yuan Shumin *(Chairman)*	4/4
Mr. Wang Yiming	4/4
Mr. Lu Dongcheng	4/4

The audit committee meetings shall be held at least once every three months to consider, among others, the Company's budget, revised budget and quarterly, half-yearly and annual results prepared by the Board pursuant to the Company's internal control system. The audit committee held four meetings during the year. Details of the attendance by the members of the audit committee was set out above.

During the year ended 31 March 2016, the audit committee met with the external auditor to discuss the general scope of their audit work and reviewed the management representation letter. It also reviewed the quarterly, interim and annual financial statements and reports and discussed with external auditor on any significant or unusual items before submission to the Board, reviewed the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement and reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures. It also reviewed the training and continuous professional development of the Directors and the senior management and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

A new Terms of Reference of the Audit committee was adopted on 9 March 2016 so as to ensure the function of overseeing financial reporting system, risk management system and internal control system can be properly performed be the Audit Committee.

Nomination committee

The Company has established a nomination committee which considers and recommends to the Board suitably qualified persons to become the Company's Directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis. The nomination committee members are as follows:

Independent non-executive Directors	**Attendance at meetings**
Mr. Lu Dongcheng *(Chairman)*	1/1
Mr. Wang Yiming	1/1
Dr. Yuan Shumin	1/1

The Board has adopted a board diversity policy which aims to set out the approach to achieve diversity on the Board. The Company continuously seek to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of having a diverse Board, which can be achieved through the consideration of a number of factors, including but not limited to talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. The nomination committee is responsible for identifying qualified candidates to become members of the Board. All appointment of members of the Board are based on merit and contribution that the selected candidates are likely to bring to the Board. The nomination committee will review the board diversity policy, as appropriate, to ensure its continuing effectiveness.

The meetings of the nomination committee shall be held not less than once a year. Details of the attendance by the members of the nomination committee are set out above.

Remuneration committee

The Company has established a remuneration committee which make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The remuneration committee regularly monitors the remuneration of all of the Directors and senior management of the Group such that their remuneration is set at appropriate levels. The remuneration committee member are as follows:

Independent Non-executive Directors	**Attendance at meetings**
Dr. Yuan Shumin *(Chairman)*	1/1
Mr. Wang Yiming	1/1
Mr. Lu Dongcheng	1/1

The meetings of the remuneration committee shall be held not less than once a year. Details of the attendance by the members of the remuneration committee are set out above.

The remuneration committee has reviewed the current remuneration packages of the Board members. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements. Remuneration payable to member of senior management (including Directors) are fell within the following bands:

	Number
Nil to HK$1,000,000	7
HK$1,000,001 to HK$2,000,000	–
HK$2,000,001 or above	6
	13

Internal control committee

The Company has established an internal control committee to review the Group's internal control and risk management procedures on regular basis to ensure that proper and appropriate control in respect of the Group's finance, operations and human resources is in place. The internal control committee is also vested with the responsibility of reviewing and monitoring the training and continuous professional development of the Group's senior management.

The internal control committee members are as follows:

Independent Non-executive Directors	**Attendance at meetings**
Dr. Yuan Shumin *(Chairman)*	4/4
Mr. Wang Yiming	4/4
Mr. Lu Dongcheng	4/4

The meetings of the internal control committee shall be held quarterly. The internal control committee held four meetings during the year. Details of the attendance by the members of the internal control committee are set out above.

Compliance committee

The Company has established a compliance committee to ensure the Group's compliance of rules and regulations applicable to the Group and in particular the GEM Listing Rules, and to monitor the preference share structure arrangement of OCG Thailand as well as the Group's tax affairs. Further, the compliance committee is responsible for developing, reviewing and monitoring the code of conduct applicable to Directors and the Group's employees and reviewing the Company's compliance with the CG Code and the disclosure in the Company's Corporate Governance Report. 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 legal advisers to be retained from time to time.

The compliance committee members are as follows:

Executive Director

Dr. Cao Guoqi *(Chairman)* – a compliance officer of the Company	(appointed on 30 June 2015)
Mr. Cheng Nga Ming Vincent	(vacated on 30 June 2015)

Independent Non-executive Directors

Dr. Yuan Shumin
Mr. Wang Yiming
Mr. Lu Dongcheng

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities for presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. Management shall provide sufficient explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. Further, the Company also provides all members of the Board with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Board also acknowledges their responsibilities of the preparation of the consolidated financial statements of the Group and ensures that the financial statements are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance. The Board also ensures the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

The statement of external auditor of the Company, Mazars CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

Internal control and risk management

The Board recognises the importance of maintaining an adequate and effective internal control and risk management system to safeguard the Group's assets against unauthorised use and disposal, and to protect the interests of shareholders of the Company. The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control and risk management system.

During the year, the Board, through the audit committee and internal control committee, assesses the effectiveness of the Group's internal control and risk management system which covers all material controls, including financial, operational and compliance controls and risk management functions. The Board also reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

During the year, no major issue has been identified by the audit committee and the internal control committee of the Company. The Board is of the view that the internal control and risk management system is in place for the year and up to the date of this annual report, to safeguard the interests of the shareholders and the assets of the Group.

Auditor's remuneration

The auditor provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. For the year ended 31 March 2016, the remuneration paid/payable to the auditor of the Company, Mazars CPA Limited were set out below:

Nature of services	**Fees paid/payable**
	HK$'000
Audit service	1,200
Audit related service	
– Agreed-upon procedures on quarterly and interim results	260
– Professional services for the Possible Acquisition/Investment	430
Total	1,890

* *The auditor's remuneration disclosed in note 8(d) to the consolidated financial statements included HK$137,000, which was paid to the statutory auditors of the overseas subsidiaries of the Company (not Mazars CPA Limited).*

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at general meeting

Pursuant to the articles of association of the Company, any one or one more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Directors of the Company.

Shareholders may also make enquires with the Board at the general meetings of the Company.

COMPANY SECRETARY

The company secretary supports the Board and Board Committees by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary is appointed by the Board and reports to the Chairman. The company secretary also plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Mr. Tang Wai Leung is the company secretary of the Company. He is a full-time employee of the Company and undertook over 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 March 2016.

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 reports and notices, announcements and circulars. The corporate website of the Company (http://www.chinasmartpay.com) provides a communication platform to the public and the shareholders.

Directors' Report

The Board of Directors is pleased to present its annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2016 to the shareholders.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 13 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements which appear on page 47 to page 141 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on page 142 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 43(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2016, other than share premium, no other distributable reserve is available for distribution to shareholders by the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2016, the percentage of revenue and cost of goods sold/cost of services rendered attributable to the Group's major customers and suppliers are set out below:

Revenue	
– The largest customer	16%
– The total of five largest customers	31%
Cost of services rendered/cost of goods sold	
– The largest supplier	19%
– The total of five largest suppliers	44%

As far as the Directors are aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

DIRECTORS

The Directors of the Company during the year and up to the date of the report were:

Executive Directors:

Mr. Zhang Huaqiao *(Chairman)* (re-designated from a non-executive Director to an executive Director on 13 May 2015)
Dr. Cao Guoqi
Mr. Fung Weichang
Mr. Xiong Wensen
Mr. Song Xiangping
Mr. Cheng Nga Ming Vincent (vacated on 30 June 2015)

Independent Non-executive Directors:

Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin
Dr. Zhou Jinhuang (appointed on 8 June 2016)

In accordance with Article 84(1) of the Company's Articles of Association, Dr. Cao Guoqi, Mr. Fung Weichang and Dr. Yuan Shumin shall retire from office at the forthcoming annual general meeting of the Company. Being eligible, Dr. Cao Guoqi and Mr. Fung Weichang will offer themselves for re-election as executive Directors and Dr. Yuan Shumin will offer himself for re-election as independent non-executive Director of the Company.

In accordance with Article 83(3) of the Company's Articles of Association, Dr. Zhou Jinhuang (who was appointed as an independent non-executive Director of the Company on 8 June 2016) shall hold office only until the forthcoming annual general meeting of the Company and being eligible, has offered himself for re-election at the said forthcoming annual general meeting.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographic information of the Directors and senior management of the Group are set out on page 25 to page 27 of this annual report.

DIRECTOR'S SERVICE CONTRACTS/LETTER OF APPOINTMENT

Mr. Zhang Huaqiao ("Mr. Zhang"), a non-executive Director of the Company, entered into a letter of appointment with the Company with a fixed term of services for three years commencing from 7 September 2012, subject to Article 83(3) and provisions for the retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Mr. Zhang was re-designed as an executive Director of the Company for a term of three years with effect from 13 May 2015. Mr. Zhang is entitled to receive a director's fee of HK$40,000 per month. The Board has also granted to Mr. Zhang, who has also accepted, 6,000,000 share options on 7 September 2012 pursuant to the letter of appointment to subscribe 6,000,000 ordinary shares of HK$0.01 each of the Company under and subject to and upon the terms and conditions of the share options scheme adopted by the Company on 14 August 2009. The exercise price of the share options shall be HK$0.84 per share. The validity period of the share options shall be five years from 7 September 2012. 2,000,000 share options have been vested on each of 6 March 2013, 6 March 2014 and 6 March 2015 respectively.

Dr. Cao Guoqi ("Dr. Cao") and Mr. Fung Weichang ("Mr. Fung") were appointed as executive Directors of the Company for an initial term of three years commencing from 18 September 2013 and expiring on 17 September 2016, subject to retirement by rotation and re-election under the Articles of Association of the Company. Dr. Cao and Mr. Fung shall receive a remuneration of HK$20,000 and HK$30,000 per monthly respectively payable monthly in arrears.

Mr. Xiong Wensen ("Mr. Xiong") was appointed as an executive Director of the Company for an initial term of three years commencing from 3 June 2014 and expiring on 2 June 2017, subject to retirement by rotation and re-election under the Articles of Association of the Company. Mr. Xiong shall receive a remuneration of HK$120,000 per monthly payable monthly in arrears. The remuneration of Mr Xiong adjusted to HK166,667 monthly payable monthly in arrears with effect from 1 January 2016.

Mr. Song Xiangping ("Mr. Song") was appointed as an executive Director of the Company for an initial term of three years commencing 15 January 2015 and expiring on 15 January 2018, subject to retirement by rotation and re-election under the Articles of Association of the Company. Mr. Song shall receive a remuneration of HK$60,000 per monthly payable monthly in arrears.

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

Name	**Amount**
Mr. Zhang	HK$440,000
Dr. Cao	HK$240,000
Mr. Fung	HK$360,000
Mr. Xiong	HK$1,580,000
Mr. Song	HK$1,329,000
Mr. Cheng Nga Ming ("Mr. Cheng") (vacated on 30 June 2015)	HK$30,000

Mr. Wang Yiming and Mr. Lu Dongcheng were appointed as INEDs of the Company for a term of one year commencing from 2 August 2013. Their directors' fee was HK$72,000 per annum respectively. Dr. Yuan Shumin was appointed as an INED of the Company for a term of one year commencing from 19 May 2014. His director's fee was HK$72,000 per annum. None of the INEDs is expected to receive any other remuneration (save for the share options that may be granted) for holding their offices as the INEDs.

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has entered into any service agreement with the Company which was not determinable by the Company within one year without payment of compensation other that statutory compensation.

The Directors' remuneration (including any share options that may be granted to the Directors) is determined with reference to the results of the Group and the performance of the individual Director.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the financial year ended 31 March 2016.

COMPETING INTERESTS

During the financial year ended 31 March 2016, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management based on the Group's operating results, individual performance and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in notes 9 to 10 to the consolidated financial statements, respectively.

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

As at 31 March 2016, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Number of shares	Percentage of shareholding
Dr. Cao	Corporate – Interest of controlled corporation *(Note 1)*	62,890,000	4.33%
	Beneficial owner *(Note 2)*	11,000,000	0.76%
	Interest of spouse *(Note 3)*	1,370,000	0.09%
Mr. Fung	Beneficial owner *(Note 2)*	2,000,000	0.14%
Mr. Zhang	Beneficial owner	6,460,000	0.44%
	Beneficial owner *(Note 2)*	26,000,000	1.79%
Mr. Xiong	Beneficial owner *(Note 2)*	13,600,000	0.94%
Mr. Song	Beneficial owner *(Note 2)*	5,000,000	0.34%

Notes: 1. These 62,890,000 Shares were held by Probest Limited ("Probest") which in turn is wholly owned by Dr. Cao. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 62,890,000 Shares held by Probest under the SFO.

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

3. These 1,370,000 Shares were held by Ms. Zheng Lu who is the wife of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu under the SFO.

(b) Associated corporation

Save as disclosed above, as at 31 March 2016, so far as is known to any of the Directors or the chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

On 14 August 2009, the Company adopted a share option scheme (the "Scheme") for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries and/or Invested Entity (as defined below). Pursuant to the Scheme, the Board may grant options to (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Company or any of its subsidiaries holds an equity interest, including any executive director but excluding any non-executive director of the Company, any of its subsidiaries or any Invested Entity; (ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any shareholder of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; (iv) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity; (v) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity; or (vi) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme and any other scheme must not exceed 103,680,000 Shares, representing 10 per cent. of the Shares in issue as at the date of Extraordinary General Meeting approving the refreshment of 10% Limit. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the Shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

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

The exercise price for Shares under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the Shares.

For the year ended 31 March 2016, the Company granted the following share options to the Directors under the Scheme:

Grantee:	Date of grant:	Exercise price of the Share options granted:	Number of the Share Options granted:	Closing price of the Share on the date of grant:	Validity period of the Share options:	Vesting date of the Share options:
Mr. Zhang Huaqiao	7 September 2012	HK$0.84 per share	6,000,000	HK$0.84 per share	Five years (7 September 2012 to 6 September 2017)	2,000,000 Share options have been vested on 6 March 2013; 2,000,000 Share options have been vested on 6 March 2014; 2,000,000 Share options have been vested on 6 March 2015.
(a) Dr. Cao Guoqi and (b) Mr. Fung Weichang	19 November 2013	HK$1.66 per share	(a) 6,000,000 (b) 2,000,000	HK$1.64 per share	Five years (19 November 2013 to 18 November 2018)	(a) 3,000,000 Share options have been vested on 19 November 2013; and 3,000,000 Share options have been vested on 19 November 2014. (b) 2,000,000 Share options have been vested on 19 November 2013.
Mr. Xiong Wensen	22 September 2014	HK$1.55 per share	8,600,000	HK$1.40 per share	Five years (22 September 2014 to 21 September 2019)	8,600,000 Share options have been vested on 22 September 2014.
(a) Mr. Zhang Huaqiao (b) Dr. Cao Guoqi (b) Mr. Xiong Wensen (b) Mr. Song Xiangping	21 April 2015	HK$2.22 per share	(a) 20,000,000 (b) 5,000,000 (b) 5,000,000 (b) 5,000,000	HK$2.20 per share	Five years (21 April 2015 to 20 April 2020)	(a) 6,666,666 Share options shall be vested on 21 April 2016; 6,666,667 Share options shall be vested on 21 April 2017 and 6,666,667 Share options shall be vested on 21 April 2018. (b) 1,666,666 Share options shall be vested on 21 April 2016; 1,666,667 Share options shall be vested on 21 April 2017 and 1,666,667 Share options shall be vested on 21 April 2018.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

As at 31 March 2016, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
LJF Payment Company Limited	Beneficial owner	184,210,000	12.68%
Tian Li Holdings Limited ("Tian Li") *(Note 1)*	Beneficial owner	174,500,000	12.01%
Mr. Cheng	Corporate – Interest of controlled corporation	174,500,000	12.01%

Save as disclosed above, as at 31 March 2016, 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.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2016, the Company through a subsidiary, repurchased its own shares on the Stock Exchange but not yet cancelled. Details are set out in note 32(e) to the consolidated financial statements. On 7 June 2016, those shares had been cancelled.

Apart from above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2016.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 3 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.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 28 to page 35 of this 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.

ADDITIONAL INFORMATION OF BUSINESS REVIEW

Addition information of business review is set out on pages 6 to 7 under the "Management Discussion and Analysis" of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2016 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.

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at www.hkex.com.hk and on the website of the Company.

ON BEHALF OF THE BOARD

Zhang Huaqiao
Chairman

Hong Kong, 24 June 2016

MAZARS

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To the members of
China Smartpay Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Smartpay Group Holdings Limited (the "Company") and its subsidiaries set out on pages 47 to 141, which comprise the consolidated statement of financial position at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 24 June 2016

She Shing Pang
Practising Certificate number: P05510

Consolidated Income Statement

Year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	6	**598,300**	333,388
Cost of services rendered and cost of goods sold		**(394,074)**	(270,289)
Gross profit		**204,226**	63,099
Other income	7	**2,553**	858
General administrative expenses		**(176,810)**	(113,972)
Selling and distribution costs		**(38,129)**	(7,522)
Finance costs	8	**(10,601)**	(2,534)
Fair value loss on contingent consideration – consideration shares	35(a)	**(32,187)**	–
Fair value gain on financial assets at fair value through profit or loss	19	**139,700**	–
Gain on disposal of equity interest in an associate		**48**	–
Share of results of joint ventures		**6**	(1,167)
Share of results of associates		**(991)**	(1,519)
Profit (Loss) before tax	8	**87,815**	(62,757)
Income tax expenses	11	**(17,384)**	(7,740)
Profit (Loss) for the year		**70,431**	(70,497)
Attributable to:			
Equity holders of the Company		**63,820**	(78,232)
Non-controlling interests		**6,611**	7,735
		70,431	(70,497)
Earnings (Losses) per share for profit (loss) attributable to equity holders of the Company			
Basic	12	**5.06 HK cents**	(8.15) HK cents
Diluted	12	**4.80 HK cents**	(8.15) HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Profit (Loss) for the year	**70,431**	(70,497)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign subsidiaries	**(38,497)**	(268)
Total comprehensive income (loss) for the year	**31,934**	(70,765)
Total comprehensive income (loss) attributable to:		
Equity holders of the Company	**26,797**	(78,507)
Non-controlling interests	**5,137**	7,742
	31,934	(70,765)

Consolidated Statement of Financial Position

At 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Interests in joint ventures	14	**10,854**	7,683
Interests in associates	15	**75,562**	29,945
Goodwill	16	**690,170**	475,031
Property, plant and equipment	17	**46,104**	43,937
Intangible assets	18	**36,603**	2,063
Deferred tax assets	28	**1,170**	–
		860,463	558,659
Current assets			
Financial assets at fair value through profit or loss	19	**208,280**	–
Inventories	20	**9,925**	–
Other investments	21	**9,622**	1,955
Trade and other receivables	22	**295,189**	101,556
Restricted funds	23	**556,930**	784,002
Cash held by a security broker	24	**12,554**	–
Cash and bank balances	25	**230,509**	37,577
		1,323,009	925,090
Current liabilities			
Trade and other payables	26	**652,969**	804,315
Interest-bearing borrowings, secured	27	**20,206**	88,466
Tax payables		**16,364**	4,131
Current portion of contingent consideration – consideration shares	35(a)	**36,089**	–
		725,628	896,912
Net current assets		**597,381**	28,178
Total assets less current liabilities		**1,457,844**	586,837
Non-current liabilities			
Deferred tax liabilities	28	**2,477**	2,076
Other long-term liabilities	29	**1,690**	393
Contingent consideration – consideration shares	35(a)	**63,903**	–
		68,070	2,469
NET ASSETS		**1,389,774**	584,368

Consolidated Statement of Financial Position

At 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	31	**14,526**	10,368
Reserves		**1,352,735**	552,030
Equity attributable to equity holders of the Company		**1,367,261**	562,398
Non-controlling interests		**22,513**	21,970
TOTAL EQUITY		**1,389,774**	584,368

Approved and authorised for issue by the Board of Directors on 24 June 2016 and signed on its behalf by

Zhang Huaqiao
Director

Cao Guoqi
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2016

	Attributable to equity holders of the Company									
	Share capital *(Note 31)* *HK$'000*	Share premium *(Note 32(a))* *HK$'000*	Capital reserve *(Note 32(b))* *HK$'000*	Exchange reserve *(Note 32(c))* *HK$'000*	Statutory reserve *(Note 32(d))* *HK$'000*	Share options reserve *(Note 33)* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2014	7,200	133,782	6,996	(665)	766	10,427	(24,052)	134,454	8,137	142,591
Loss for the year	–	–	–	–	–	–	(78,232)	(78,232)	7,735	(70,497)
Total other comprehensive loss:										
Items that may be reclassified subsequently to profit or loss										
Exchange difference on translation of foreign subsidiaries	–	–	–	(275)	–	–	–	(275)	7	(268)
Total comprehensive loss for the year	–	–	–	(275)	–	–	(78,232)	(78,507)	7,742	(70,765)
Transaction with owners:										
Contribution and distributions										
Recognition of share-based compensation cost	–	–	–	–	–	53,503	–	53,503	–	53,503
Shares issued upon placing in April 2014 *(Note 31(a))*	1,440	203,267	–	–	–	–	–	204,707	–	204,707
Shares issued upon placing in September 2014 *(Note 31(b))*	1,043	147,202	–	–	–	–	–	148,245	–	148,245
Share issued upon subscription in October 2014 *(Note 31(c))*	685	99,311	–	–	–	–	–	99,996	–	99,996
Dividend paid to non-controlling interests of a non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	(6,681)	(6,681)
Change in ownership interests										
Non-controlling interests arising from business combination *(Note 35)*	–	–	–	–	–	–	–	–	12,772	12,772
Transaction with owners for the year	3,168	449,780	–	–	–	53,503	–	506,451	6,091	512,542
At 31 March 2015	10,368	583,562	6,996	(940)	766	63,930	(102,284)	562,398	21,970	584,368

Consolidated Statement of Changes in Equity

Year ended 31 March 2016

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Exchange reserve	Capital redemption reserve	Statutory reserve	Share option reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Note 31)	*(Note 32(a))*	*(Note 32(b))*	*(Note 32(c))*	*(Note 32(e))*	*(Note 32(d))*	*(Note 33)*	*(Note 30)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	10,368	583,562	6,996	(940)	-	766	63,930	-	(102,284)	562,398	21,970	584,368
Profit for the year	-	-	-	-	-	-	-	-	63,820	63,820	6,611	70,431
Total other comprehensive loss:												
Items that may be reclassified subsequently to profit or loss												
Exchange difference on translation of foreign subsidiaries	-	-	-	(37,023)	-	-	-	-	-	(37,023)	(1,474)	(38,497)
Total comprehensive income for the year	-	-	-	(37,023)	-	-	-	-	63,820	26,797	5,137	31,934
Transaction with owners:												
Contributions and distributions												
Recognition of share-based compensation cost	-	-	-	-	-	-	66,487	-	-	66,487	-	66,487
Issue of convertible bonds *(Note 30)*	-	-	-	-	-	-	-	130,690	-	130,690	-	130,690
Conversion of convertible bonds issued under the subscription agreements *(Note 30(a))*	838	154,404	-	-	-	-	-	(65,340)	-	89,902	-	89,902
Conversion of convertible bonds issued under the placing agreements *(Note 30(b))*	838	155,050	-	-	-	-	-	(65,350)	-	90,538	-	90,538
Consideration shares issued upon the subscription in July 2015 *(Note 35(a))*	640	74,670	-	-	-	-	-	-	-	75,310	-	75,310
Shares issued upon subscription in January 2016 *(Note 31(d))*	1,842	348,142	-	-	-	-	-	-	-	349,984	-	349,984
Transfer to statutory reserve	-	-	-	-	-	1,779	-	-	(1,779)	-	-	-
Repurchase of issued shares *(Note 32(e))*	-	-	-	-	(27,379)	-	-	-	-	(27,379)	-	(27,379)
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,938)	(6,938)
	4,158	732,266	-	-	(27,379)	1,779	66,487	-	(1,779)	775,532	(6,938)	768,594
Changes in ownership interests												
Non-controlling interests arising from incorporation of subsidiaries	-	-	-	-	-	-	-	-	-	-	5,952	5,952
Acquisition of additional interest in a subsidiary *(Note 36)*	-	-	-	-	-	-	-	-	2,534	2,534	(3,608)	(1,074)
	-	-	-	-	-	-	-	-	2,534	2,534	2,344	4,878
At 31 March 2016	14,526	1,315,828	6,996	(37,963)	(27,379)	2,545	130,417	-	(37,709)	1,367,261	22,513	1,389,774

Consolidated Statement of Cash Flows

Year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations	34	**(84,821)**	104,281
Interest paid		**(5,286)**	(2,534)
Interest received		**682**	6,265
Income tax paid		**(5,380)**	(5,350)
Net cash (used in) from operating activities		**(94,805)**	102,662
INVESTING ACTIVITIES			
Acquisition of subsidiaries	35	**(74,030)**	(531,790)
Investment in associates		**(47,911)**	(26,441)
Investment in joint ventures		**(3,165)**	–
Additions in property, plant and equipment		**(10,145)**	(4,602)
Proceeds from disposal of property, plant and equipment		**95**	–
Additions in intangible assets		**(31,020)**	–
Purchase of financial assets at fair value through profit or loss	19	**(68,580)**	–
Purchase of other investments		**(9,622)**	–
Proceeds from disposal of other investments		**1,860**	10,614
Deposits on investments paid		**(12,027)**	(6,319)
Acquisition of additional interests in a subsidiary	36	**(1,074)**	–
Proceeds from disposal of interest in an associate	15	**1,351**	–
Net cash used in investing activities		**(254,268)**	(558,538)
FINANCING ACTIVITIES			
Proceeds from issuance of new preference shares by a subsidiary		**1,690**	–
Proceeds from issuance of shares upon placings and subscriptions	31(d)	**349,984**	452,948
New bank loan raised		**26,941**	–
Repayment of interest-bearing borrowings		**(90,926)**	–
Repurchase of issued shares	32(e)	**(27,379)**	–
Dividend paid to non-controlling interests		**(6,938)**	(6,681)
Proceeds from issuance of convertible bonds		**305,695**	–
Payment for cancellation of old preference shares of a subsidiary		**(364)**	–
Net cash from financing activities		**558,703**	446,267
Net increase (decrease) in cash and cash equivalents		**209,630**	(9,609)
Cash and cash equivalents at the beginning of the reporting period		**37,577**	47,141
Effect on exchange rate changes		**(4,144)**	45
Cash and cash equivalents at the end of the reporting period		**243,063**	37,577
Analysis of the balances of cash and cash equivalents			
Cash held by a security broker	24	**12,554**	-
Cash and bank balances	25	**230,509**	37,577
		243,063	37,577

1. CORPORATE INFORMATION

China Smartpay Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and the principal activities of its subsidiaries, joint ventures and associates are set out in Note 13, Note 14 and Note 15 to the consolidated financial statements respectively.

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

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("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 "GEM Listing Rules").

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014/2015 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in Note 3 to the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out in Note 3 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

Amendments to HKAS 19 (2011): Defined Benefit Plans – Employee Contributions

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments do not have an impact on the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project: 2010-2012 Cycle

(1) *HKFRS 2 Share-based Payment*

The amendments add definitions for "performance condition" and "service condition" which were previously part of the definition of "vesting condition" and update the definitions of "vesting condition" and "market condition". These amendments do not have an impact on the consolidated financial statements.

(2) *HKFRS 3 Business Combinations*

These amendments delete the reference to "other applicable HKFRSs" in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss. These amendments do not have an impact on the consolidated financial statements.

(3) *HKFRS 8 Operating Segments*

HKFRS 8 is updated as follows:

a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

These amendments do not have an impact on the consolidated financial statements.

(4) *HKFRS 13 Fair Value Measurement*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. These amendments do not have an impact on the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project: 2010-2012 Cycle *(continued)*

(5) HKAS 16 Property, Plant and Equipment

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, HKAS 16 is amended such that a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses. These amendments do not have an impact on the consolidated financial statements.

(6) HKAS 24 Related Party Disclosures

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services to the reporting entity or to the holding company of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. These amendments do not have an impact on the consolidated financial statements.

(7) HKAS 38 Intangible Assets

The issue identified above in restatement of accumulated depreciation in revaluation of a property, plant or equipment also applies to the revaluation of intangible assets and HKAS 38 is amended accordingly. These amendments do not have an impact on the consolidated financial statements.

Annual Improvements Project: 2011-2013 Cycle

(1) HKFRS 3 Business Combinations

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves. These amendments do not have an impact on the consolidated financial statements.

(2) HKFRS 13 Fair Value Measurement

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. These amendments do not have an impact on the consolidated financial statements.

Impact of the amendments of the GEM Listing Rules

The Group has adopted the amendments to the GEM Listing Rules issued by the Stock Exchange in relation to the disclosure of financial information with reference to the financial reporting requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) during the current year and, as a result, there are changes to the presentation and disclosures of certain information as compared with the consolidated financial statements for the year ended 31 March 2015. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost except for certain financial instruments which were stated at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Subsidiaries *(continued)*

In the Company's statement of financial position which is presented in Note 43 to the consolidated financial statements, an investment in subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates or joint ventures. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interests on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Contingent consideration

Contingent consideration to be transferred by the Group as the acquirer in a business combination is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 year in which they are incurred.

As the Group's lease payments for its leasehold land and buildings cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

3. 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 as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	Over the shorter of unexpired term of lease and their estimated useful life
Leasehold improvements	3 years
Furniture and office equipment	3 years
Motor vehicles	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

Licence rights

Licence rights for the transaction processing system are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over the estimated useful lives of 10 years.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 5 years.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only 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 and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1) *Financial assets at fair value through profit or loss*

Financial assets or financial liabilities at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, financial assets or financial liabilities resulting from a contingent consideration arrangement in a business combination to which HKFRS applies. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2) *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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

3) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

4) *Financial liabilities*

The Group's financial liabilities, except for financial liabilities at fair value through profit or loss, 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.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, 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.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Convertible bonds

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of issue costs.

On the issue of the convertible bond, the liability component is determined by measuring a similar bond that has the same embedded non-equity derivative features, if any, but does not have a conversion option and the liability component is then accounted for by applicable accounting policies including those apply to embedded derivatives.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond equity reserve within shareholders' equity, net of related issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve, together with the carrying amounts of the liability component and any non-equity derivatives at the time of conversion, is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond equity reserve is transferred to accumulated profit or losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability, derivative and equity components of the convertible bond based on the allocation of proceeds to the liability, derivative and equity components when the instruments are first recognised.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preference shares that are not redeemable, or are redeemable only at the Group's option; and any dividend payments are discretionary, are classified as equity.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

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 basis.

Card issuing service fee income is recognised when the prepaid cards are delivered to customers and issued cards are activated.

Management fee income of prepaid cards represents service fee charged by the Group to the holders of prepaid cards at specific rate on the unutilised float funds which has been inactive over three years which is recognised on an agreed percentage over the unutilised float funds outstanding.

Merchant service fee represents service fee charged by the Group to merchants at specific rates on the monetary value of consumptions made by the prepaid cards' holders/internet payment accounts' holders in the merchants' stores which is recognised when the transactions occur.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from the accumulated unutilised float funds generated from the operation of the prepaid cards business and the internet payment business is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Software development income, service fee income of point of sales ("POS") machines and hotel booking agency service income are recognised when services are rendered.

Issuance income of prestige benefits cards is recognised when the prestige benefits cards are delivered to customers.

Sales of goods from e-commerce business and sales of POS machines are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Loan interest income from financial asset is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Card acceptance transaction fee income is 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.

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 and converted into local currency which is usually on every business day.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency, and rounded to the nearest thousands unless otherwise stated.

Foreign currency transactions are translated into the functional currency 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.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, 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 exchange rates;

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets or interests in joint ventures and associates may be impaired 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 of disposal 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. cash-generating unit (the "CGU")).

If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets, other than goodwill *(continued)*

A reversal of impairment losses is limited to the carrying amount of the asset or CGU that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Government grants received by the Group mainly represented incentive grants from the relevant authorities in the People's Republic of China (the "PRC") in respect of the provision of information technology development services in the PRC with no future service or other conditions attached. They are recognised as income in profit or loss when they are approved by and the cash for the grants are received from the relevant authorities.

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 year in which the associated services are rendered by employees.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group's entities established in Hong Kong in an independently administered fund.

In accordance with the rules and regulations in the PRC and Thailand, the employees of the Group's entities established in the PRC and Thailand are required to participate in defined contribution retirement plans organised by local governments. Contributions to those plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the period of the review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profit or losses.

No expense is recognised for awards that do not ultimately vest, except for awards conditional on a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting conditions satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share-based compensation cost payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

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

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

The deferred tax assets and liabilities 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.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the holding company of the Group.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

Operating segments that meet the quantitative thresholds 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. Other operating segments may be aggregated if they share a majority of these criteria.

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 – Oriental City Group (Thailand) Company Limited ("OCG Thailand")

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the "FBA"), 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 preference shares structure arrangement (the "Preference Shares Structure") of OCG Thailand as described in Note 13(a) 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 Preference Shares Structure is 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 Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon the management's judgement on 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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

(a) Critical judgements made in applying accounting policies *(continued)*

(ii) Subsidiary – 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Limited, "Shanghai Yongle")*

By implementation of a series of structured agreements entered between an indirect wholly-owned subsidiary of the Company, 深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited*, "Shenzhen Yongle"), Shanghai Yongle and the legal owners of Shanghai Yongle (the "Weike Structured Agreements") as described in Note 13(b) to the consolidated financial statements, Shenzhen Yongle had obtained control over Shanghai Yongle and Shenzhen Yongle is exposed, or has rights, to variable returns from its involvement with Shanghai Yongle and has the ability to affect those returns through its power over Shanghai Yongle.

The Company's legal advisors as to the applicable laws and regulations in the PRC have confirmed that the Weike Structured Agreements are in compliance with all existing laws and regulations in the PRC. After due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Weike Structured Agreements are valid, legal and enforceable in the PRC.

Based upon the management's judgement on the Weike Structured Agreements, the Company accounts for Shanghai Yongle and its subsidiaries, 微科睿思在線(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited*, "Beijing Weike") and 開聯通支付服務有限公司 (formerly known as 開聯通網絡技術服務有限公司) (Open Union Payment Services Limited*, "Open Union"), as subsidiaries in accordance with HKFRS 10.

As the Group holds no equity interests in Shanghai Yongle but is subject to the Weike Structured Agreements, significant judgement is necessary as to whether these contracts give the Group the ability to exercise control over Shanghai Yongle, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure etc.

* *English translation is for identification purpose only.*

(iii) Subsidiary – 上海靜元信息技術有限公司 (Shanghai Jingyuan Message Technology Limited, "Shanghai Jingyuan")*

By implementation of a series of structured agreements entered between an indirect wholly-owned subsidiary of the Company, 客樂芙信息技術(上海)有限公司 (Colourful Message Technology (Shanghai) Limited*, "Colourful"), Shanghai Jingyuan and the legal owners of Shanghai Jingyuan (the "Colourful Structured Agreements") as described in Note 13(d) to the consolidated financial statements, Colourful had obtained control over Shanghai Jingyuan and Colourful is exposed, or has rights, to variable returns from its involvement with Shanghai Jingyuan and has the ability to affect those returns through its power over Shanghai Jingyuan.

The Company's legal advisors as to the applicable laws and regulations in the PRC have confirmed that the Colourful Structured Agreements are in compliance with all existing laws and regulations in the PRC. After due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Colourful Structured Agreements are valid, legal and enforceable in the PRC.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

(a) Critical judgements made in applying accounting policies *(continued)*

(iii) Subsidiary – 上海靜元信息技術有限公司 (Shanghai Jingyuan Message Technology Limited, "Shanghai Jingyuan") (continued)*

Based upon the management's judgement on the Colourful Structured Agreements, the Company accounts for Shanghai Jingyuan and its subsidiary, 上海遨樂網絡科技有限公司 (Shanghai Aole Internet Technology Limited*, "Shanghai Aole"), as subsidiaries in accordance with HKFRS 10.

As the Group holds no equity interests in Shanghai Jingyuan but is subject to the Colourful Structured Agreements, significant judgement is necessary as to whether these contracts give the Group the ability to exercise control over Shanghai Jingyuan, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure etc.

* *English translation is for identification purpose only.*

(b) Key sources of estimation uncertainty

(i) Allowance for inventories

The Group's management reviews the condition of inventories, as stated in Note 20 to the consolidated financial statements, at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(ii) Impairment of investments and receivables

The Company assesses annually if its interests in subsidiaries/associates/joint ventures suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the 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 these entities would affect the estimation of impairment loss and cause in the adjustments of their carrying amounts.

(iii) Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment and intangible assets 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 profit or loss.

(iv) Impairment of property, plant and equipment and intangible assets

The management determines whether the Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, 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 intangible assets 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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

(b) Key sources of estimation uncertainty *(continued)*

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the management to choose a suitable valuation model and make estimation of the key valuation parameter and other relevant business assumptions.

(vi) 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 customer 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.

(vii) Contingent consideration – consideration shares

The Group's contingent consideration – consideration shares has been valued based on the forecasted profits of the acquired entities for the future periods and the share price of the Company at measurement date. The valuation requires the Group to make estimates about future period's profits of the acquired entities with reference to their business plan to be implemented and future market conditions, and hence they are subject to uncertainty.

(viii) Provision of hotel expenses

The management estimates the provision of hotel expenses on the Group's prestige benefit cards with consideration of the current unclaimed hotel benefits entitlements (the "Entitlements"), the historic redemption rates on the Entitlements, the estimates and assumptions on future redemption rates on the Entitlements and estimates of costs to fulfill the Entitlements. Differences between actual and estimated redemption rates generally affect the recognised expense and provision in future periods.

(ix) Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards, as appropriate. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on results and financial position of the Group.

4. FUTURE CHANGES IN HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	*Disclosure Initiative* [1]
Amendments to HKASs 16 and 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to HKASs 16 and 41	*Bearer Plants* [1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements* [1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [1]
HKFRS 14	*Regulatory Deferral Accounts* [1]
Various HKFRSs	*Annual Improvements Project – 2012-2014 Cycle* [1]
HKFRS 15 and Clarifications to HKFRS 15	*Revenue from Contracts with Customers* [2]
HKFRS 9 (2014)	*Financial Instruments* [2]
HKFRS 16	*Leases* [3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

1 *Effective for annual periods beginning on or after 1 January 2016*
2 *Effective for annual periods beginning on or after 1 January 2018*
3 *Effective for annual periods beginning on or after 1 January 2019*
4 *The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed*

The directors of the Company (the "Directors") are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

5. 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) prepaid cards and internet payment business in the PRC;
(ii) prestige benefits business in the PRC;
(iii) e-commerce and trade financing business among Hong Kong and the PRC;
(iv) card acceptance business in Thailand; and
(v) securities investment business in Hong Kong.

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

Segment results, which are the measures 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 other income, gain or loss, finance costs, general administrative expenses incurred by corporate office, share of results of joint ventures and associates and income tax.

5. SEGMENT REPORTING *(continued)*

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

Revenue from customers contributing over 10% of the total revenue of the Group is also reflected within the operating segment information.

Year ended 31 March 2016

	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	E-commerce and trade financing business *HK$'000*	Card acceptance business *HK$'000*	Securities investment business *HK$'000*	Consolidated *HK$'000*
Segment revenue						
Major customer A	–	–	96,914	–	–	96,914
Other customers	140,135	77,208	182,793	101,250	–	501,386
	140,135	77,208	279,707	101,250	–	598,300
Segment results	46,077	11,862	8,574	15,960	139,700	222,173
Unallocated other income						2,553
Unallocated finance costs						(10,601)
Unallocated other expenses and losses						(93,186)
Fair value loss on contingent consideration – consideration shares						(32,187)
Gain on disposal of equity interest in associate						48
Share of results of joint ventures						6
Share of results of associates						(991)
Profit before tax						87,815
Income tax expenses						(17,384)
Profit for the year						70,431

5. SEGMENT REPORTING *(continued)*

Year ended 31 March 2015

	Prepaid cards and internet payment business HK$'000	E-commerce and trade financing business HK$'000	Card acceptance business HK$'000	Consolidated HK$'000
Segment revenue				
Major customer A	–	187,597	–	187,597
Other customers	7,871	32,332	105,588	145,791
	7,871	219,929	105,588	333,388
Segment results	(1,299)	16,570	19,406	34,677
Unallocated other income				858
Unallocated finance costs				(2,534)
Unallocated other expenses and losses				(93,072)
Share of results of joint ventures				(1,167)
Share of results of associates				(1,519)
Loss before tax				(62,757)
Income tax expenses				(7,740)
Loss for the year				(70,497)

5. SEGMENT REPORTING *(continued)*

Segment assets and liabilities

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

At 31 March 2016

	Prepaid cards and internet payment business HK$'000	Prestige benefits business HK$'000	E-commerce and trade financing business HK$'000	Card acceptance business HK$'000	Securities investment business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Property, plant and equipment	36,843	329	80	2,805	–	6,047	46,104
Intangible assets	31,641	150	4,338	474	–	–	36,603
Goodwill	496,765	192,417	988	–	–	–	690,170
Financial assets at fair value through profit or loss	–	–	–	–	208,280	–	208,280
Other assets	869,199	23,097	165,254	37,709	–	107,056	1,202,315
Total assets	1,434,448	215,993	170,660	40,988	208,280	113,103	2,183,472
Total liabilities	638,977	118,761	4,767	26,792	–	4,401	793,698
Additional segment information:							
Amortisation	1,371	49	492	–	–	–	1,912
Depreciation	4,594	138	37	1,411	–	408	6,588
Fair value gain on financial assets at fair value through profit or loss	–	–	–	–	139,700	–	139,700
Fair value loss on contingent consideration	–	–	–	–	–	32,187	32,187
Share-based compensation cost	–	–	–	–	–	66,487	66,487
Additions to intangible assets	31,020	206	4,820	474	–	–	36,520
Additions to property, plant and equipment	8,193	479	–	1,337	–	670	10,679

5. SEGMENT REPORTING *(continued)*

Segment assets and liabilities *(continued)*

At 31 March 2015

	Prepaid cards and internet payment business *HK$'000*	E-commerce and trade financing business *HK$'000*	Card Acceptance business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Property, plant and equipment	38,488	122	3,097	2,230	43,937
Intangible assets	2,035	–	–	28	2,063
Goodwill	474,043	988	–	–	475,031
Other assets	849,200	24,650	38,630	50,238	962,718
Total assets	1,363,766	25,760	41,727	52,496	1,483,749
Total liabilities	856,782	6,359	28,149	8,091	899,381
Additional segment information:					
Amortisation	55	–	–	2	57
Depreciation	861	38	1,236	424	2,559
Share-based compensation cost	–	–	–	53,503	53,503
Additions to intangible assets	2,079	–	–	30	2,109
Additions to property, plant and equipment	39,165	–	1,442	2,394	43,001

6. REVENUE

Revenue is analysed by category as follows:

	2016	2015
	HK$'000	*HK$'000*
Prepaid cards and internet payment business		
Card issuing service fee income	**2,528**	261
Management fee income of prepaid cards	**73,066**	–
Merchant service fee income	**12,530**	1,537
Interest income from accumulated unutilised float funds	**22,832**	6,073
Software development income	**26,643**	–
Sales and service fee income of POS machines	**2,536**	–
Prestige benefits business		
Issuance income of prestige benefits cards	**74,528**	–
Hotel booking agency service income	**2,680**	–
E-commerce and trade financing business		
Sales of goods	**277,707**	219,929
Loan interest income	**2,000**	–
Card acceptance business		
Card acceptance transaction fee income	**77,491**	82,683
Foreign exchange rate discount income	**23,759**	22,905
	598,300	333,388

7. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Bank interest income from self-owned funds	**682**	192
Gain on disposal of property, plant and equipment	**30**	–
Government grants	**369**	–
Investment income arising from other investments	**1,318**	–
Sundry income	**154**	666
	2,553	858

8. PROFIT (LOSS) BEFORE TAX

This is stated after charging (crediting):

	2016	2015
	HK$'000	*HK$'000*
(a) Finance costs		
Effective interest expense on convertible bonds	**5,315**	–
Finance costs on other long-term liabilities	**33**	36
Interest expense on interest-bearing borrowings	**5,253**	2,498
	10,601	2,534
(b) Staff costs, including key management remuneration		
Salaries, allowances and other short-term employee benefits	**30,822**	18,379
Contributions to defined contribution plans	**5,212**	1,440
Share-based compensation cost	**33,735**	23,263
	69,769	43,082
(c) Key management remuneration, including directors' remuneration		
Salaries, allowances and other short-term employee benefits	**6,965**	5,008
Contributions to defined contribution plans	**91**	52
Share-based compensation cost	**24,583**	9,055
	31,639	14,115
(d) Other items		
Auditor's remuneration	**1,337**	808
Amortisation of intangible assets (included in "General administrative expenses")	**1,912**	57
Cost of goods sold	**250,064**	190,280
Depreciation of property, plant and equipment	**6,588**	2,559
Exchange loss (gain), net	**60**	(95)
Operating lease charges on premises	**10,673**	4,231
Share-based compensation cost to service providers	**32,752**	30,240

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

(a) Directors' remuneration

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

	Directors' fees *HK$'000*	Salaries, allowances and other short-term employee benefits *HK$'000*	Contributions to defined contribution plans *HK$'000*	Share-based compensation cost *HK$'000*	Total *HK$'000*
Year ended 31 March 2016					
Executive directors					
Dr. Cao Guoqi	–	240	–	3,512	3,752
Mr. Fung Weichang	–	360	–	–	360
Mr. Xiong Wensen	–	1,580	–	3,512	5,092
Mr. Song Xiangping	–	1,329	35	3,512	4,876
Mr. Zhang Huaqiao [1]	–	440	17	–	457
Mr. Cheng Nga Ming Vincent [2]	–	30	1	–	31
	–	3,979	53	10,536	14,568
Non-executive director					
Mr. Zhang Huaqiao [1]	–	40	–	14,047	14,087
Independent non-executive directors					
Mr. Wang Yiming	72	–	–	–	72
Mr. Lu Dongcheng	72	–	–	–	72
Dr. Yuan Shumin	72	–	–	–	72
	216	–	–	–	216
	216	4,019	53	24,583	28,871

1 *Re-designated to executive director during the year*

2 *Resigned/Retired/Vacated during the year*

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(continued)*

(a) Directors' remuneration *(continued)*

	Directors' fees HK$'000	Salaries, allowances and other short-term employee benefits HK$'000	Contributions to defined contribution plans HK$'000	Share-based compensation cost HK$'000	Total HK$'000
Year ended 31 March 2015					
Executive directors					
Dr. Cao Guoqi	–	240	–	1,577	1,817
Mr. Fung Weichang	–	360	–	–	360
Mr. Xiong Wensen [3]	–	1,192	–	5,985	7,177
Mr. Song Xiangping [3]	–	151	–	–	151
Mr. Cheng Nga Ming Vincent	–	120	6	–	126
Ms. Cheng Nga Yee [2]	–	38	2	–	40
	–	2,101	8	7,562	9,671
Non-executive director					
Mr. Zhang Huaqiao	480	–	–	857	1,337
Independent non-executive directors					
Mr. Lee Kin Fai [2]	6	–	–	–	6
Mr. Wang Yiming	72	–	–	–	72
Mr. Lu Dongcheng	72	–	–	–	72
Dr. Yuan Shumin [3]	63	–	–	–	63
	213	–	–	–	213
	693	2,101	8	8,419	11,221

[1] *Re-designated to executive director during the year*

[2] *Resigned/Retired/Vacated during the year*

[3] *Appointed during the year*

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2016 and 2015. 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 years ended 31 March 2016 and 2015.

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(continued)*

(b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the years ended 31 March 2016 and 2015.

(c) Directors' material interests in transactions, arrangements or contracts

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company, or an entity connected with the Director, had a material interest, whether directly or indirectly, subsisted at the year or at any time during the years ended 31 March 2016 and 2015.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2015: one) directors, Dr. Cao Guoqi, Mr. Song Xiangping, Mr. Xiong Wensen and Mr. Zhang Huaqiao (2015: Mr. Xiong Wensen), whose remuneration are set out in Note 9 to the consolidated financial statements. Details of the remuneration of the remaining one (2015: four) non-director, highest paid employee for the year are as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Salaries, allowances and other short-term employee benefits	**1,277**	1,325
Contributions to defined contribution plans	**37**	217
Share-based compensation cost	**6,102**	7,577
	7,416	9,119

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

	Number of employees	
	2016	2015
Band		
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	3
HK$7,000,001 to HK$7,500,000	**1**	–
	1	4

During the years ended 31 March 2016 and 2015, 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.

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration for the years ended 31 March 2016 and 2015.

11. TAXATION

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong Profits Tax	**1,018**	2,739
PRC Enterprise Income Tax	**13,202**	–
Thailand Enterprise Income Tax	**3,216**	3,659
Withholding tax on dividend declared by a foreign subsidiary	**741**	1,188
	18,177	7,586
Deferred tax		
Origination and reversal of temporary difference	**(1,194)**	–
Withholding tax on undistributed earnings of a foreign subsidiary	**401**	154
	(793)	154
Income tax expenses for the year	**17,384**	7,740

(i) *Hong Kong Profits Tax*

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the years ended 31 March 2015 and 2016.

(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 BVI.

The Group's operations in the PRC are subject to enterprise income tax ("PRC Enterprise Income Tax") of the PRC at 25%, except for Open Union which is subject to PRC Enterprise Income Tax at a preferential rate of 15% for high and new technology enterprises.

The Group's operations in Thailand are subject to Thailand Enterprise Income Tax at 20% (2015: 20%).

The Group's operation in Singapore is subject to Singapore income tax at 17%.

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

11. TAXATION *(continued)*

Reconciliation of income tax expenses

	2016 HK$'000	2015 HK$'000
Profit (Loss) before tax	**87,815**	(62,757)
Income tax at applicable tax rate	**17,401**	(11,679)
Non-deductible expenses	**26,687**	18,149
Tax exempt revenue	**(25,691)**	(156)
Unrecognised tax losses	**578**	55
Utilisation of previously unrecognised tax losses	**(2,732)**	–
Withholding tax on dividends declared by a foreign subsidiary	**741**	1,188
Withholding tax on undistributed earnings of a foreign subsidiary	**401**	154
Others	**(1)**	29
Income tax expenses for the year	**17,384**	7,740

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries as well as new countries in which the Group operates.

12. EARNINGS (LOSSES) PER SHARE

Basic earnings (losses) per share is calculated based on the consolidated profit for the year ended 31 March 2016 attributable to the equity holders of the Company of approximately HK$63,820,000 (2015: loss of approximately HK$78,232,000) and on the weighted average number of 1,260,177,157 ordinary shares (2015: 959,710,685 ordinary shares) in issue during the year ended 31 March 2016.

Diluted earnings per share is calculated based on the consolidated profit for the year ended 31 March 2016 attributable to the equity holders of the Company of approximately HK$63,820,000 and on the weighted average number of ordinary shares adjusted as follows:

	2016 Number of shares
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**1,260,177,157**
Effect of dilutive potential shares from share options	**68,752,668**
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**1,328,929,825**

Share options with anti-dilutive effect on earnings per share is excluded from above calculation of diluted earnings per share for year ended 31 March 2016.

Diluted losses per share is the same as basic losses per share during the year ended 31 March 2015 as all shares options granted up to 31 March 2015 had an anti-dilutive effect.

13. SUBSIDIARIES

Details of the subsidiaries at the end of the reporting period 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 Direct	Effective ownership interests held by the Company Indirect	Principal activities/ place of operation
Joy Grand Investment Limited	Hong Kong, 30 March 2016	Ordinary, HK$1	–	100%	Securities investment/ Hong Kong
Vast Mega Limited	BVI, 2 March 2016	Ordinary, United States Dollars ("US$") 1	100%	–	Investment holding/ Hong Kong
Keen Grand Limited	Hong Kong, 1 February 2016	Ordinary, HK$1	–	100%	Investment holding/ Hong Kong
Koolcard Technology Limited	Hong Kong, 20 January 2016	Ordinary, HK$25,000,000	100%	–	Investment holding/ Hong Kong
Sunny Team International Investment Limited	BVI, 5 January 2016	Ordinary, US$1	–	100%	Investment holding/ Hong Kong
浙江捷盈金融服務外包有限公司 Zhejiang Jie Ying Financial Contracting Service Limited* ("Zhejiang Jie Ying")	The PRC, 16 December 2015	Paid up capital, Renminbi ("RMB") 6,500,000	–	65%	Leasing of POS machines/ The PRC
Keen Best Investments Limited	BVI, 15 June 2015	Ordinary, US$1	100%	–	Investment holding/ Hong Kong
Pan-Asia Payment Company Limited	Hong Kong, 1 June 2015	Ordinary, HK$1	–	100%	Internet payment clearing services/Hong Kong
Union Evernew Investment Limited	Hong Kong, 29 May 2015	Ordinary, HK$1	–	100%	Inactive/ Hong Kong
Smartpay (Singapore) PTE Limited	Singapore, 2 May 2015	Ordinary, Singapore Dollar ("SGD") 1,000,000	–	100%	Prepaid cards and internet payment business/ Singapore
China Vantage Asia Limited	Hong Kong, 1 April 2015	Ordinary, HK$1	–	100%	Investment holding/ Hong Kong
Stunning Profit Limited	BVI, 5 March 2015	Ordinary, US$1	100%	–	Investment holding/ Hong Kong
Brave Spirit Group Limited	BVI, 2 January 2015	Ordinary, US$1	100%	–	Investment holding/ Hong Kong

13. SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Effective ownership interests held by the Company Direct	Effective ownership interests held by the Company Indirect	Principal activities/ place of operation
上海啟峻信息科技有限公司 Qijun Information Technology Limited* ("Qijun Information Technology")	The PRC, 11 August 2014	Paid up capital, RMB20,000,000	–	100%	Prepaid cards and internet payment business/ The PRC
Shanghai Yongle	The PRC, 27 May 2014	Not yet paid up	–	100% *<Note b>*	Investment holding/ The PRC
上海啟峻投資有限公司 Shanghai Qijun Investments Limited*	The PRC, 4 April 2014	Not yet paid up	–	100%	Investment holding/ The PRC
深圳市融易付電子商務有限公司 Shenzhen Rongyifu Electronic Business Limited* ("Rongyifu")	The PRC, 29 January 2014	Paid up capital, RMB3,000,000	–	100%	Internet payment clearing services/ The PRC
Vast Prosper Limited	BVI, 2 January 2014	Ordinary, US$1	100%	–	Investment holding/ Hong Kong
Shenzhen Yongle	The PRC, 25 December 2013	Paid up capital, HK$4,500,000	–	100%	Investment holding/ The PRC
上海啟峻投資咨詢有限公司 Shanghai Qijun Investments Consultancy Service Limited* ("Qijun Investments Consultancy")	The PRC, 20 December 2013	Paid up capital, RMB44,149,034	–	100%	Software development services/ The PRC
OCG Hong Kong Limited	Hong Kong, 6 November 2013	Ordinary, HK$10,000	–	70%	Marketing and administrative services/ Hong Kong
Firm Idea Limited ("Firm Idea")	BVI, 2 August 2013	Ordinary, US$1	100%	–	Investment holding/ Hong Kong
New United Global Limited	BVI, 2 August 2013	Ordinary, US$1	–	100%	Investment holding/ Hong Kong
Speedy Yields Limited	BVI, 2 August 2013	Ordinary, US$1	100%	–	Investment holding/ Hong Kong
Wide Joy Limited	BVI, 2 August 2013	Ordinary, US$1	–	100%	Investment holding/ Hong Kong
Goodgate Limited	Hong Kong, 9 July 2013	Ordinary, US$1	–	100%	Investment holding/ Hong Kong

13. SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Effective ownership interests held by the Company Direct	Indirect	Principal activities/ place of operation
Million Promise Travel Limited	Hong Kong, 9 July 2013	Ordinary, HK$1	–	100%	Trade financing/ Hong Kong
Colourful	The PRC, 7 February 2013	Paid up capital, HK$1,200,000	–	100%	Prestige benefits business/ The PRC
Shanghai Jingyuan	The PRC, 15 January 2013	Paid up capital, RMB12,000,000	–	100% *<Note d>*	Prestige benefits business/ The PRC
MCONE (HONGKONG) LIMITED ("MCONE")	Hong Kong, 19 March 2012	Ordinary, HK$10,000	–	100%	E-commerce business/ Hong Kong
Rosy City Holdings Limited	BVI, 18 November 2011	Ordinary, US$1	100%	–	Investment holding/ Hong Kong
Victory Pacific Investments Limited	BVI, 11 November 2011	Ordinary, US$1	–	100%	Investment holding/ Hong Kong
Oriental City Group Asia Pacific Limited ("OCG Asia Pacific")	BVI, 8 September 2011	Ordinary, US$1	–	70%	Investment holding/ Hong Kong
Open Union	The PRC, 8 November 2010	Paid up capital, RMB100,000,000	–	90% *<Note b>* *<Note c>*	Prepaid cards and internet payment business/ The PRC
Shanghai Aole	The PRC, 16 August 2010	Paid up capital, RMB1,000,000	–	100% *<Note d>*	Hotel booking agency services/ The PRC
OCG South Asia (BVI) Limited	BVI, 19 March 2010	Ordinary, US$1	–	100%	Investment holding/ Hong Kong
Oriental City Group Lao Co., Limited	Laos, 8 January 2010	Paid up capital, US$100,000	–	100%	Inactive/ Laos
AE Investment Consulting Limited ("AE Investment")	Hong Kong, 4 September 2009	Ordinary, HK$40,000,000	–	100%	Investment holding/ Hong Kong
Charm Act Group Limited	BVI, 30 November 2007	Ordinary, US$100	100%	–	Investment holding/ Hong Kong
Oriental City Group China Limited	BVI, 7 May 2007	Ordinary, US$1	–	100%	Investment holding/ Hong Kong

13. SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Effective ownership interests held by the Company Direct	Indirect	Principal activities/ place of operation
Oriental City Group Thailand Limited ("OCG Thailand (BVI)")	BVI, 7 May 2007	Ordinary, US$100	–	70%	Investment holding/ Hong Kong
Beijing Weike	The PRC, 20 April 2006	Paid up capital, RMB100,000,000	–	100%	Investment holding/ The PRC
奧思知(海南)服務有限公司 Oriental City Group (Hainan) Services Limited*	The PRC, 24 October 2005	Paid up capital, HK$150,000	–	100%	Inactive/ The PRC
OCG Thailand	Thailand, 27 September 2004	Ordinary, Thai Baht ("Baht") 7,500,000	–	70%	Card acceptance business/ Thailand
		Preference, Baht 7,650,000, *<Note a>*	–	–	

* *English translation for identification purpose only.*

Except for the preference share capital as issued by OCG Thailand, none of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the year.

<Note a>

Upon completion of the capital restructuring exercises as stated in Note 36 to the consolidated financial statements, OCG Thailand's share capital is comprised of ordinary share capital of Baht 7,500,000 (equivalent to approximately HK$1,561,000) and preference share capital of Baht 7,650,000 (equivalent to approximately HK$1,690,000). 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 ten shares held on any resolution of OCG Thailand;
- the right to receive cumulative dividend declared by OCG Thailand at the rate of 9.5% per annum on 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 the preference shares.

13. SUBSIDIARIES *(continued)*

<Note a> (continued)

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, although they are not redeemable, the holders of which are entitled to receive 9.5% (per annum) 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, 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 its related cumulative dividend, to the extent of 70% 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) and OCG Asia Pacific.

<Note b>

The Group's indirect wholly owned subsidiary, Shenzhen Yongle, entered into the Weike Structured Agreements with Shanghai Yongle and the legal owners of Shanghai Yongle which enables Shenzhen Yongle to:

- exercise effective financial and operational control over Shanghai Yongle;
- exercise the entire owners' voting rights of Shanghai Yongle;
- receive and be exposed to substantially all of the economic interest returns generated by Shanghai Yongle;
- have an irrevocable option to purchase the entire equity interest in Shanghai Yongle when and to the extent permitted under the PRC laws; and
- obtain pledges over the entire equity interest of Shanghai Yongle from the legal owners of Shanghai Yongle.

The Directors are of the opinion that, notwithstanding the lack of the equity ownership, the Weike Structured Agreements give Shenzhen Yongle control over Shanghai Yongle in substance under the principles as set out in HKFRS 10 where Shenzhen Yongle is exposed, or has rights, to variable returns from its involvement with Shanghai Yongle and has the ability to affect those returns through power over Shanghai Yongle. Therefore, the Group regards Shanghai Yongle together with its subsidiaries (i.e. Beijing Weike and Open Union) as indirect subsidiaries under HKFRSs and Shanghai Yongle, Beijing Weike and Open Union are consolidated in the Group's consolidated financial statements.

<Note c>

On 8 December 2015, Beijing Weike and Open Union Message Technology Limited ("Open Union Message", English translation of 開聯信息技術有限公司 for identification purpose only), a non-controlling shareholder of Open Union, entered into an agreement for Beijing Weike to acquire from Open Union Message the remaining 10% equity interests of Open Union at the aggregate consideration of RMB52 million (equivalent to approximately HK$62.5 million). As at 31 March 2016, deposits of RMB10 million (equivalent to approximately HK$12 million) had been paid and reported as "deposits on investments" as set out in Note 22 to the consolidated financial statements. Such transaction is not yet completed at the date of approving the consolidated financial statements.

<Note d>

The Group's indirect wholly owned subsidiary, Colourful, entered into the Colourful Structured Agreements with Shanghai Jingyuan and the legal owners of Shanghai Jingyuan which enables Colourful to:

- exercise effective financial and operational control over Shanghai Jingyuan;
- exercise the entire owners' voting rights of Shanghai Jingyuan;
- receive and be exposed to substantially all of the economic interest returns generated by Shanghai Jingyuan;
- have an irrevocable option to purchase the entire equity interest in Shanghai Jingyuan when and to the extent permitted under the PRC laws; and
- obtain pledges over the entire equity interest of Shanghai Jingyuan from the legal owners of Shanghai Jingyuan.

The Directors are of the opinion that, notwithstanding the lack of the equity ownership, the Colourful Structured Agreements give Colourful control over Shanghai Jingyuan in substance under the principles as set out in HKFRS 10 where Colourful is exposed, or has rights, to variable returns from its involvement with Shanghai Jingyuan and has the ability to affect those returns through power over Shanghai Jingyuan. Therefore, the Group regards Shanghai Jingyuan together with its subsidiary (i.e. Shanghai Aole) as indirect subsidiaries under HKFRSs and Shanghai Jingyuan and Shanghai Aole are consolidated into the Group's consolidated financial statements.

13. SUBSIDIARIES *(continued)*

Financial information of subsidiaries with individually material non-controlling interests ("NCI")

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

	OCG Thailand	Open Union	Zhejiang Jie Ying
At 31 March 2016			
Proportion of NCI's ownership interests	30%	10%	35%
Proportion of NCI's voting rights (excluding NCI's voting rights held through other non-wholly owned subsidiaries of the Group)	30%	10%	35%
	HK$'000	*HK$'000*	*HK$'000*
Current assets	35,713	671,423	11,278
Non-current assets	3,248	60,196	1,400
Current liabilities	(22,386)	(579,936)	(868)
Non-current liabilities	(1,690)	–	–
Net assets	14,885	151,683	11,810
Carrying amount of NCI	4,465	15,168	4,133
Year ended 31 March 2016 (or since acquisition)	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	101,250	105,881	156
Expenses	(88,452)	(75,264)	(378)
Profit (Loss)	12,798	30,617	(222)
Other comprehensive (loss) income	(1,563)	(6,617)	5
Total comprehensive income (loss)	11,235	24,000	(217)
Profit (Loss) attributable to NCI	5,229	3,062	(78)
Total comprehensive income (loss) attributable to NCI	4,604	2,400	(76)
Dividends paid to NCI	(6,938)	–	–
Net cash flows from (used in):			
Operating activities	8,022	6,219	(4,088)
Investing activities	(1,337)	(13,272)	(1,423)
Financing activities	(11,051)	20,206	12,027
Total cash (outflows) inflows	(4,366)	13,153	6,516

13. SUBSIDIARIES *(continued)*

Financial information of subsidiaries with individually material NCI *(continued)*

	OCG Thailand	Open Union
At 31 March 2015		
Proportion of NCI's ownership interests	58%	10%
Proportion of NCI's voting rights (excluding NCI's voting rights held through other non-wholly owned subsidiaries of the Group)	42%	10%
	HK$'000	*HK$'000*
Current assets	38,630	846,664
Non-current assets	3,097	49,123
Current liabilities	(25,472)	(771,899)
Non-current liabilities	(393)	–
Net assets	15,862	123,888
Carrying amount of NCI	9,200	12,389
Year ended 31 March 2015 (or since acquisition)	*HK$'000*	*HK$'000*
Revenue	105,588	7,584
Expenses	(90,992)	(8,301)
Profit (Loss)	14,596	(717)
Other comprehensive loss	(105)	–
Total comprehensive income (loss)	14,491	(717)
Profit (Loss) attributable to NCI	8,466	(72)
Total comprehensive income (loss) attributable to NCI	8,405	(72)
Dividends paid to NCI	4,755	–
Net cash flows from (used in):		
Operating activities	8,919	(13,307)
Investing activities	(717)	10,631
Financing activities	(12,033)	–
Total cash outflows	(3,831)	(2,676)

14. INTERESTS IN JOINT VENTURES

	2016 **HK$'000**	2015 HK$'000
Share of net assets	**10,854**	7,683

Details of the joint ventures at the end of the reporting period are as follows:

Name of joint ventures	**Principal place of business and place of incorporation**	**Registered and paid-up capital**	**Proportion of value of registered and paid-up capital indirectly held by the Company**	**Principal activities**
上海東方網通信技術有限公司 Shanghai Eastern Net Communication Technology Company Limited* ("Eastern Net")	The PRC	RMB20,000,000	40%	Promotion of prepaid cards and provision of related customer services
神州融金(北京)信息科技有限公司 Shenzhou Rongjin (Beijing) Message Technology Limited* ("Shenzhou Rongjin")	The PRC	RMB6,000,000	49%	Smart cards business

* *English translation for identification purpose only.*

The above joint ventures are accounted for using the equity method in the consolidated financial statements. There are no capital commitment and contingent liabilities in relation to the joint venture themselves.

Arrangements with joint venture partners

Open Union, the first joint venture partner and the second joint venture partner is entitled to appoint 2, 2 and 1, respectively, out of 5 board members of Eastern Net. Because certain strategic financial and operating decisions in relation to Eastern Net's operation require the consent of 4 out of 5 board members, Open Union and the first joint venture partner are considered to have joint control of Eastern Net under the arrangements and Eastern Net is regarded as a joint venture of Open Union.

Open Union and the joint venture partner is entitled to appoint 2 and 3, respectively, out of 5 board members of Shenzhou Rongjin. Because certain strategic financial and operating decisions in relation to Shenzhou Rongjin's operation require the consent of two-thirds (at least 4 members) of board members, Open Union and the joint venture partner are considered to have joint control of Shenzhou Rongjin under the arrangements and Shenzhou Rongjin is regarded as a joint venture of Open Union.

Relationship with joint ventures

Eastern Net is engaged in the promotion of prepaid cards and the provision of related customer services in Shanghai, the PRC, which could allow the Group to benefit from Eastern Net's operations.

Shenzhou Rongjin is engaged in smart cards business in the PRC, which could allow the Group to benefit from Shenzhou Rongjin's operation.

14. INTERESTS IN JOINT VENTURES *(continued)*

Fair value of investments

All of the above joint ventures are not listed and there is no quoted market price available for the investments.

Financial information of individually material joint ventures

Summarised financial information of each of the material joint ventures of the Group is set out below, which represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	Eastern Net *HK$'000*	Shenzhou Rongjin *HK$'000*
At 31 March 2016		
Gross amounts		
Current assets	19,207	6,595
Non-current assets	119	209
Current liabilities	(436)	(73)
Equity	18,890	6,731
Included in above:		
Cash and cash equivalents	14,746	6,595
Reconciliation		
Gross amount of equity	18,890	6,731
Group's ownership interests and voting rights	40%	49%*
Group's share of equity and carrying amount of interests	7,556	3,298
Year ended 31 March 2016 (or since acquisition)	*HK$'000*	*HK$'000*
Gross amounts		
Revenue	3,161	–
Profit (loss) and total comprehensive income (loss)	622	(495)
Group's share of profit (loss) and total comprehensive income (loss)	249	(243)
Included in above:		
Depreciation and amortisation	130	3
Interest income	535	10

* *Voting rights at the meeting of shareholders and directors are 49% and 40% respectively.*

14. INTERESTS IN JOINT VENTURES *(continued)*

Financial information of individually material joint ventures *(continued)*

	Eastern Net
	HK$'000
At 31 March 2015	
Gross amounts	
Current assets	19,326
Non-current assets	291
Current liabilities	(409)
Equity	19,208
Included in above:	
Cash and cash equivalents	15,049
Reconciliation	
Gross amount of equity	19,208
Group's ownership interests and voting rights	40%
Group's share of equity and carrying amount of interests	7,683
Year ended 31 March 2015 (since acquisition)	*HK$'000*
Gross amounts	
Revenue	48
Loss and total comprehensive loss	(327)
Group's share of loss and total comprehensive loss	(131)
Included in above:	
Depreciation and amortisation	22
Interest income	3

15. INTERESTS IN ASSOCIATES

	2016	2015
	HK$'000	*HK$'000*
Share of net assets	**53,989**	13,090
Goodwill	**21,573**	16,855
	75,562	29,945

Details of the associates at the end of the reporting period are as follows:

Name of the associates	Principal place of business and place of incorporation	Registered and paid-up capital	Proportion of value of registered and paid-up capital indirectly held by the Company	Principal activities
上海商酷網絡科技有限公司 Shanghai Koolcloud Technology Co. Limited* ("Koolcloud")	The PRC	RMB29,500,000	22.21%	Sales of POS machines
無錫酷銀科技有限公司 Wuxi Kuyin Technology Limited* ("Kuyin")	The PRC	RMB2,000,000	22.21% *<Note a>*	Manufacturing and sales of POS machines
廈門市民生通電子商務有限公司 Xiamen Minshengtong E-commerce Limited* ("Minshengtong")	The PRC	RMB10,000,000	38% *<Note b>*	E-commerce business
啟峻電子支付(武漢)有限公司 Qijun Electronic Payment (Wuhan) Limited* ("Qijun Wuhan")	The PRC	RMB100,000,000	35%	Inactive
游娃娃(大連)網絡科技有限公司 Dalian Youwawa Business Service Limited* ("Dalian Youwawa")	The PRC	RMB1,500,000	20%	Smart tourism solutions services

* *English translation is for identification purpose only.*

All of the above associates are accounted for using the equity method in the consolidated financial statements. There are no capital commitment and contingent liabilities in relation to the associates themselves.

Relationship with associates

Koolcloud and its wholly owned subsidiary, Kuyin, are engaged in the manufacturing and trading of cutting-edge smart POS machines and related hardware, which could facilitate the expansion of the prepaid cards and internet payment business of the Group.

Minshengtong, which is principally engaged in e-commerce business, could allow the market penetration of the Group to several geographical segments, mainly Fujian Province, the PRC.

15. INTERESTS IN ASSOCIATES *(continued)*

Relationship with associates *(continued)*

Qijun Wuhan, which has been inactive upon the completion of acquisition and is expected to develop internet payment business, could facilitate the expansion of internet payment business of the Group in particular geographical segments, mainly Hubei Province, the PRC.

Dalian Youwawa, which is principally engaged in provision of smart tourism solutions in the PRC, could allow the Group to expand the smart tourism solution business to particular geographical segments, mainly Liaoning Province, the PRC.

Fair value of investments

All of the above associates are not listed and there is no quoted market price available for the investments.

Financial information of individually material associates

Summarised financial information of each of the material associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	Dalian Youwawa	Minshengtong	Qijun Wuhan	Koolcloud and Kuyin
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		<Note b>		
At 31 March 2016				
Gross amounts				
Current assets	8,110	8,744	120,273	39,070
Non-current assets	987	892	–	5,605
Current liabilities	(1,357)	(154)	–	(14,321)
Equity	7,740	9,482	120,273	30,354
Reconciliation				
Gross amount of equity	7,740	9,482	120,273	30,354
Group's ownership interests and voting rights	20%	38%	35%	22.21%
Group's share of equity	1,548	3,603	42,096	6,742
Goodwill	5,532	–	–	16,041
Carrying amount of interests	7,080	3,603	42,096	22,783
Year ended 31 March 2016 (or since acquisition)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross amounts				
Revenue	3,648	–	–	32,116
Loss and total comprehensive loss	(692)	(2,166)	–	(132)
Group's share of loss and total comprehensive loss	(138)	(823)	–	(30)

15. INTERESTS IN ASSOCIATES *(continued)*

Financial information of individually material associates *(continued)*

	Minshengtong *HK$'000*	Koolcloud and Kuyin *HK$'000*
At 31 March 2015		
Gross amounts		
Current assets	11,979	31,361
Non-current assets	371	1,372
Current liabilities	(157)	(701)
Equity	12,193	32,032
Reconciliation		
Gross amount of equity	12,193	32,032
Group's ownership interests and voting rights	49%	22.21%
Group's share of equity	5,975	7,115
Goodwill	–	16,855
Carrying amount of interests	5,975	23,970
Year ended 31 March 2015 (since acquisition)		
Gross amounts		
Revenue	–	1,772
Loss and total comprehensive loss	(443)	(5,862)
Group's share of loss and total comprehensive loss of associates	(217)	(1,302)

<Note a>

In June 2015, Koolcloud acquired the remaining 23.5% equity interest in Kuyin at a consideration of RMB8,500,000 (equivalent to approximately HK$10,400,000) and Kuyin became a wholly owned subsidiary of Koolcloud. Upon completion, the Group's effective interest in Kuyin increased from 16.99% to 22.21%.

<Note b>

In May 2015, Open Union disposed 11% equity interest in Minshengtong at a consideration of RMB1,100,000 (equivalent to approximately HK$1,351,000) to an independent third party. Upon completion, the Group's effective interest in Minshengtong decreased from 49% to 38%.

16. GOODWILL

	E-commerce CGU	Prepaid Cards and Internet Payment CGU	Prestige Benefits CGU	Internet Payment Clearing CGU	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	*(Note (c))*	*(Note (d))*	
Cost and carrying amount					
At 1 April 2014	988	–	–	–	988
Additions *(Note 35)*	–	471,429	–	–	471,429
Exchange realignments	–	2,614	–	–	2,614
At 31 March 2015 and 1 April 2015	988	474,043	–	–	475,031
Additions *(Note 35)*	–	–	192,417	46,477	238,894
Exchange realignments	–	(23,104)	–	(651)	(23,755)
At 31 March 2016	988	450,939	192,417	45,826	690,170

16(a) E-commerce CGU

Goodwill arising from the e-commerce business (the "E-commerce CGU") represented the acquisition of 100% equity interests in MCONE at an aggregate consideration of HK$2,500,000 in January 2014. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$988,000 is recognised as goodwill. At 31 March 2016, the Group assessed the recoverable amount of the E-commerce CGU with reference to the cash flow projection of MCONE for the next twelve months and determined that no impairment for goodwill was required.

16(b) Prepaid Cards and Internet Payments CGU

On 23 September 2014 and 27 January 2015, Shanghai Yongle acquired 33% and 67% interest in Beijig Weike, respectively, at an aggregate consideration of RMB468 million (equivalent to approximately HK$588 million). Beijing Weike, through its subsidiary, Open Union, is engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service (the "Prepaid Cards and Internet Payment CGU"). The excess of the consideration transferred and the amount of non-controlling interests over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$471,429,000 was recognised as goodwill.

At 31 March 2016, the Group assessed the recoverable amount of the Prepaid Cards and Internet Payment CGU with reference to a business valuation of Open Union determined under a market-based approach based on the multiples of price-to-annual prepaid cards issuing amount as stated in a valuation report dated 24 June 2016 issued by an independent professional valuer and determined that no impairment for goodwill was required.

16. GOODWILL *(continued)*

16(b) Prepaid Cards and Internet Payments CGU *(continued)*

Key assumptions and inputs used for the business valuation are as follows:

Estimated annual issuing amount ^	RMB815,314,000
Price-to annual issuing amount multiple #	0.68-2.87

^ *Estimated annual issuing amount was estimated by the trailing 12-month issuing amount of Open Union at 31 March 2016.*

Price-to-annual issuing amount multiple was estimated by the consideration of comparable transactions divided by the trailing 12-month issuing amount of the comparable companies whose principal business was comparable to that of Open Union.

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the Prepaid Cards and Internet Payment CGU to exceed its recoverable amount.

Other information on fair value measurement of the Prepaid Cards and Internet Payment CGU

The description of valuation technique used in fair value measurement for the Prepaid Cards and Internet Payment CGU containing goodwill is as follow:

Fair value hierarchy	**Valuation technique**
Level 3	Market-based approach

16(c) Prestige Benefits CGU

On 8 July 2015, Firm Idea acquired the entire equity interest in AE Investment and its subsidiary (i.e. Shanghai Jingyuan) at an aggregate consideration of approximately HK$192,968,000. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$190,721,000 was recognised as goodwill. Further in September 2015, Shanghai Jingyuan acquired the entire equity interest in Shanghai Aole at an aggregate consideration of approximately HK$765,000. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$1,696,000 was recognised as goodwill. AE Investment, through its subsidiaries, Colourful, Shanghai Jingyuan and Shanghai Aole, is engaged in the issuance of prestige benefits card to premium consumers and financial institutions (the “Prestige Benefits CGU”).

At 31 March 2016, the Group assessed the recoverable amount of the Prestige Benefits CGU with reference to a value-in-use calculation based on cash flow projection of AE Investment and its subsidiaries. The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

16. GOODWILL *(continued)*

16(c) Prestige Benefits CGU *(continued)*

The recoverable amount of the Prestige Benefits CGU based on value-in-use calculation exceeded its carrying amount. Accordingly, goodwill was not impaired.

Key assumptions used for value-in-use calculations are as follows:

Gross profit margin	36.9%
Average growth rate	24.2%
Long-term growth rate	3%
Discount rate	18.7%

Management determined the budgeted gross profit margin based on past performance and the expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the Prestige Benefits CGU.

Apart from the considerations described above in determining the recoverable amount of the Prestige Benefits CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

16(d) Internet Payment Clearing CGU

On 21 August 2015, Qijun Information Technology acquired the entire equity interest in Rongyifu at an aggregate consideration of RMB37,500,000 (equivalent to approximately HK$45,743,000). Rongyifu is engaged in the provision of internet payment clearing services (the "Internet Payment Clearing CGU"). The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$46,477,000 was recognised as goodwill.

At 31 March 2016, the Group assessed the recoverable amount of the Internet Payment Clearing CGU with reference to a value-in-use calculation based on a cash flow projection of Rongyifu.

The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The recoverable amount of the Internet Payment Clearing CGU based on the value-in-use calculation exceeded its carrying amount. Accordingly, goodwill was not impaired.

Key assumptions used for value-in-use calculations are as follows:

Average growth rate	54%
Long-term growth rate	3%
Discount rate	18.7%

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the Internet Payment Clearing CGU.

Apart from the considerations described above in determining the recoverable amount of the Internet Payment Clearing CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2014	–	75	7,544	–	7,619
Additions	–	702	2,836	1,064	4,602
Acquisition of subsidiaries	35,049	208	2,855	287	38,399
Disposals	–	–	(18)	–	(18)
Exchange realignments	165	3	20	5	193
At 31 March 2015 and at 1 April 2015	35,214	988	13,237	1,356	50,795
Additions	–	1,637	7,593	915	10,145
Acquisition of subsidiaries	–	–	321	213	534
Disposals	–	–	(286)	–	(286)
Exchange realignments	(1,457)	(42)	(825)	(73)	(2,397)
At 31 March 2016	**33,757**	**2,583**	**20,040**	**2,411**	**58,791**
Accumulated depreciation					
At 1 April 2014	–	75	4,224	–	4,299
Charges	290	183	1,970	116	2,559
Disposals	–	–	(3)	–	(3)
Exchange realignments	1	1	1	–	3
At 31 March 2015 and at 1 April 2015	291	259	6,192	116	6,858
Charges	1,699	674	3,659	556	6,588
Disposals	–	–	(221)	–	(221)
Exchange realignments	(49)	(20)	(452)	(17)	(538)
At 31 March 2016	**1,941**	**913**	**9,178**	**655**	**12,687**
Net carrying amount					
At 31 March 2016	**31,816**	**1,670**	**10,862**	**1,756**	**46,104**
At 1 April 2015	34,923	729	7,045	1,240	43,937

The Group's leasehold land and buildings were situated in the PRC under original leases terms of 50 years.

At 31 March 2016, the Group's leasehold land and buildings with net carrying amount of approximately HK$31,816,000 (2015: approximately HK$34,923,000) were pledged to a financial institution in the PRC for securing a loan facility of RMB22,400,000 (equivalent to approximately HK$26,941,000) granted to Open Union as detailed in Note 27 to the consolidated financial statements.

18. INTANGIBLE ASSETS

	Computer software *HK$'000*	Licence rights *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2014	–	–	–
Additions	–	30	30
Acquisition of subsidiaries	–	2,079	2,079
Exchange realignments	–	11	11
At 31 March 2015 and at 1 April 2015	–	2,120	2,120
Additions	36,314	–	36,314
Acquisition of subsidiaries	206	–	206
Exchange realignments	(7)	(102)	(109)
At 31 March 2016	**36,513**	**2,018**	**38,531**
Accumulated amortisation			
At 1 April 2014	–	–	–
Charges	–	57	57
At 31 March 2015 and at 1 April 2015	–	57	57
Charges	1,586	326	1,912
Exchange realignments	(32)	(9)	(41)
At 31 March 2016	**1,554**	**374**	**1,928**
Net carrying amount			
At 31 March 2016	**34,959**	**1,644**	**36,603**
At 1 April 2015	–	2,063	2,063

Computer software represents costs incurred for the development of the technology systems which are in the prepaid cards and internet payment business. The costs are capitalised and amortised under the straight-line method over 5 years. All intangible assets are tested for impairment where an indicator of impairment appears.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 *HK$'000*	2015 *HK$'000*
Equity investments listed in Hong Kong	**208,280**	–

The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period.

The details of the listed investments at 31 March 2016 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Cost of acquisition	Unrealised gain on fair value change for the year	Fair value as at 31 March 2016	% of net assets of the Group	Principal activities
Zhi Cheng Holdings Limited	8130	508,000,000	19.68% <Note>	68,580,000	139,700,000	208,280,000	14.99%	Provision of consultancy services, advertising and media related services, provision of project management services and travel agency and related operations.

During the year, there was no dividend income received from the above investment.

<Note>
In the opinion of the Directors, the Group has no significant influence on the investee because the Group does not appoint any representative in the board of directors of Zhi Cheng Holdings Limited and the equity investments listed in Hong Kong are accounted for as financial assets at fair value through profit or loss.

20. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**9,925**	–

21. OTHER INVESTMENTS

The other investments represented unlisted investments in principal unguaranteed funds (the "Investments") placed with banks in the PRC. The Investments can be redeemed from time to time. The Investments are unlisted investment funds which mainly invested in treasury bonds, bank debentures, central bank bills, enterprise/corporate bonds and other investments in the PRC with high credit rating. The Investments bear interest at floating rate with expected return ranging from 3.75% to 5.2% per annum.

In the opinion of the Directors, the fair value of the Investments cannot be reliably measured because (a) the investments do not have quoted market price in an active market; (b) the range of reasonable fair value estimates is significant for the Investments; and (c) the probabilities of the various estimates cannot be reasonably assessed and used in estimating the fair value. As such, the Investments are stated at cost less any impairment losses.

22. TRADE AND OTHER RECEIVABLES

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Trade receivables	*(a)*	**57,044**	29,276
Loan receivables	*(b)*	**52,511**	–
Other receivables			
Deposits on investments		**18,041**	6,319
Deposits paid to merchants	*(c)*	**22,215**	27,418
Deposits, prepayments and other debtors	*(d)*	**133,351**	38,543
Due from an associate	*(e)*	**12,027**	–
		185,634	72,280
		295,189	101,556

22. TRADE AND OTHER RECEIVABLES *(continued)*

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the Group's entities:

	2016	2015
	HK$'000	*HK$'000*
SGD	**1,742**	–
US$	**16,624**	18,244
	18,366	18,244

22(a) Trade receivables

The Group allows a credit period up to 90 days to its trade debtors. At the end of the reporting period, the ageing analysis of the trade receivables by invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**39,592**	23,941
1 month to 3 months	**4,196**	3,784
Over 3 months	**13,256**	1,551
	57,044	29,276

At the end of the reporting period, the ageing analysis of the trade receivables by due date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Current	**41,348**	27,517
Past due:		
Less than 1 month	**3,676**	495
1 month to 3 months	**4,270**	419
Over 3 months	**7,750**	845
	15,696	1,759
	57,044	29,276

The trade receivables (including past due receivables) are assessed not to be impaired as there has not been a significant change in credit quality and the Directors believe that the amounts are fully recoverable. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES *(continued)*

22(b) Loan receivables

Loan receivables, which are denominated in HK$, are repayable according to the repayment schedules agreed.

At the end of the reporting period, loan receivables are unsecured, carry fixed interest rates at 8% per annum, and are repayable within one year. The loan receivables are not yet past due as at 31 March 2016. The loan receivables are not assessed to be impaired as there has not been a significant change in the debtor's credit quality and the Directors believe that the amounts are fully recoverable.

22(c) Deposits paid to merchants

The amounts represented deposits paid to merchants as guarantees for the settlement of the spending made by prepaid cards' holders and internet payment accounts' holders.

22(d) Deposits, prepayments and other debtors

	2016 ***HK$'000***	2015 *HK$'000*
Funds prepaid to merchants *(Note)*	**6,742**	5,708
Other deposits, prepayments and other debtors	**41,852**	23,524
Trade deposits and prepayments	**84,757**	9,311
	133,351	38,543

Note: The amounts represented funds remitted to the merchants in advance for the settlement of the spending to be made by the prepaid cards' holders and internet payment accounts' holders. The prepaid amounts are based on the historical spending pattern and expected transaction value with individual merchants.

22(e) Due from an associate

The amount due is unsecured, interest-free and repayable on demand.

23. RESTRICTED FUNDS

	Note	**2016** **HK$'000**	2015 HK$'000
Bank deposits in:			
Thailand	*(a)*	**1,583**	3,499
The PRC	*(b)(i)*	**555,347**	679,398
		556,930	682,897
Principal-guaranteed funds in:			
The PRC	*(b)(ii)*	**–**	101,105
		556,930	784,002

23(a) Thailand

Pursuant to the agreements signed with a card acceptance business partner, the amounts represent bank balances in banks in Thailand maintained 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.

23(b) The PRC

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders/internet payment accounts' holders make purchase transactions with respective merchants and are not allowed to be used by the Group for any other purpose. The deposits and guarantee funds are denominated in RMB.

(i) Bank deposits – The PRC

The balances represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 0.35% to 3.3% (2015: 0.35% to 5%) per annum.

(ii) Principal-guaranteed funds – The PRC

The balances represented funds with investment period of around 60 days and the principal amounts are guaranteed by banks. They were unlisted and bore interest at floating rate with expected return of 4.6% to 4.75% per annum.

24. CASH HELD BY A SECURITY BROKER

Cash held by a security broker is a short term deposit which carries interest rate of 0.03% per annum.

25. CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Bank balances and cash are denominated in:		
HK$	**97,892**	5,024
RMB	**117,297**	17,619
US$	**3,961**	29
SGD	**2,157**	–
Baht	**9,202**	14,905
	230,509	37,577

26. TRADE AND OTHER PAYABLES

	Note	2016 HK$'000	2015 HK$'000
Trade payables	*(a)*	**47,938**	37,455
Prestige benefits cards – provision of hotel expenses	*(b)*	**9,659**	–
Unutilised float funds	*(c)*	**519,610**	748,959
		577,207	786,414
Other payables			
Accruals and other payables		**28,491**	14,317
Due to an associate	*(d)*	**42,096**	–
Due to a joint venture	*(d)*	**4,288**	3,584
Due to ex-shareholder of a subsidiary	*(d)*	**887**	–
		75,762	17,901
		652,969	804,315

26. TRADE AND OTHER PAYABLES *(continued)*

(a) Trade payables

The credit periods of trade payables ranged from 30 to 60 days. At the end of the reporting period, the ageing analysis of the trade payables by invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**46,895**	37,455
1 month to 3 months	**864**	–
Over 3 months	**179**	–
	47,938	37,455

(b) Prestige benefits cards – provision of hotel expenses

	2016
	HK$'000
At beginning of the reporting period	–
Acquisition of subsidiaries	3,739
Additions	9,659
Utilised	(3,739)
At the end of the reporting period	**9,659**

(c) Unutilised float funds

The balances represented amounts prepaid by the prepaid cards' holders and internet payment accounts' holders to the Group and unutilised at the end of the reporting period. The Group is required to pay to the merchants from these funds when the prepaid cards' holders and internet payment accounts' holders make purchase transactions with respective merchants. The settlement terms with merchants vary and are dependent on the negotiation between the Group and individual merchants and number of purchase transactions.

(d) Due to an associate/a joint venture/ex-shareholder of a subsidiary

The amounts due are unsecured, interest-free and repayment on demand.

27. INTEREST-BEARING BORROWINGS, SECURED

	2016 HK$'000	2015 HK$'000
Interest-bearing borrowings, secured	**20,206**	88,466

At 31 March 2016

The interest-bearing borrowings, which are denominated in RMB and bear a floating interest rate at 120% of 1-year base lending rate published by the People's Bank of China, were secured by the leasehold land and buildings of the Group with a carrying amount of approximately HK$31,816,000.

At 31 March 2015

In October 2014, Beijing Weike, an indirect wholly owned subsidiary of the Company, entered into an equity income right transfer agreement, an equity income right buyback agreement and the related pledge and mortgage agreements (the "Agreements") with 上銀瑞金資產管理（上海）有限公司 (Shangyin Ruijin Asset Management (Shanghai) Co., Ltd., "Shangyin", English translation for identification purpose only), a subsidiary of 上海銀行股份有限公司 (Bank of Shanghai Co., Ltd., "Bank of Shanghai", English translation for identification purpose only), pursuant to which Beijing Weike shall transfer the equity income right (the "Right") arising from its 90% equity interests in Open Union to Shangyin at the consideration of RMB70,000,000 (equivalent to approximately HK$88,466,000) (the "Basic Price") and Beijing Weike shall be obliged to buy back the Right at one time, within next twelve months period from the date of transfer of the consideration upon the terms and conditions thereof (the "Buyback Obligation"), at the Basic Price plus a premium of 8.57% per annum (the "Premium") of the Basic Price for the relevant period as referred to therein. Any dividend or other income associated with the 90% equity interests in Open Union shall be directly paid to an escrow account opened by Beijing Weike with Bank of Shanghai specifically for payment of the Basic Price and the Premium under the Buyback Obligation.

In addition, Beijing Weike has pledged its 90% equity interests in Open Union in favor of Shangyin and Open Union has pledged certain properties owned by it in favour of Shangyin to secure Beijing Weike's performance of the Buyback Obligation. The Basic Price was received by Beijing Weike in October 2014.

In October 2015, the Company had fully settled the interest-bearing borrowings and the Buyback Obligation was discharged.

28. DEFERRED TAXATION

The movement for the year in the Group's deferred tax assets (liabilities) was as follows:

	Provision	**Undistributed earnings**	**Fair value adjustments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2014	–	(658)	–	(658)
Acquisition of subsidiaries	–	–	(1,264)	(1,264)
Charge to profit or loss	–	(154)	–	(154)
At 31 March 2015 and at 1 April 2015	–	(812)	(1,264)	(2,076)
Credit (Charge) to profit or loss	1,194	(401)	–	793
Exchange realignment	(24)	–	–	(24)
At 31 March 2016	**1,170**	**(1,213)**	**(1,264)**	**(1,307)**

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		**Liabilities**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision	**1,170**	–	**–**	–
Fair value adjustments	**–**	–	**(1,264)**	(1,264)
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**–**	–	**(1,213)**	(812)
Deferred tax assets (liabilities)	**1,170**	–	**(2,477)**	(2,076)
Amount expected to be secured (settled) after more than 12 months	**1,170**	–	**(2,477)**	(2,076)

At the end of the reporting period, the Directors considered the current dividend distribution policy of OCG Thailand, a non-wholly owned subsidiary established in Thailand, that OCG Thailand is able to generate sufficient funding to finance its operations and distribute dividend in the foreseeable future. Accordingly, deferred tax liabilities of approximately HK$1,213,000 (2015: approximately HK$812,000) has been recognised for the future withholding tax implications of the undistributed earnings of OCG Thailand.

28. DEFERRED TAXATION *(continued)*

Unrecognised deferred taxation

The Group has not recognised deferred tax assets in respect of the tax losses, as set out below, because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unrecognised tax losses will expire as follows:

	2016	2015
	HK$'000	*HK$'000*
Year 2016	**–**	238
Year 2017	**46**	187
Year 2018	**22**	92
Year 2019	**244**	115
Year 2020	**7,876**	2,195
Year 2021	**11,453**	–
	19,641	2,827

The accumulated profits of certain foreign subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effect on the distribution of accumulated profits of these foreign entities were approximately of HK$24,034,000 (2015: Nil). In the opinion of the directors, these accumulated profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

29. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent preference shares issued by OCG Thailand as detailed in Note 13(a) to the consolidated financial statements.

At the end of the reporting period, the Group had an outstanding amount due to a non-controlling shareholder of Baht 7,650,000 (equivalent to HK$1,690,000) (2015: Baht 1,650,000 (equivalent to HK$393,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum (2015: 9% per annum). In addition, the relevant dividend on the preference share capital of OCG Thailand was fully settled before the end of the reporting period.

30. CONVERTIBLE BONDS

(a) In April 2015, the Company entered into the subscription agreements with two independent third parties to subscribe 6% convertible bonds in the principal amount of US$10 million (equivalent to approximately HK$77.55 million) (the "First Subscription") and US$10 million (equivalent to approximately HK$77.55 million) (the "Second Subscription"), respectively, which are due on 30 April 2018 and could be converted into a maximum of 41,918,918 and 41,918,918 ordinary shares of the Company, respectively, in any time on or after 41 days after the date of issuance of convertible bonds until 10 days prior to the maturity date. Also, the convertible bonds would be mandatorily converted when the closing price of the shares of the Company of each of 5 consecutive trading days is at least HK$3.00 per share. The First Subscription and the Second Subscription were completed on 27 April 2015. The net prices per conversion share under the First Subscription and the Second Subscription to be issued are approximately HK$1.846 and HK$1.822, respectively. Details of the First Subscription and the Second Subscription including their major terms are set out in the announcement of the Company dated 12 April 2015.

The fair values of the liability, derivative (i.e. early redemption option by the Company) and equity conversion components were determined at issuance of the convertible bonds with reference to a professional valuation conducted by an independent professional valuer.

On 12 June 2015, pursuant to the conversion notices from the bondholders to exercise their conversion rights in the First Subscription and the Second Subscription, those convertible bonds were fully converted into 41,918,918 and 41,918,918 ordinary shares of the Company, respectively.

(b) In April 2015, the Company entered into the placing agreements with not less than six placees, who are independent third parties, to place 6% convertible bonds in the principal amount of US$20 million (equivalent to approximately HK$155.1 million) (the "April 2015 Placing") which are due on 30 April 2018 and could be converted into a maximum of 83,837,835 ordinary shares of the Company in any time on or after 41 days after the date of issuance of convertible bonds until 10 days prior the maturity date. Also, the convertible bonds would be mandatorily converted when the closing price of the shares of the Company for each of 5 consecutive trading days is at least HK$3.00 per share. The April 2015 Placing was completed on 30 April 2015. The net price per conversion share under the April 2015 Placing to be issued is approximately HK$1.817. Details of the April 2015 Placing including the major terms are set out in the announcement of the Company dated 12 April 2015.

The fair values of the liability, derivative (i.e. early redemption option by the Company) and equity conversion components were determined at issuance of the convertible bonds with reference to a professional valuation conducted by an independent professional valuer.

On 17 June 2015, pursuant to the conversion notices form the bondholders to exercise their conversion rights under the April 2015 Placing in respect of the principal amount of US$8.5 million (equivalent to approximately HK$65.9 million), the related convertible bonds were converted into 35,631,081 ordinary shares of the Company. For the remaining convertible bonds of the principal amount of US$11.5 million (equivalent to approximately HK$89.2 million), upon fulfillment of the mandatory conditions as set out in the placing agreements, the Company had issued notices to the bondholders to mandatorily convert all remaining convertible bonds into 48,206,754 ordinary shares of the Company on 22 June 2015.

30. CONVERTIBLE BONDS *(continued)*

The above-mentioned convertible bonds recognised are calculated as follows:

	HK$'000
Liability component classified as financial liability at amounted costs	
Nominal value of convertible bonds issued	310,200
Derivative component at the issue date	113,500
Equity component at the issue date	(130,690)
At the issue date	293,010
Effective interest expenses	5,315
Converted during the year	(298,325)
At 31 March 2016	–
Equity component, classified as equity	
Convertible bonds issued	130,690
Converted during the year	(130,690)
At 31 March 2016	–
Derivative component, classified as financial assets at fair value through profit or loss	
Convertible bonds issued	113,500
Converted during the year	(113,500)
At 31 March 2016	–

31. SHARE CAPITAL

	2016 Number of shares	2016 Nominal value HK$'000	2015 Number of shares	2015 Nominal value HK$'000
Authorised	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid				
At beginning of the year	**1,036,800,000**	**10,368**	720,000,000	7,200
Shares issued upon placing in April 2014 *(Note (a))*	**–**	**–**	144,000,000	1,440
Shares issued upon placing in September 2014 *(Note (b))*	**–**	**–**	104,310,000	1,043
Shares issued upon subscription in October 2014 *(Note (c))*	**–**	**–**	68,490,000	685
Conversion of convertible bonds issued under the subscription agreements *(Note 30 (a))*	**83,837,836**	**838**	–	–
Conversion of convertible bonds issued under the placing agreements *(Note 30 (b))*	**83,837,835**	**838**	–	–
Consideration shares issued upon the subscription in July 2015 *(Note 35 (a))*	**63,953,488**	**640**	–	–
Shares issued upon the subscription in January 2016 *(Note (d))*	**184,210,000**	**1,842**	–	–
At end of the reporting period	**1,452,639,159**	**14,526**	1,036,800,000	10,368

Note:

(a) In April 2014, a total number of 144,000,000 ordinary shares were issued via placing at a price of HK$1.46 per share. The Company raised proceeds of approximately HK$210,240,000 before expenses to finance the Group's future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK$5,533,000 arising from the placing were recognised in the share premium account of the Company.

(b) In September 2014, a total number of 104,310,000 ordinary shares were issued via placing at a price of HK$1.46 per share. The Company raised proceeds of approximately HK$152,293,000 before expenses, to finance the Group's future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK$4,048,000 arising from the placing were recognised in the share premium account of the Company.

(c) In October 2014, a total number of 68,490,000 ordinary shares were issued via subscription at a price of HK$1.46 per share. The Company raised proceeds of approximately HK$99,996,000, to finance the Group's future potential investments or otherwise as general working capital of the Group. No significant direct expense was incurred for the subscription.

31. SHARE CAPITAL *(continued)*

(d) On 20 October 2015, the Company, Shanghai Lujiazui Financial Development Limited ("LJF", English translation of 上海陸家嘴金融發展有限公司 for identification purpose only), Shanghai Lujiazui Equity Investment Fund (Limited Partnership) ("LJZ Fund", English translation of 上海陸家嘴股權投資基金合夥企業(有限合夥) for identification purpose only) and Dr. Cao Guoqi entered into a subscription agreement, pursuant to which LJF and LJZ Fund have conditionally agreed to (or agreed to procure the designated subsidiary to) subscribe for, and the Company has conditionally agreed to allot and issue, a total number of 422,809,720 new ordinary shares (the "Subscription Shares") at the subscription price of HK$1.90 per the Subscription Share (the "LJF Subscription").

On 8 January 2016, a total of 184,210,000 Subscription Shares were issued in accordance with the terms of the subscription agreement of LJF Subscription at a price of HK$1.90 per share since all the conditions precedent to the Completion of the LJF Subscription have been fulfilled, and that with the first tranche of the payment for the LJF Subscription made by LJF to the Company (the "First Completion"). The Company raised net proceeds of approximately HK$349,984,000, to finance the Group's future potential investments or otherwise as general working capital of the Group.

All shares issued during the year rank pari passu with the existing shares in all respects.

32. RESERVES

32(a) Share Premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

32(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 non-controlling interests, and the deemed capital contribution from the former controlling party prior to the listing of the Company's shares on the GEM of the Stock Exchange.

32(c) Exchange Reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries. The reserve is dealt with in accordance with the accounting policies as set out in Note 3 to the consolidated financial statements.

32(d) Statutory Reserve

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

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

32. RESERVES *(continued)*

32(e) Capital Redemption Reserve

Capital redemption reserve has been set up and is dealt with repurchases and cancellations of the Company's own shares. The application of the capital redemption reserve is governed by Section 37(3)(f) of Companies Law, Cap.22 of the Cayman Islands.

During the year ended 31 March 2016, the Company, through a subsidiary, repurchased its own shares on the Stock Exchange but not yet cancelled as follows:

Month	Number of shares repurchased	Aggregate price paid	Highest price paid per share	Lowest price paid per share
		HK$'000	*HK$*	*HK$*
February 2016	8,780,000	14,608	1.70	1.48
March 2016	7,810,000	12,771	1.68	1.61
	16,590,000	27,379		

The above repurchased shares have been repurchased by the Company but the share cancellation has not yet been completed as at 31 March 2016. As a result, the nominal value of these shares was not deducted from the issued share capital of the Company. The total consideration paid for these repurchased shares was included in "Capital Redemption Reserve".

33. SHARE OPTION SCHEME

On 14 August 2009, the Company adopted a share option scheme (the "Scheme") for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries and invested entities.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not exceed 10% of the shares in issue at the date of adoption of the Scheme (the "10% Limit") or the date of any shareholders' meeting in refreshing the 10% Limit, if applicable. The total number of the shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

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

33. SHARE OPTION SCHEME *(continued)*

The exercise price for shares under the Scheme will be a price determined by the Board of Directors and notified to each grantee and will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the shares.

Pursuant to an ordinary resolution passed in Extraordinary General Meeting ("EGM") on 25 February 2015, the refreshment of the 10% Limit (the "Refreshment") was proposed and passed by shareholders. The total number of the shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 103,680,000 shares, representing 10% of the issued share capital of the Company as at the date of the EGM approving the proposed Refreshment. No further refreshment of the 10% Limit was proposed and passed up to the date of the consolidated financial statements.

At the end of the reporting period, no share option (2015: 103,680,000 shares) of the Company is available for issue as the total number of the shares which may be issued upon exercise of the options to be granted has reached the 10% Limit at the end of the reporting period.

Movements on the number of share options outstanding during the year are as follows:

		Number of options	
	Note	**2016**	2015
At beginning of the reporting period	*(i)*	**132,000,000**	60,000,000
Granted during the year	*(ii)*	**103,680,000**	72,000,000
At end of the reporting period		**235,680,000**	132,000,000
Weighted average exercise price			
At beginning of the reporting period		**HK$1.56**	HK$1.58
Granted during the year		**HK$2.22**	HK$1.55
At end of the reporting period		**HK$1.85**	HK$1.56
Exercisable		**HK$1.85**	HK$1.56
Weighted average remaining contractual life		**3.49 years**	4.04 years
Exercisable option at end of the reporting period		**235,680,000**	132,000,000
Range of exercise price for option outstanding		**HK$0.84-HK$2.22**	HK$0.84-HK$1.66

33. SHARE OPTION SCHEME *(continued)*

Note:

(i) On 7 September 2012, options of 6,000,000 shares were granted to Mr. Zhang Huaqiao, a non-executive director of the Company appointed on 7 September 2012 (who was re-designated as an executive director with effect from 13 May 2015), under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK$0.84. The validity period of the share options is five years from 7 September 2012, subject to the following vesting conditions:

- 2,000,000 share options: vest on 6 March 2013;
- 2,000,000 share options: vest on 6 March 2014; and
- 2,000,000 share options: vest on 6 March 2015.

On 19 November 2013, options of 6,000,000 and 2,000,000 shares were granted to Dr. Cao Guoqi and Mr. Fung Weichang respectively, who are executive directors of the Company appointed on 18 September 2013. In addition, options of 7,500,000 shares were granted to the Group's employees and options of 38,500,000 shares were granted to the Group's service providers. The share options were granted under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK$1.66. The validity period of the share options is five years from 19 November 2013, subject to the following vesting conditions:

- 11,000,000 share options: vested on 19 November 2013
- 4,500,000 share options: vested on 19 November 2014; and
- 38,500,000 share options: vested on 27 January 2015 which represented the date when the services are provided and certain performance conditions are achieved.

On 22 September 2014, options of 8,600,000 shares were granted to Mr. Xiong Wensen, who is an executive director of the Company appointed on 3 June 2014. In addition, options of 63,400,000 shares were granted to the Group's employees and service providers. The share options were granted under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK$1.55 per share. These share options are immediate vested upon grant date on 22 September 2014.

(ii) On 21 April 2015, options of 103,680,000 shares were granted to certain eligible persons, of which options of 35,000,000 shares were granted to executive directors of the Company. In addition, options of 15,000,000 and 53,680,000 shares were granted to the Group's employees and service providers, respectively. The share options were granted under the Scheme to subscribe the Company's ordinary shares at the exercise price of HK$2.22. Details of number of share options granted to executive directors are set out below:

Name of executive directors	**Number of share options granted**
Mr. Zhang Huaqiao	20,000,000
Dr. Cao Guoqi	5,000,000
Mr. Xiong Wensen	5,000,000
Mr. Song Xiangping	5,000,000

The validity period of the share options is five years from 21 April 2015, subject to the following vesting conditions:

- 34,560,000 share options: will be vested on 21 April 2016;
- 34,560,000 share options: will be vested on 21 April 2017; and
- 34,560,000 share options: will be vested on 21 April 2018.

33. SHARE OPTION SCHEME *(continued)*

<Remark>

The fair values of (i) share options granted on 7 September 2012, 19 November 2013, 22 September 2014 and 21 April 2015 and (ii) the fulfillment of the performance conditions on 22 September 2014 and 27 January 2015 are calculated using the Binomial Option Pricing Model, with the following key inputs:

	Date of grant				Date of performance conditions fulfilled		
	7 September 2012	**19 November 2013**	**22 September 2014**	**21 April 2015**	**22 September 2014**	**27 January 2015**	**21 April 2015**
Fair value (HK$)	HK$0.4285	HK$0.56, HK$0.67, HK$0.80, HK$0.83	HK$0.4736, HK$0.6959	HK$0.96, HK$1.12, HK$1.17, HK$1.24, HK$1.25, HK$1.31	HK$0.4736	HK$0.375	HK$0.96, HK$1.12, HK$1.24
Share price immediately before the grant fulfillment date (HK$)	HK$0.84	HK$1.64	HK$1.40	HK$1.99	HK$1.40	HK$1.13	HK$1.99
Share price at grant/fulfillment date (HK$)	HK$0.84	HK$1.64	HK$1.40	HK$2.20	HK$1.40	HK$1.13	HK$2.20
Exercise price (HK$)	HK$0.84	HK$1.66	HK$1.55	HK$2.22	HK$1.55	HK$1.66	HK$2.22
Expected volatility	58.78%	70.00%	78.34%	77.17%	78.34%	58.09%	77.17%
Risk-free interest rate	0.291%	1.087%	0.642%	1.021%	0.642%	0.893%	1.021%
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Voluntary exercise boundary multiple	2.47	1.60-2.47	1.60-2.47	1.60-2.47	1.60	1.00	1.60

The expected volatility was determined using the historical volatility of the Company's share prices. The values of above share options vary with different variables of certain subjective assumptions in regards to the limitation of calculation model applied.

In the opinion of the Directors, the fair value of the services provided by the service providers cannot be estimated reliably because those services provided are contingent to the occurrence of certain specific events of the Group without comparable transaction values in the market. Accordingly, the Group measured the services provided by reference to the fair value of the share options granted, at the date of services provided and performance conditions fulfilled on 22 September 2014 and 27 January 2015, respectively.

During the year ended 31 March 2016, with reference to the fair value of the share options at grant date, the Group recognised approximately HK$66,487,000 (2015: approximately HK$53,503,000) as the share-based compensation cost.

34. CASH (USED IN) GENERATED FROM OPERATIONS

	2016 HK$'000	2015 HK$'000
Profit (Loss) before tax	**87,815**	(62,757)
Share of result of joint ventures	**(6)**	1,167
Share of result of associates	**991**	1,519
Amortisation	**1,912**	57
Depreciation	**6,588**	2,559
(Gain) Loss on disposal of property, plant and equipment	**(30)**	15
Fair value gain on financial assets at fair value through profit or loss	**(139,700)**	–
Fair value loss on contingent consideration		
– consideration shares	**32,187**	–
Gain on disposal of equity interest in an associate	**(48)**	–
Foreign exchange differences	**(1,274)**	(2,752)
Finance costs	**10,601**	2,534
Interest income	**(682)**	(192)
Share-based compensation cost	**66,487**	53,503
Changes in working capital:		
Inventories	**(9,925)**	–
Restricted funds	**189,095**	38,782
Trade and other receivables	**(228,300)**	108,456
Trade and other payables	**(100,532)**	(38,610)
Cash (used in) generated from operations	**(84,821)**	104,281

35. ACQUISITION OF SUBSIDIARIES

Acquisitions during the year ended 31 March 2016

(a) Acquisition of AE Investment

On 20 April 2015, the Group entered into sale and purchase agreements (the "Agreements") with certain independent third parties (the "Vendors") pursuant to which the Group/the Vendors both agree to acquire/sell the entire equity interests of AE Investment and its subsidiaries (together the "AE Group") (the "AE Acquisition"). The AE Group is primarily engaged in the issuance of prestige benefits cards to premium consumers and financial institutions. Details of the AE Acquisition are set out in the Company's circular dated 12 June 2015.

Pursuant to the Agreements, the consideration for the AE Acquisition is to be satisfied by the Group as follows:

Initial consideration

An aggregate initial consideration included:

(i) HK$1 million to be paid in cash as non-refundable deposits immediately upon the signing of the Agreements;

(ii) HK$36.5 million to be paid in cash on the completion date; and

(iii) HK$137.5 million to be paid in cash within 5 working days after the completion date (the "First Tranche Consideration").

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisitions during the year ended 31 March 2016 *(continued)*

(a) Acquisition of AE Investment *(continued)*

On 17 July 2015, the Company also completed a subscription agreement with the Vendors to issue and subscribe 63,953,488 ordinary shares of the Company at the subscription price of HK$2.15 per share, amounting to proceeds of approximately HK$137.5 million (the "AE Share Subscription"). Upon the completion of the AE Share Subscription, the First Tranche Consideration was deemed to be satisfied.

The completion of the AE Acquisition is conditional upon satisfaction of the approval of the AE Share Subscription contemplated thereunder in a general meeting of the Company and cannot be waived in any event. Accordingly, the AE Acquisition and the AE Share Subscription was considered as a single transaction.

63,953,488 ordinary shares issued under the AE Share Subscription were deemed as part of the consideration transferred for the acquisition. The fair value of the shares issued was measured in accordance with the published share price at the date of acquisition (i.e. 8 July 2015).

PRC SPA Consideration

An additional consideration amounted to RMB10,000,000 (equivalent to approximately HK$12,198,000) to be paid to two shareholders of Shanghai Jingyuan, an indirect wholly owned subsidiary of AE Investment (the "PRC SPA Consideration") to purchase the entire issued registered capital of Shanghai Jingyuan.

Contingent consideration

A maximum of HK$125 million which to be settled by the allotment and issue of a maximum of 58,139,534 new ordinary shares of the Company at an issue price of HK$2.15 per share (the "Issue Price") to the Vendors as follows:

(i) HK$54 million to be settled by the allotment of the consideration shares of the Company at a price of HK$2.15 per share within one month after the issuance of the audited consolidated financial statements for the period from 1 August 2015 to 31 July 2016 of AE Investment (the "Second Tranche Consideration"); and

(ii) HK$71 million to be settled by the allotment of the consideration shares of the Company at a price of HK$2.15 per share within one month after the issuance of the audited consolidated financial statements for the period from 1 August 2016 to 31 July 2017 of AE Investment (the "Third Tranche Consideration").

The Second Tranche Consideration and the Third Tranche Consideration (together as the "Contingent Consideration") is subject to adjustments on the basis of the following performance targets as stated in the Agreements in respect of the AE Acquisition:

(i) the audited operating profit after tax of the AE Group for the period from 1 August 2015 to 31 July 2016 ("2015 Net Profit") shall not be less than RMB30,000,000 (equivalent to approximately HK$36,082,000, the "2015 Performance Target"); and

(ii) the audited operating profit after tax of the AE Group for the period from 1 August 2016 to 31 July 2017 ("2016 Net Profit") shall not be less than RMB40,000,000 (equivalent to approximately HK$48,109,000, the "2016 Performance Target" and together with the 2015 Performance Target, the "Performance Targets").

In the event that the 2015 Net Profit and the 2016 Net Profit shall be less than the 2015 Performance Target and the 2016 Performance Target, respectively, the abovementioned consideration shares shall be adjusted in accordance with the formula as set out in the Agreements. In the event that there is a shortfall between the 2015 Net Profit and the 2015 Performance Target and the Second Tranche Consideration is adjusted in accordance with the terms and conditions of the Agreements and that subsequently, there is a surplus between the 2016 Net Profit and the 2016 Performance Target, the Group shall reimburse the Vendors a sum calculated in accordance with formula as set out in the Agreements. Details are set out in the Company's circular dated 12 June 2015.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisitions during the year ended 31 March 2016 *(continued)*

(a) Acquisition of AE Investment *(continued)*

In the event that the price of the Company's share as quoted on the Stock Exchange on the business day prior to the proposed date of issue of the shares for the Second Tranche Consideration and/or the Third Tranche Consideration is less than the Issue Price, the Vendors shall have an option to elect an amount equal to the shortfall of such share price multiplied by the number of the shares for the Second Tranche Consideration and/or the Third Tranche Consideration to be settled in cash, in addition to the allotment and issue of shares for the Second Tranche Consideration and/or the Third Tranche Consideration to the Vendors, provided that such amount shall only be paid at such time when the Company is satisfied that it has sufficient cash for such settlement.

On 8 July 2015, the AE Acquisition was completed. The total fair value of the Contingent Consideration is valued by an independent professional valuer in accordance with HKFRS 13 "Fair Value Measurement" issued by the HKICPA. Fair value is defined in HKFRS 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The independent professional valuer has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

The valuation of the Contingent Consideration is mainly based on the trading price of the Company's shares, the latest financial information of AE Group, the AE Group's financial performance forecast and other relevant indicators, which considered as significant inputs to the valuation. At 8 July 2015, the fair value of the Contingent Consideration is estimated to be approximately HK$67,805,000.

The movements of the Contingents Consideration are as follows:

	HK$'000
Initial recognition on 8 July 2015	67,805
Fair value changes	32,187
At 31 March 2016	99,992
Current portion	36,089
Non-current portion	63,903
	99,992

Due to the facts that the final settlement value of the contingent consideration – consideration shares is indexed to the achievement of the Performance Targets, therefore, the Directors have engaged the independent professional valuer to determine the fair value of the contingent consideration – consideration shares at 31 March 2016 on the same basis as above. The independent professional valuer has reviewed the methodologies and the key valuation parameters and business assumptions adopted. The Group recognised a fair value loss on contingent consideration – consideration shares of approximately HK$32,187,000 in profit and loss increasing the contingent consideration to approximately HK$99,992,000 as a result of the change in the expected performance of the AE Group in relation to the 2015 Net Profit and the 2016 Net Profit.

At 8 July 2015 and 31 March 2016, the potential undiscounted amounts of future payments in respect of the Contingent Consideration that the Group could be required to make are ranged from Nil to approximately HK$125,000,000, in which the aggregated value of shares and any compensation for shortfall in share price is measured at the Issue Price of HK$2.15 per share.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisitions during the year ended 31 March 2016 *(continued)*

(a) Acquisition of AE Investment *(continued)*

In respect of the AE Acquisition, the fair value of trade and other receivables acquired included trade receivables with a fair value of approximately HK$11,616,000. The total gross contractual amount of the trade and other receivables is approximately HK$11,616,000, of which no balance is expected to be uncollectible.

Since acquisition and up to 31 March 2016, the acquired business has contributed approximately HK$74,528,000 and approximately HK$8,178,000 to the revenue and profit of the Group respectively. If the business combination of the AE Group effected during the year ended 31 March 2016 had been taken up at 1 April 2015, the consolidated revenue and profit for the Group would have been approximately HK$618,011,000 and HK$67,548,000 respectively.

(b) Acquisition of Shanghai Aole

On 17 August 2015, the Group entered into a sale and purchase agreement with two independent parties to acquire the entire equity interest of Shanghai Aole (the"Shanghai Aole Acquisition"), at a cash consideration of RMB627,000 (equivalent to approximately HK$765,000). Shanghai Aole is principally engaged in provision of hotels booking agency services. The acquisition was completed in September 2015.

In respect of the Shanghai Aole Acquisition, the fair value of trade and other receivables acquired included trade receivables with a fair value of approximately HK$922,000. The total gross contractual amount of the trade and other receivables is approximately HK$922,000, of which no balance is expected to be uncollectible.

Since acquisition and up to 31 March 2016, the acquired business of Shanghai Aole has contributed approximately HK$2,680,000 and HK$1,585,000 to the revenue and profit of the Group respectively. If the business combination of Shanghai Aole effected during the year ended 31 March 2016 had been taken up at 1 April 2015, the consolidated revenue and profit for the Group would have been approximately HK$603,196,000 and HK$72,211,000 respectively.

(c) Acquisition of Rongyifu

On 26 May 2015, the Group entered into a sale and purchase agreement with two independent parties to acquire the entire equity interest of and two deeds of non-competition undertakings with the legal and beneficial owners of Rongyifu (the “Covenanters”) at aggregate consideration of RMB37,500,000 (equivalent to approximately HK$45,743,000) (the “Rongyifu Acquisition”). Rongyifu is principally engaged in internet payment clearing business in the PRC. The Rongyifu Acquisition was completed on 21 August 2015.

The arrangements with the Covenanters are to provide for the non-competition undertakings in favour of the Group during a restricted period (i) of 1 year commencing from 21 August 2015 (completion of the sale and purchase of the entire equity interests of Rongyifu pursuant to the sale and purchase agreement) or (ii) during which the Covenanter is employed as the general manager of the internet payment clearing business of Rongyifu or such other positions as agreed by the Group, and one year thereafter (the “Undertakings”) whichever is the later.

In respect of the Rongyifu Acquisition, the fair value of trade and other receivables acquired included trade receivables with a fair value of approximately HK$10,000. The total gross contractual amount of the trade and other receivables is approximately HK$10,000, of which no balance is expected to be uncollectible.

Since acquisition and up to 31 March 2016, the acquired business has contributed approximately HK$1,794,000 and loss of approximately HK$1,449,000 to the revenue and profit of the Group respectively. If the business combination of Rongyifu effected during the year ended 31 March 2016 had been taken up at 1 April 2015, the consolidated revenue and profit for the Group would have been approximately HK$605,307,000 and HK$71,081,000 respectively.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisitions during the year ended 31 March 2016 *(continued)*

The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of the respective acquisitions.

	AE Group *HK$'000*	Shanghai Aole *HK$'000*	Rongyifu *HK$'000*	Total *HK$'000*
Consideration				
Cash paid	37,500	765	45,743	84,008
Shares issued, at fair value	75,465	–	–	75,465
PRC SPA Consideration, by cash	12,198	–	–	12,198
Contingent Consideration – consideration shares	67,805	–	–	67,805
	192,968	765	45,743	239,476
Recognised amounts of identifiable assets acquired and liabilities assumed				
Property, plant and equipment	439	–	95	534
Intangible assets	206	–	–	206
Bank balances and cash	7,639	158	14,536	22,333
Trade and other receivables	11,616	922	10	12,548
Trade and other payables	(16,734)	(1,950)	(15,353)	(34,037)
Tax payables	(919)	(61)	(22)	(1,002)
Total identifiable net assets (liabilities)	2,247	(931)	(734)	582
Goodwill arising on acquisition	190,721	1,696	46,477	238,894
Net cash flow on acquisition of subsidiaries				
Net cash acquired from subsidiaries	7,639	158	14,536	22,333
Legal fee paid	(157)	–	–	(157)
Cash consideration paid	(49,698)	(765)	(45,743)	(96,206)
Net outflow of cash and cash equivalents	(42,216)	(607)	(31,207)	(74,030)

The Directors have engaged the professional valuer to determine the fair value of the identifiable net tangible assets and intangible assets of the AE Group in accordance with HKFRS 13. The professional valuer has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

The carrying values of all identifiable net assets (excluding goodwill) of the AE Group approximate their fair values at 8 July 2015.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisitions during the year ended 31 March 2016 *(continued)*

With respect to the identifiable net assets of Shanghai Aole and Rongyifu, the Directors considered that their carrying value approximate their fair value at the date of the respective acquisitions.

If all the above business combinations effected during the year ended 31 March 2016 had been taken up at 1 April 2015, the consolidated revenue and profit for the Group would have been approximately HK$629,915,000 and HK$69,978,000 respectively.

Goodwill arising from the acquisitions represents the excess of the fair value of the considerations to be paid by the Group over the fair value of identifiable net assets or liabilities and contingent liabilities (if any) of the AE Group, Shanghai Aole and Rongyifu.

The goodwill arising from the acquisitions is attributable to (i) the acquirees' licenses for their respective operations (if any) and (ii) the growth and profit potential as a result of benefiting from the growing demand of their businesses. However, in the opinion of the Directors, the fair values of the licenses (if any) and the growth and profit potential cannot be reasonably estimated and thus no individual intangible assets have been recognised. None of the goodwill recognised is expected to be deductible for income tax purpose.

Acquisition during the year ended 31 March 2015

On 23 September 2014, upon completion of the acquisition of 33% interest in Beijing Weike and its 90%-owned subsidiary, Open Union (collectively referred to as the "Beijing Weike Group"), which are engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service, through the Structured Agreements with Shanghai Yongle (as detailed in Note 13(b) to the consolidated financial statements), at an aggregated cash consideration of RMB156,000,000 (equivalent to approximately HK$196,076,000) (the "Beijing Weike JV Transaction"), Beijing Weike is classified as a joint venture of the Group and accounted for in the Group's consolidated financial statements under the equity method. Details of the Beijing Weike JV Transaction are set out in the Company's circular dated 1 September 2014.

After completion of the Beijing Weike JV Transaction, Beijing Weike, the shareholder of Beijing Weike, Shanghai Yongle, the shareholders of Shanghai Yongle and Shenzhen Yongle also entered into an option framework agreement on the proposed exercise of the call option to acquire the remaining 67% interest in Beijing Weike by Shanghai Yongle (the "Beijing Weike Acquisition").

Upon completion of the Beijing Weike Acquisition on 27 January 2015, Shenzhen Yongle, through Shanghai Yongle, acquired the remaining 67% interest in Beijing Weike at an aggregate consideration of RMB312,000,000 (equivalent to approximately HK$392,152,000) which was settled by cash.

Upon completion of the Beijing Weike Acquisition, Shenzhen Yongle, through Shanghai Yongle, enjoys 100% interest in Beijing Weike and Beijing Weike is classified as a subsidiary of the Group as detailed in Note 13(b) to the consolidated financial statements. Details of the Beijing Weike Acquisition are set out in the Company's circular dated 29 December 2014.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisitions during the year ended 31 March 2015 *(continued)*

The following summarises the fair values of the consideration paid, the assets acquired and the liabilities assumed of the Beijing Weike Group on 27 January 2015:

	HK$'000
Consideration:	
Cash paid for the Beijing Weike Acquisition	392,152
Fair value of 33% interest of Beijing Weike held by the Group before the business combination, which approximates the carrying amount of the Group's interest in Beijing Weike on 27 January 2015	195,042
Total consideration transferred	587,194
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Investment in a joint venture	7,772
Investment in an associate	4,927
Property, plant and equipment	33,342
Intangible assets	2,079
Other investments	12,569
Trade and other receivables	135,727
Restricted bank balance	813,752
Cash and cash equivalents	6,438
Trade and other payables	(803,879)
Interest-bearing borrowings, secured	(87,983)
Total identifiable net assets	124,744
Fair value adjustments on leasehold land and buildings	5,057
Deferred tax liabilities on fair value adjustments	(1,264)
Total fair values of the identifiable net assets	128,537
Non-controlling interests	(12,772)
Goodwill arising on acquisition	471,429
	587,194

	HK$'000
Net cash flow on acquisition of the Beijing Weike Group:	
Net cash acquired	6,438
Consideration paid for the Beijing Weike JV Transaction	(196,076)
Consideration paid for the Beijing Weike Acquisition	(392,152)
Less: Deposits of investments paid in previous year	50,000
	(531,790)

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition during the year ended 31 March 2015 *(continued)*

Except for the leasehold land and buildings with their aggregated fair values higher than the carrying values by RMB4,024,000 (equivalent to approximately HK$5,057,000), the carrying values of all other identifiable net assets (excluding goodwill) of the Beijing Weike Group approximate their fair values at 27 January 2015 given their short term in nature. For the deferred tax liabilities, it is associated with the fair value adjustments on the leasehold land and buildings and was calculated using the enterprise income tax rate in the PRC of 25% on the fair value adjustments.

The non-controlling interests were measured at the present ownership instruments' proportionate share in the recognised amounts of Open Union's identifiable net assets at 27 January 2015.

The goodwill arising from the Beijing Weike Acquisition was attributable to (i) the Beijing Weike Group's licenses for the operation of the prepaid cards business and the internet payment business and (ii) the growth and profit potential as a result of benefiting from the growing demand in the prepaid cards and the internet payment businesses. However, in the opinion of the Directors, the fair values of the licenses and the growth and profit potential cannot be reasonably estimated and thus no individual intangible assets have been recognised. None of the goodwill recognised is expected to be deductible for income tax purpose.

36. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL

Acquisition of additional interest in OCG Thailand

On 14 December 2015, OCG Thailand had completed the following capital restructuring exercises (the "OCG Thailand Restructuring"):

(i) OCG Thailand BVI and OCG Asia Pacific respectively acquired 999,999 and 1 ordinary shares of OCG Thailand from the minority shareholders at the aggregate consideration of Baht 4,880,000 (equivalent approximately to HK$1,074,000);

(ii) OCG Thailand issued 2,550,000 new preference shares (the "New Preference Shares") and allotted to one of the minority shareholders at par value of Baht 3 each;

(iii) OCG Thailand reduced its registered and issued capital by deleting the entire existing 550,000 preference shares; and

(iv) The memorandum and articles of OCG Thailand were also updated to reflect the changes in the capital structure.

Upon completion of the OCG Thailand Restructuring, the Company's voting rights in OCG Thailand, through its non-wholly/wholly owned subsidiaries (namely, OCG Thailand BVI and OCG Asia Pacific), increased from 57.47% to 90.74%. The results and financial position of OCG Thailand is included in the Group's consolidated financial statements, after accounting for the New Preference Shares issued and its related cumulative dividend and the non-controlling interests of OCG Thailand BVI, to the extent of 70% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares of OCG Thailand indirectly held by the Company through OCG Thailand BVI and OCG Asia Pacific. The financial impact of the OCG Thailand Restructuring to the consolidated financial statements is set out as follow:

	HK$'000
Net consideration paid to non-controlling interests	(1,074)
Carrying amount of non-controlling interests acquired	3,608
Difference recognised directly in equity	2,534

Details of the OCG Thailand Restructuring are set out in the Company's announcements dated 15 October 2015 and 15 December 2015.

37. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	Nature of transaction	**2016** **HK$'000**	2015 HK$'000
Associates	Service fee income of POS machines	**53**	–
	Purchase of POS machines	**1,538**	–

38. COMMITMENTS

Commitments under operating leases

The Group leases a number of office premises under operating leases, which typically run for a period of 2 to 3 years. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**5,960**	5,472
In the second to fifth years inclusive	**2,332**	1,05
	8,292	6,507

Capital expenditure commitments

	2016 **HK$'000**	2015 HK$'000
Contracted but not provided for, net of deposits paid	**521**	1,314

In addition, on 8 October 2014, Qijun Investments Consultancy and an independent third party entered into an agreement to acquire 10% equity interests of Zhongchao Hismart Information Technology (Beijing) Co., Ltd ("Zhongchao Hismart", English translation of 中鈔海思信息技術（北京）有限公司 for identification purpose only) together with the system development on customer consumption behaviour analysis at the aggregate consideration of no more than RMB18 million (equivalent to approximately HK$22 million). At 31 March 2016, deposits of RMB5 million (equivalent to approximately HK$6.1 million) had been paid and reported as "deposits on investments" as set out in Note 22 to the consolidated financial statements. Such transaction is yet to be completed at the date of approving the consolidated financial statements.

Zhongchao Hismart is principally engaged in digitalisation of currency and the provision of information solutions, in particular the application of payment technology solutions, especially application technology in multiple sectors, such as finance, transportation, tourism, commercial, retail etc. in the PRC.

39. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, other investments, restricted funds, cash held by a security broker, cash and bank balance, interest-bearing borrowings and preference shares issued by a subsidiary. 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, (iv) liquidity risk and (v) price risk. The Group does not have any written risk management policies and guidelines. However, the executive directors meet regularly and co-operate closely with key management to identify and evaluate risks and generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum as follows:

(i) Foreign currency risk

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in HK$, RMB and Baht.

Certain financial assets of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore, exposed to foreign currency risk. The carrying amounts of those financial assets are analysed as follows:

Financial assets	**2016** **HK$'000**	2015 HK$'000
SGD	**1,742**	–
US$	**16,624**	18,244

The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in US$. The Directors and senior management monitor the related foreign currency risk exposure closely and, pursuant to a written foreign currency hedging policy as approved by the Directors, the Group would only enter into foreign currency forward contracts should needs arise. At 31 March 2016, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$1,500,000 (equivalent to approximately HK$11,631,000) (2015: Nil). No material fair value gain or loss has been recognised for the foreign currency forward contracts.

In addition, as detailed in Note 23 and Note 25 to 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.

39. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Foreign currency risk *(continued)*

At the end of the reporting period, the following table indicates the approximate change in the Group's profit before tax if exchange rate of US$ had changed against the functional currencies of the respective group entities by 5% (2015: 1%) and all other variables were held constant:

	2016	2015
	HK$'000	*HK$'000*
US$	**831**	185

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at end of the reporting period and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets and liabilities including other investments, restricted funds, cash and bank balance and interest-bearing borrowings.

At the end of the reporting period, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax (2015: loss before tax) for the year would have been approximately HK$3,784,000 (2015: approximately HK$543,000) higher/lower (2015: lower/higher).

The Group's sensitivity to interest rates would change in the same direction as the changes in its interest-bearing balances of financial assets and liabilities as mentioned above.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the reporting period and had been applied to the exposure to interest rate risk for the average balances of the interest-bearing financial assets in existence during the reporting period. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

39. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Credit risk

Credit risk mainly arises from other investments, trade receivables and other receivables, restricted funds, cash held by a security broker and cash and bank balance. 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:

	2016	2015
	HK$'000	*HK$'000*
Other investments	**9,622**	1,955
Trade and other receivables	**295,189**	101,556
Restricted funds	**556,930**	784,002
Cash held by a security broker	**12,554**	–
Cash and bank balances	**230,509**	37,577

The credit risk on other investments, trade and other receivables and restricted funds, cash held by a security broker and cash and bank balance is limited because the counterparties are financial institutions with high credit ratings or recognised and creditworthy third parties and the transactions with them, and any significant transactions with other parties, are approved by the Directors. 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 the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At the end of the reporting period, the Group had a concentration of credit risk as 48% (2015: 63%) and 87% (2015: 92%) of the total trade and loan receivables were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

Except for the bank principal-guaranteed funds, none of the Group's financial assets are securitised by collateral or other credit enhancements.

(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 and intangible assets. The Group finances its working capital requirements mainly by the funds generated from operations, public fund raisings and inception of interest-bearing borrowings.

39. FINANCIAL INSTRUMENTS *(continued)*

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

(iv) Liquidity risk *(continued)*

The Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	Within one year or on demand *HK$'000*	After one year but within two years *HK$'000*	Upon winding up of OCG Thailand *HK$'000*	Total *HK$'000*
At 31 March 2016				
Trade and other payables	**652,969**	**–**	**–**	**652,969**
Interest-bearing borrowings, secured	**20,909**	**–**	**–**	**20,909**
Other long-term liabilities <*Remark*>	**–**	**–**	**1,690**	**1,690**
Contingent consideration				
– consideration shares	**36,089**	**63,903**	**–**	**99,992**
	709,967	**63,903**	**1,690**	**775,560**
At 31 March 2015				
Trade and other payables	804,315	–	–	804,315
Interest-bearing borrowings, secured	92,257	–	–	92,257
Other long-term liabilities <*Remark*>	–	–	393	393
	896,572	–	393	896,965

<*Remark*>
The estimated annual finance cost of other long-term liabilities approximates to Baht 726,750 (equivalent to approximately HK$161,000) (2015: Baht 148,500 (equivalent to approximately HK$36,000)), which is not included in the above summary.

(v) Price risk

The Group is exposed to price risk arising from listed equity investments held under financial assets at fair value through profit or loss in the consolidated financial statements.

The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the market price had been 5% (2015: Nil) higher/lower while all other variables were held constant, the Group's net profit would be increased/decreased by HK$10,414,000 (2015: Nil) due to change in the fair value of financial assets at fair value through profit or loss.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of each reporting period does not reflect the exposure during the year ended 31 March 2016.

39. FINANCIAL INSTRUMENTS *(continued)*

(b) Categories of financial instruments

Categories of financial instruments of the Group are set out as follows:

	2016	2015
	HK$'000	*HK$'000*
Loans and receivables:		
Trade and other receivables	**295,189**	101,556
Restricted funds	**556,930**	784,002
Cash held by a security broker	**12,554**	–
Cash and bank balances	**230,509**	37,577
	1,095,182	923,135
Available-for-sales financial assets measured at cost less impairment loss:		
Other investments	**9,622**	1,955
Financial assets at fair value through profit or loss:		
Equity investments listed in Hong Kong	**208,280**	–
Financial liabilities measured at amortised costs:		
Trade and other payables	**652,969**	804,315
Interest-bearing borrowings, secured	**20,206**	88,466
Other long-term liabilities	**1,690**	393
	674,865	893,174
Financial liabilities at fair value through profit or loss		
Contingent consideration – consideration shares	**99,992**	–

40 FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, "Fair Value Measurement" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(i) Assets and liabilities measured at fair value

	Level 1	
	2016	2015
	HK$'000	*HK$'000*
Financial assets measured at fair value		
Equity investments listed in Hong Kong *(Note 19)*	**208,280**	–

	Level 3	
	2016	2015
	HK$'000	*HK$'000*
Financial liabilities measured at fair value		
Contingent consideration – consideration shares *(Note 35(a))*	**99,992**	–

During the year ended 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

40 FAIR VALUE MEASUREMENTS *(continued)*

(i) Assets and liabilities measured at fair value *(continued)*

The details of the movements of the recurring fair value measurements categorised as level 3 of the fair value hierarchy are as follows:

	Contingent consideration– consideration shares *HK$'000*
As at 1 April 2015	–
Initial recognition	67,805
Change in fair value recognised in profit or loss during the year	32,187
As at 31 March 2016	99,992
Changes in unrealised loss for the year included in profit or loss for liabilities held as at 31 March 2016	32,187

The description of sensitivity of changes in unobservable inputs for recurring level 3 fair value measurements, are as follows:

Liability	**Valuation technique**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Contingent consideration – consideration shares	Income approach	Forecasted income	The higher the forecasted income, the higher the fair value
		Forecasted expense	The higher the forecasted expense, the lower the fair value

The descriptions of the valuation techniques and inputs used in fair value measurement for contingent consideration – consideration shares were detailed in Note 35(a) to the consolidated financial statements.

(ii) Financial assets and liabilities not measured at fair value

Except for other investments which fair value cannot be reliably measured, the above financial assets and financial liabilities are carried at amounts not materially different from their fair values at 31 March 2016 and 2015.

41. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Directors consider the total equity as disclosed in the consolidated statement of financial position as the Group's capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2016 and 2015.

42. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2016, the Group has the following subsequent events:

(a) Pursuant to the subscription agreement of the LJF Subscription as set out in Note 31(d) to the consolidated financial statements, the remaining balance of the LJF Subscription of HK$453,339,468 will be payable by LJZ Fund to the Company ("Second Completion") on the thirtieth business day after the date of the First Completion or such other date as the Company and the Subscribers may agree; and the Company will issue a total of 238,599,720 Subscription Shares to LJZ Fund (or the designated subsidiary). The Company and the Subscribers later agreed on 24 February 2016 and 29 April 2016 to extend the date of the Second Completion to 30 April 2016 and 31 May 2016, respectively.

On 18 May 2016, the Company, through its legal adviser, wrote to LJZ Fund to request for their performance of payment obligation under the subscription agreement on or before 31 May 2016. However, no payment of the remaining subscription shares has been made by LJZ Fund up to 31 May 2016. In addition, no further extension of the date of the Second Completion as agreed by the parties to the subscription agreement.

As LJZ Fund has failed to perform the payment obligation as agreed, the Company has sought for advice from its legal adviser regarding the possibility of pursuing any of it claims against LJZ Fund by commencing, jointly with LJF, appropriate legal action(s) in accordance with the terms of the subscription agreement. No update for the above-mentioned action noted up to the date of approving the consolidated financial statements.

(b) On 7 June 2016, the Company cancelled a total of 16,590,000 shares of the Company which had been repurchased on the Stock Exchange during the year ended 31 March 2016 as set out in Note 32(e) to the consolidated financial statements. Upon the completion of cancellation of shares, the issued shares of the Company were decreased from 1,452,639,159 shares to 1,436,049,159 shares and the registered share capital of the Company were decreased from approximately HK$14,526,000 to approximately HK$14,360,000.

42. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(c) On 7 June 2016, the Company entered into a term sheet with Sunway Technologies Samoa Co. Ltd., a company registered in Samoa ("Sunway Technologies") and an independent third party, pursuant to which the Company intends to subscribe and Sunway Technologies intends to issue 14.29% of the enlarged issued share capital of Sunway Technologies for a consideration of RMB20,000,000. Both parties agreed to use the proceeds to develop an Octopus-style small-value fast payment program in Beijing. Upon Completion, investment in Sunway Technologies will be accounted for as an available-for-sale investment of the Group. The transaction is not yet completed at the date of approving the consolidated financial statements.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2016**	2015
		HK$'000	*HK$'000*
Non-current assets			
Interests in subsidiaries		**1,189,607**	559,249
Property, plant and equipment		**543**	178
		1,190,150	559,427
Current assets			
Other receivables		**552**	619
Cash and bank balances		**91,295**	2,136
		91,847	2,755
Current liabilities			
Other payables		**2,551**	1,976
Net current assets		**89,296**	779
NET ASSETS		**1,279,446**	560,206
Capital and reserves			
Share capital	*31*	**14,526**	10,368
Reserves	*43(a)*	**1,264,920**	549,838
TOTAL EQUITY		**1,279,446**	560,206

Approved and authorised for issue by the Board of Directors on 24 June 2016 and signed on its behalf by

Zhang Huaqiao	**Cao Guoqi**
Director	*Director*

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) Movements of the reserves

	Note	Share premium HK$'000 (Note 32(a))	Share option reserve HK$'000 (Note 33)	Convertible bonds reserve HK$'000 (Note 30)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014		133,782	10,427	–	(30,796)	113,413
Loss for the year and total comprehensive loss for the year		–	–	–	(66,858)	(66,858)
Transactions with owners:						
Contribution and distribution						
Recognition of share-based compensation cost		–	53,503	–	–	53,503
Shares issued upon placing in April 2014	*31(a)*	203,267	–	–	–	203,267
Shares issued upon placing in September 2014	*31(b)*	147,202	–	–	–	147,202
Shares issued upon subscription in October 2014	*31(c)*	99,311	–	–	–	99,311
Total transactions with owners		449,780	53,503	–	–	503,283
At 31 March 2015		583,562	63,930	–	(97,654)	549,838
At 1 April 2015		583,562	63,930	–	(97,654)	549,838
Loss for the year and total comprehensive loss for the year		**–**	**–**	**–**	**(83,671)**	**(83,671)**
Transactions with owners:						
Contribution and distribution						
Issue of convertible bonds	*30*	**–**	**–**	**130,690**	**–**	**130,690**
Recognition of share-based compensation cost		**–**	**66,487**	**–**	**–**	**66,487**
Conversion of convertible bonds issued under the subscription agreements	*30(a)*	**154,404**	**–**	**(65,340)**	**–**	**89,064**
Conversion of convertible bonds issued under the placing agreements	*30(b)*	**155,050**	**–**	**(65,350)**	**–**	**89,700**
Consideration shares issued upon the subscription in July 2015	*35(a)*	**74,670**	**–**	**–**	**–**	**74,670**
Shares issued upon subscription in January 2016	*31(d)*	**348,142**	**–**	**–**	**–**	**348,142**
Total transactions with owners		**732,266**	**66,487**	**–**	**–**	**798,753**
At 31 March 2016		**1,315,828**	**130,417**	**–**	**(181,325)**	**1,264,920**

At 31 March 2016, other than share premium as stated in Note 32(a) to the consolidated financial statements, no other distributable reserve is available for distribution to shareholders by the Company.

Financial Summary

A summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 March 2016, 2015, 2014, 2013 and 2012, as extracted from the published audited financial statements for the year ended 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013 and 31 March 2012, 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.

	2016	**2015**	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**598,300**	333,388	148,475	84,575	22,569
Cost of services rendered and cost of goods sold	**(394,074)**	(270,289)	(112,536)	(57,356)	(15,254)
Gross profit	**204,226**	63,099	35,939	27,219	7,315
Other income	**2,553**	858	128	60	197
General administrative expenses	**(176,810)**	(113,972)	(34,428)	(14,130)	(7,545)
Selling and distribution costs	**(38,129)**	(7,522)	(2,900)	(2,884)	(961)
Finance costs	**(10,601)**	(2,534)	(37)	(33)	(31)
Fair value loss on contingent consideration - consideration shares	**(32,187)**	–	–	–	–
Fair value gain on financial assets at fair value through profit or loss	**139,700**	–	–	–	–
Gain on disposal of equity interest in an associate	**48**	–	–	–	–
Share of results of joint ventures	**6**	(1,167)	–	–	–
Share of results of associates	**(991)**	(1,519)	–	–	–
Profit (Loss) before tax	**87,815**	(62,757)	(1,298)	10,232	(1,025)
Income tax expense	**(17,384)**	(7,740)	(6,403)	(5,166)	(1,292)
Profit (Loss) for the year	**70,431**	(70,497)	(7,701)	5,066	(2,317)
Attributable to:					
Equity holders of the Company	**63,820**	(78,232)	(17,762)	(500)	(3,232)
Non-controlling interests	**6,611**	7,735	10,061	5,566	915
	70,431	(70,497)	(7,701)	5,066	(2,317)
ASSETS, LIABILITIES					
Total assets	**2,183,472**	1,483,749	184,116	97,545	26,788
Total liabilities	**(793,698)**	(899,381)	(41,525)	(79,074)	(9,977)
Net assets	**1,389,774**	584,368	142,591	18,471	16,811