



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)



Interim Report
2016



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

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$224.42 million for the six months ended 30 September 2016. The Group's gross profit amounted to approximately HK\$105.43 million, which represented an increase of approximately 94.7% as compared with the Group's gross profit recorded in the corresponding period in 2015.
- The Group recognized share-based compensation cost, convertible bonds interest expenses, fair value loss on contingent consideration, fair value loss on derivative financial instruments and fair value loss on financial assets at fair value through profit or loss amounted to approximately HK\$22.87 million, HK\$1.52 million, HK\$10.97 million, HK\$12.11 million and HK\$20.32 million for the six months ended 30 September 2016 respectively (2015: approximately HK\$31.22 million, HK\$5.32 million, HK\$19.99 million, Nil and Nil). Without the recognition of the above-mentioned expenses, the Group reported a loss of approximately HK\$5.58 million for the six months ended 30 September 2016 (2015: approximately HK\$23.49 million).
- The Group reported a loss amounted to approximately HK\$73.37 million for the six months ended 30 September 2016 as compared with a loss of approximately HK\$80.02 million recorded in the corresponding period in 2015. The Group reported a loss attributable to equity holders of the Company for the period ended 30 September 2016 amounted to approximately HK\$74.64 million (2015: approximately HK\$84.57 million).
- Losses per share for loss attributable to equity holders of the Company for the six months ended 30 September 2016 was approximately 5.18 HK cents (2015: 7.28 HK cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).



CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2016

	Note	Unaudited		Unaudited	
		Three months ended 30 September	2015	Six months ended 30 September	2015
		2016 <i>HK\$'000</i>	<i>HK\$'000</i>	2016 <i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	118,535	151,462	224,419	223,526
Cost of services rendered and cost of goods sold		(62,971)	(114,884)	(118,987)	(169,374)
Gross profit		55,564	36,578	105,432	54,152
Other income		2,672	1,451	3,378	2,056
General administrative expenses		(53,563)	(48,895)	(104,977)	(85,283)
Selling and distribution costs		(14,505)	(8,252)	(21,855)	(16,067)
Finance costs	4	(7,173)	(3,033)	(7,488)	(9,943)
Fair value loss on contingent consideration – consideration shares	16	(10,967)	(19,986)	(10,967)	(19,986)
Fair value loss on derivative financial instruments	18	(12,106)	–	(12,106)	–
Fair value loss on financial assets at fair value through profit or loss		(33,020)	–	(20,320)	–
Share of results of joint ventures		(42)	41	13	(22)
Share of results of associates		(538)	(609)	(1,030)	(1,006)

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the three months and six months ended 30 September 2016

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loss before tax	4	(73,678)	(42,705)	(69,920)	(76,099)
Income tax expenses	5	(1,672)	(2,640)	(3,451)	(3,923)
Loss for the period		(75,350)	(45,345)	(73,371)	(80,022)
Attributable to:					
Equity holders of the Company		(75,906)	(47,609)	(74,641)	(84,569)
Non-controlling interests		556	2,264	1,270	4,547
		(75,350)	(45,345)	(73,371)	(80,022)
Losses per share for loss attributable to equity holders of the Company					
Basic and diluted	6	(5.29) HK cents	(3.78) HK cents	(5.18) HK cents	(7.28) HK cents



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2016

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(75,350)	(45,345)	(73,371)	(80,022)
Other comprehensive (loss) income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Share of other comprehensive loss of associates – exchange difference on translation	(2,497)	–	(2,497)	–
Share of other comprehensive loss of joint ventures – exchange difference on translation	(361)	–	(361)	–
Exchange difference on translation of foreign subsidiaries	1,678	(25,509)	(25,344)	(26,540)
Total comprehensive loss for the period	(76,530)	(70,854)	(101,573)	(106,562)
Total comprehensive loss attributable to:				
Equity holders of the Company	(76,740)	(71,797)	(101,951)	(109,419)
Non-controlling interests	210	943	378	2,857
	(76,530)	(70,854)	(101,573)	(106,562)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Note	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Non-current assets			
Interests in joint ventures		10,507	10,854
Interests in associates		72,036	75,562
Goodwill	7	673,546	690,170
Property, plant and equipment	8	46,692	46,104
Intangible assets	9	36,397	36,603
Available-for-sale financial assets	10	9,460	–
Deferred tax assets		404	1,170
		849,042	860,463
Current assets			
Financial assets at fair value through profit or loss	11	187,960	208,280
Inventories		12,072	9,925
Other investments		–	9,622
Trade and other receivables	12	544,652	295,189
Restricted funds	13	440,104	556,930
Cash held by a security broker		–	12,554
Cash and bank balance		452,711	230,509
		1,637,499	1,323,009
Current liabilities			
Trade and other payables	14	537,139	652,969
Interest-bearing borrowings, secured	15	6,512	20,206
Tax payables		6,436	16,364
Current portion of contingent consideration – consideration shares	16	47,721	36,089
		597,808	725,628
Net current assets		1,039,691	597,381
Total assets less current liabilities		1,888,733	1,457,844



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

At 30 September 2016

	Note	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Non-current liabilities			
Deferred tax liabilities		2,664	2,477
Other long-term liabilities	17	1,714	1,690
Contingent consideration – consideration shares	16	63,238	63,903
Derivative financial instruments	18	38,928	–
Bonds payables	18	367,250	–
Convertible bonds	18	66,460	–
		540,254	68,070
NET ASSETS		1,348,479	1,389,774
Capital and reserves			
Share capital	19	14,360	14,526
Reserves		1,273,815	1,352,735
Equity attributable to equity holders of the Company		1,288,175	1,367,261
Non-controlling interests		60,304	22,513
TOTAL EQUITY		1,348,479	1,389,774

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Capital redemption reserve	Statutory reserve	Share options reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 19)						(Note 20)				
For the six months ended											
30 September 2016											
At 1 April 2016 (audited)	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
(Loss) Profit for the period	-	-	-	-	-	-	-	(74,641)	(74,641)	1,270	(73,371)
Total other comprehensive loss:											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Share of other comprehensive loss of associates- exchange difference on translation	-	-	-	(2,497)	-	-	-	-	(2,497)	-	(2,497)
Share of other comprehensive loss of joint ventures- exchange difference on translation	-	-	-	(361)	-	-	-	-	(361)	-	(361)
Exchange difference on translation of foreign subsidiaries	-	-	-	(24,452)	-	-	-	-	(24,452)	(892)	(25,344)
Total comprehensive (loss) income for the period	-	-	-	(27,310)	-	-	-	(74,641)	(101,951)	378	(101,573)
Transaction with owners:											
<i>Contributions and distributions</i>											
Recognition of share-based compensation cost	-	-	-	-	-	-	22,865	-	22,865	-	22,865
Cancellation of repurchased shares (Note 19(v))	(166)	(27,213)	-	-	27,379	-	-	-	-	-	-
	(166)	(27,213)	-	-	27,379	-	22,865	-	22,865	-	22,865
<i>Changes in ownership interests</i>											
Non-controlling interests arising from incorporation of subsidiaries	-	-	-	-	-	-	-	-	-	37,413	37,413
	-	-	-	-	-	-	-	-	-	37,413	37,413
At 30 September 2016 (unaudited)	14,360	1,288,615	6,996	(65,273)	-	2,545	153,282	(112,350)	1,288,175	60,304	1,348,479



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share options reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended											
30 September 2015											
At 1 April 2015 (audited)	10,368	583,562	6,996	(940)	766	63,930	-	(102,284)	562,398	21,970	584,368
(Loss) Profit for the period	-	-	-	-	-	-	-	(84,569)	(84,569)	4,547	(80,022)
Total other comprehensive loss:											
<i>Item that may be reclassified subsequently to profit or loss</i>											
Exchange difference on translation of foreign subsidiaries	-	-	-	(24,850)	-	-	-	-	(24,850)	(1,690)	(26,540)
Total comprehensive (loss) income for the period	-	-	-	(24,850)	-	-	-	(84,569)	(109,419)	2,857	(106,562)
Transaction with owners:											
<i>Contributions and distributions</i>											
Recognition of share-based compensation cost	-	-	-	-	-	31,220	-	-	31,220	-	31,220
Issue of convertible bonds	-	-	-	-	-	-	130,690	-	130,690	-	130,690
Conversion of convertible bonds issued under the subscription agreements	838	156,783	-	-	-	-	(65,340)	-	92,281	-	92,281
Conversion of convertible bonds issued under the placing agreements	838	157,056	-	-	-	-	(65,350)	-	92,544	-	92,544
Consideration shares issued upon the subscription in July 2015	640	136,860	-	-	-	-	-	-	137,500	-	137,500
	2,316	450,699	-	-	-	31,220	-	-	484,235	-	484,235
At 30 September 2015 (unaudited)	12,684	1,034,261	6,996	(25,790)	766	95,150	-	(186,853)	937,214	24,827	962,041

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

		Unaudited	
		Six months ended	
		30 September	
	<i>Note</i>	2016	2015
		HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Cash used in operations		(209,292)	(83,311)
Interest received		579	2,006
Interest paid		(573)	–
Income tax paid		(11,941)	(2,546)
Net cash used in operating activities		(221,227)	(83,851)
INVESTING ACTIVITIES			
Acquisition of subsidiaries		–	(61,675)
Investment in joint ventures		–	(3,586)
Investment in associates		–	(42,693)
Additions in property, plant and equipment	8	(5,438)	(2,832)
Additions in intangible assets	9	(5,002)	–
Proceeds from disposal of other investments		9,303	1,859
Investment in available-for-sale financial assets		(9,460)	–
Capital injection from non-controlling interests for incorporation of a subsidiary		3,163	–
Deposits on additions of property, plant and equipment		–	(787)
Net cash used in investing activities		(7,434)	(109,714)
FINANCING ACTIVITIES			
Repayment of interest-bearing borrowings		(13,023)	–
Proceeds from issuance of bonds, net	18	367,052	–
Proceeds from issuance of convertible bonds, net	18	91,763	310,078



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 September 2016

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Net cash from financing activities	445,792	310,078
Net increase in cash and cash equivalents	217,131	116,513
Cash and cash equivalents at the beginning of the period	243,063	37,577
Effect on exchange rate changes	(7,483)	(2,253)
Cash and cash equivalents at the end of the period, represented by cash and bank balances	452,711	151,837

Major non-cash transaction:

During the six months ended 30 September 2016, capital injection for incorporation of a subsidiary of approximately HK\$34,250,000 was outstanding from the minority shareholder.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

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

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2016 (the "Interim Financial Statements") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2016, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2016 (the "Annual Report").

The Interim Financial Statements have been prepared on the historical costs basis, except for financial assets at fair value through profit or loss, contingent consideration – consideration shares and derivative financial instruments, which were measured at fair value.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report, except for the adoption of the accounting policy for convertible bonds and derivative financial instruments as follows.



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

Basis of preparation *(continued)*

Convertible bonds

(a) *Convertible bonds that contain an equity component*

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transactions costs that related to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in a separate reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the amount previously recognised in equity, together with the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

If the convertible bonds are redeemed, any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss and the amount previously recognised in equity is released directly to accumulated profits or losses.

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

Basis of preparation *(continued)*

Convertible bonds (continued)

(b) Other convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently re-measured in accordance with the accounting policies applicable to "Derivative financial instruments" set out below. The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method.

If the convertible bonds are converted, the carrying amounts of the derivative and the liability components, at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

If the convertible bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.



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

Adoption of new/revised HKFRSs

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior periods. A summary of the adoption of the new/revised HKFRSs that are relevant to the Group and effective for the current period is set out below.

Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas: 1) materiality; 2) disaggregation and subtotals; 3) structure of notes; 4) disclosure of accounting policies; 5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates. These amendments do not have significant impact on the Interim Financial Statements.

Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments do not have an impact on the Interim Financial Statements.

Amendments to HKFRS 11: Accounting for Acquisitions of Interests in Joint Operations

HKFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in HKFRS 3 Business Combinations, shall apply all of the principles on business combinations accounting in HKFRS 3 and other HKFRSs except for those principles that conflict with the guidance in HKFRS 11. In addition, the acquirer shall disclose the information required by HKFRS 3 and other HKFRSs for business combinations. These amendments do not have an impact on the Interim Financial Statements.

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

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project – 2012-2014 Cycle

1) *HKFRS 7 Financial Instruments: Disclosures*

a) *Servicing contracts*

These amendments add application guidance in HKFRS 7 to clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognized in their entirety. For example, if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; or if a fixed service fee would not be paid in full because of non-performance of the transferred financial asset, these may constitute continuing involvements for the above disclosure requirements. The assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.

b) *Applicability of the amendments to HKFRS 7 concerning offsetting to condensed interim financial statements*

The Standard is amended to clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods. However, HKAS 34 generally requires the disclosure of information in condensed interim financial statements when its omission would make the condensed interim financial statements misleading.

These amendments do not have an impact on the Interim Financial Statements.

2) *HKAS 19 Employee Benefits: Discount rate: regional market issue*

These amendments clarify that the depth of the market for high quality corporate bonds used to determine the discount rate for post-employment benefit obligations should be assessed at a currency level and not at country level. These amendments do not have an impact on the Interim Financial Statements.

3) *HKAS 34 Interim Financial Reporting: Disclosure of information “elsewhere in the interim financial report”*

These amendments clarify the meaning of disclosure of certain information “elsewhere in the interim financial report” as allowed by HKAS 34. The disclosure of these information shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms and at the same time. These amendments do not have significant impact on the Interim Financial Statements.

The Group has not early adopted these new/revised HKFRSs that are not yet effective for the current period. 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 Interim Financial Statements.



2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Prepaid cards and internet payment business				
Cards issuing service fee income	182	43	332	1,888
Management fee income of prepaid cards	22,256	15,950	46,520	15,950
Merchant service fee income	3,866	2,476	12,470	4,983
Interest income from accumulated unutilised float funds	2,742	6,284	6,097	13,967
Software development income	1,982	–	1,982	–
Sales and services fee income of point of sales machine	1,025	–	1,914	–
Prestige benefits business				
Issuance income of prestige benefits cards	28,675	17,838	50,444	17,838
Hotel booking agency service income	6,737	–	10,271	–
E-commerce and trade financing business				
Sales of goods	24,094	86,972	42,697	117,710
Loan interest income	879	–	1,887	–
Card acceptance business				
Card acceptance transaction fee income	19,923	16,091	38,344	38,879
Foreign exchange rate discount income	6,174	5,808	11,461	12,311
	118,535	151,462	224,419	223,526

3. SEGMENT REPORTING

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

- (i) prepaid cards and internet payment business in the People's Republic of China (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, finance costs, general administrative expenses incurred by corporate office, share of results of joint ventures and associates and income tax.

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 information.



3. SEGMENT REPORTING *(continued)*

Six months ended 30 September 2016 (unaudited)

	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 <i><Remark></i>	69,315	60,715	44,584	49,805	-	224,419
Segment results	12,570	9,049	(637)	5,550	(20,460)	6,072
Unallocated other income						3,378
Unallocated finance costs						(7,488)
Unallocated other expenses and losses						(47,792)
Fair value loss on contingent consideration – consideration shares						(10,967)
Fair value loss on derivative financial instruments						(12,106)
Share of results of joint ventures						13
Share of results of associates						(1,030)
Loss before tax						(69,920)
Income tax expenses						(3,451)
Loss for the period						(73,371)

<Remark>

For the six months ended 30 September 2016, no customer contributed over 10% of the total revenue of the Group.

3. **SEGMENT REPORTING** (continued)

Six months ended 30 September 2015 (unaudited)

	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	Consolidated HK\$'000
Segment revenue					
Major customer A	–	–	56,537	–	56,537
Other customers	36,788	17,838	61,173	51,190	166,989
	36,788	17,838	117,710	51,190	223,526
Segment results	3,432	4,185	(8,171)	8,912	8,358
Unallocated other income					2,056
Unallocated finance costs					(9,943)
Unallocated other expenses and losses					(55,556)
Fair value loss on contingent consideration – consideration shares					(19,986)
Share of results of joint ventures					(1,006)
Share of results of associates					(22)
Loss before tax					(76,099)
Income tax expenses					(3,923)
Loss for the period					(80,022)



3. SEGMENT REPORTING (continued)

Segment assets and liabilities

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

At 30 September 2016 (unaudited)

	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	35,793	637	59	4,385	-	5,818	46,692
Intangible assets	31,025	110	3,961	1,301	-	-	36,397
Goodwill	480,141	192,417	988	-	-	-	673,546
Financial assets at fair value through profit or loss	-	-	-	-	187,960	-	187,960
Other assets	808,151	30,526	496,539	38,993	71	167,666	1,541,946
Total assets	1,355,110	223,690	501,547	44,679	188,031	173,484	2,486,541
Total liabilities	454,111	124,829	5,872	38,126	-	515,124	1,138,062

3. **SEGMENT REPORTING** (continued)

Segment assets and liabilities (continued)

At 31 March 2016 (audited)

	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



4. LOSS BEFORE TAX

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
This is stated after charging:				
Finance costs				
Effective interest on convertible bonds	1,519	–	1,519	5,315
Finance costs on other long-term liabilities	41	8	81	17
Interest on bonds	5,396	–	5,396	–
Interest on other borrowings	217	2,933	492	4,519
Other finance costs	–	92	–	92
	7,173	3,033	7,488	9,943
Other items				
Amortisation of intangible assets (included in "General administrative expenses")	493	95	1,821	179
Cost of goods sold	22,471	96,966	41,791	126,908
Depreciation of property, plant and equipment	1,336	1,378	2,765	2,992
Operating lease charges on premises	2,572	3,190	6,028	4,521
Staff costs, including directors' emoluments and share-based compensation cost	27,609	32,246	62,087	54,390
Written-off of intangible assets	–	–	1,583	–

5. TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current tax				
PRC Enterprise Income Tax	437	1,753	1,430	1,753
Thailand Enterprise Income Tax	542	791	1,098	1,861
	979	2,544	2,528	3,614
Deferred tax				
Origination and reversal of temporary difference	736	–	736	–
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	(43)	96	187	309
	693	96	923	309
Income tax expenses for the period	1,672	2,640	3,451	3,923

(i) **Hong Kong Profits Tax**

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in or derived from Hong Kong for the period ended 30 September 2016 and 2015.

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

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



5. TAXATION *(continued)*

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

The Group's operations in the PRC are subject to enterprise income tax of the PRC ("PRC Enterprise Income Tax") at 25%, except for Open Union Payment Services Limited ("Open Union", English translation of 開聯通支付服務有限公司 for identification purpose only), which is subject to PRC Enterprise Income Tax at a preferential rate of 15% for high and new technology enterprises.

The Group's operation in Thailand is subject to Thailand income tax at 20% (2015: 20%).

The Group's operation in Singapore is subject to Singapore income tax at 17% (2015: 17%).

The Group's operation in Korea is subject to Korea corporation tax ranged from 10% to 22% (2015: Nil).

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

6. LOSSES PER SHARE

Basic losses per share for the three months and six months ended 30 September 2016 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$75,906,000 and approximately HK\$74,641,000 respectively, (2015: HK\$47,609,000 and HK\$84,569,000 respectively) and on the weighted average number of approximately 1,436,049,000 and 1,442,123,000 ordinary shares (2015: 1,258,697,000 and 1,162,156,000 ordinary shares) in issue respectively.

Diluted losses per share is the same as basic losses per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and six months ended 30 September 2016 and 2015.

7. GOODWILL

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	690,170	475,031
Additions	–	238,894
Exchange realignments	(16,624)	(23,755)
At the end of the reporting period	673,546	690,170
Cost	673,546	690,170
Accumulated impairment losses	–	–
	673,546	690,170

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group spent approximately HK\$5,438,000 (2015: HK\$2,832,000) on additions to the property, plant and equipment.

At 30 September 2016, the Group's leasehold land and buildings with net carrying amount of approximately HK\$29,745,000 (31 March 2016: approximately HK\$31,816,000) were pledged to a financial institution in the PRC for securing a loan facility of Renminbi ("RMB")5,600,000, equivalent to approximately HK\$6,512,000 (31 March 2016: RMB22,400,000, equivalent to approximately HK\$26,941,000) granted to Open Union.

9. INTANGIBLE ASSETS

During the six months ended 30 September 2016, the Group spent approximately HK\$5,002,000 (2015: HK\$Nil) on additions to the intangible assets.



10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Unlisted investment, at cost	9,460	–

At 30 September 2016, the Group held 15% interest in the ordinary share capital of Nexion Technologies Limited, a company incorporated in the Cayman Islands with its principal subsidiaries are engaged in the business of provision of cyber infrastructure solutions and research and development and provision of cyber security solutions services. In the opinion of the Directors, its fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. As such, it is measured at cost less impairment loss.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Equity investments listed in Hong Kong	187,960	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.

At 30 September 2016, the listed investments represent 19.68% (31 March 2016: 19.68%) interest in the ordinary share capital in Zhi Cheng Holdings Limited, a company listed in the GEM of the Stock Exchange. 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.

12. TRADE AND OTHER RECEIVABLES

		Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
	<i>Note</i>		
Trade receivables	<i>(a)</i>	62,772	57,044
Loan receivables	<i>(b)</i>	82,063	52,511
Other receivables			
Deposits on investments	<i>(c)</i>	209,284	18,041
Deposits paid to merchants	<i>(d)</i>	19,803	22,215
Deposits, prepayments and other debtors	<i>(e)</i>	159,102	133,351
Due from an associate	<i>(f)</i>	11,628	12,027
		399,817	185,634
		544,652	295,189

12(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:

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Less than 1 month	17,612	39,592
1 month to 3 months	20,486	4,196
Over 3 months	24,674	13,256
	62,772	57,044



12. TRADE AND OTHER RECEIVABLES (continued)

12(b) Loan receivables

Loan receivables are repayable according to repayment schedules.

At 30 September 2016, loan receivables (i) are unsecured; (ii) carry fixed interest rates ranged from 4.8% to 8% per annum (31 March 2016: 8% per annum); (iii) repayable within one year; and (iv) are within the respective maturity dates.

12(c) Deposits on investments

	<i>Note</i>	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Deposits on acquisition of the remaining interest in Open Union	<i>(i)</i>	23,256	12,027
Deposits on potential acquisition of subsidiaries	<i>23</i>	162,772	–
Other deposits on investments		23,256	6,014
		209,284	18,041

- (i) On 8 December 2015, Wei Ke RuiSi Online (Beijing) Technology Company Limited (“Beijing Weike”, English translation of 微科睿思在線(北京)科技有限公司 for identification purpose only) 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 interest of Open Union at the aggregate consideration of RMB52 million (equivalent to approximately HK\$62.5 million). At 30 September 2016, deposits of RMB20 million (equivalent to approximately HK\$23 million) (31 March 2016: RMB10 million (equivalent to approximately HK\$12 million)) had been paid. Such transaction is not yet completed at the date of approving the Interim Financial Statements.

12. TRADE AND OTHER RECEIVABLES (continued)

12(d) 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.

12(e) Deposits, prepayments and other debtors

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Funds prepaid to merchants (<i>Note</i>)	9,706	6,742
Other deposits, prepayments and other debtors	96,480	41,852
Trade deposits and prepayments	52,916	84,757
	159,102	133,351

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' holder. The prepaid amounts are based on the historical spending pattern and expected transaction value with individual merchants.

12(f) Due from an associate

The amount due is unsecured, interest-free and has no fixed repayment term.



13. RESTRICTED FUNDS

	<i>Note</i>	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Bank deposits:			
Thailand	<i>(a)</i>	1,895	1,583
The PRC	<i>(b)</i>	438,209	555,347
		440,104	556,930

13(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 Thai Baht ("Baht").

13(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 are denominated in RMB and represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 0.35% to 3.0% (31 March 2016: 0.35% to 3.3%) per annum.

14. TRADE AND OTHER PAYABLES

		Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
	<i>Note</i>		
Trade payables	<i>(a)</i>	47,414	47,938
Prestige benefits cards – provision of hotel expenses		6,894	9,659
Unutilised float funds	<i>(b)</i>	404,483	519,610
		458,791	577,207
Other payables			
Accruals and other payables		31,760	28,491
Due to an associate	<i>(c)</i>	40,698	42,096
Due to a joint venture	<i>(c)</i>	5,890	4,288
Due to ex-shareholders of a subsidiary	<i>(c)</i>	–	887
		78,348	75,762
		537,139	652,969



14. TRADE AND OTHER PAYABLES *(continued)*

14(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:

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Less than 1 month	45,226	46,895
1 month to 3 months	2,099	864
Over 3 months	89	179
	47,414	47,938

14(b) 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.

14(c) Due to an associate/a joint venture/ex-shareholders of a subsidiary

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

15. INTEREST-BEARING BORROWINGS, SECURED

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Interest-bearing borrowings, secured	6,512	20,206

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\$29,745,000 (31 March 2016: HK\$31,816,000).

16. CONTINGENT CONSIDERATION – CONSIDERATION SHARES

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	99,992	–
Initial recognition	–	67,805
Fair value changes	10,967	32,187
At the end of the reporting period	110,959	99,992
Current portion	47,721	36,089
Non-current portion	63,238	63,903
	110,959	99,992

For the six months ended 30 September 2016, the fair value loss on contingent consideration – consideration shares of approximately HK\$10,967,000 (2015: HK\$19,986,000) was attributed to the fair value measurement of contingent consideration – consideration shares of which was valued with reference to the latest financial information of AE Investment Consulting Limited and its subsidiaries (together the “AE Group”), the financial performance forecast of the AE Group and other relevant indicators.



17. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent the preference shares issued by Oriental City Group (Thailand) Company Limited (“OCG Thailand”). The holders of such 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.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in the Group’s unaudited condensed consolidated statement of financial position 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.

At 30 September 2016, the Group had an outstanding amount due to a non-controlling shareholder of Baht 7,650,000 (equivalent to HK\$1,714,000) (31 March 2016: Baht 7,650,000 (equivalent to HK\$1,690,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum (31 March 2016: 9.5% per annum), with an accrued dividend payable of approximately Baht 366,000 (equivalent to approximately HK\$81,000) (31 March 2016: HK\$Nil) as included in “Trade and other payables”.

18. BONDS/CONVERTIBLE BONDS

- (a) In July 2016, the Company entered into the subscription agreements with three independent third parties to subscribe:
- (i) bonds with coupon interest rate of 9% per annum (the "First Bonds") in the principal amount of US\$32 million (equivalent to approximately HK\$248 million) which will mature on the third anniversary of the issue date; and
 - (ii) convertible bonds with coupon interest rate of 4% per annum (the "First Convertible Bonds") in the principal amount of US\$8 million (equivalent to approximately HK\$62 million) which will mature on the third anniversary of the issue date. Based on the initial conversion price of HK\$1.90 per share, the holder of the First Convertible Bonds could convert into a maximum of 32,631,578 ordinary shares of the Company in any time on or after the date of issuance of the First Convertible Bonds up to and inclusive of the maturity date. The net price per conversion share under the First Convertible Bonds to be issued is approximately HK\$1.87.

The issuance of First Bonds and First Convertible Bonds were completed on 1 August 2016 and 12 August 2016, respectively. The net proceeds from the First Bonds and the First Convertible Bonds were approximately US\$39.3 million (equivalent to approximately HK\$305 million).

Details of the subscription of First Bonds and First Convertible Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 31 July 2016.



18. BONDS/CONVERTIBLE BONDS (continued)

- (b) In August 2016, the Company entered into the further subscription agreements with an independent third party to subscribe:
- (i) bonds with coupon interest rate of 9% per annum (the “Second Bonds”) in the principal amount of US\$16 million (equivalent to approximately HK\$124 million) which will mature on the third anniversary of the issue date; and
 - (ii) convertible bonds with coupon interest rate of 4% per annum (the “Second Convertible Bonds”) in the principal amount of US\$4 million (equivalent to approximately HK\$31 million) which will mature on the third anniversary of the issue date. Based on the initial conversion price of HK\$1.90 per share, the holder of the Second Convertible Bonds could convert into a maximum of 16,315,789 ordinary shares of the Company, in any time on or after the date of issuance of the Second Convertible Bonds up to and inclusive of the maturity date. The net price per conversion share under the Second Convertible Bonds to be issued is approximately HK\$1.87.

The issuance of Second Bonds and Second Convertible Bonds were completed on 4 August 2016 and 12 August 2016, respectively. The net proceeds from the Second Bonds and the Second Convertible Bonds were approximately US\$19.8 million (equivalent to approximately HK\$154 million).

Details of the subscription of Second Bonds and Second Convertible Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 2 August 2016.

The Company may redeem the First Convertible Bonds and / or Second Convertible Bonds (collectively the “Convertible Bonds”), in whole but not in part, (i) on the first anniversary of the issue date of the Convertible Bonds, at a redemption price equals to 102% of the outstanding principal amount of the Convertible Bonds or (ii) on the second anniversary of the issue date of the Convertible Bonds, at a redemption price equals to 105% of the outstanding principal amount of the Convertible Bonds, in each case together with accrued and unpaid interest, default interest and costs and expenses reasonably incurred and are due and payable under the instruments of the Convertible Bonds to the redemption date.

The conversion price will be subject to the adjustment in certain circumstances. In the case of (i) offer of new shares for subscription by way of rights, or grant of options or warrants to subscribe for new shares; (ii) issuance of any securities, which are convertible into or exchangeable for or carrying rights of subscription of new shares, by the Company wholly for cash; (iii) modification of the rights of conversion or exchange or subscription attached to any of (ii); (iv) issuance of shares wholly for cash; and (v) issuance of shares by the Company for the acquisition of asset, the adjustment to the conversion price of the Convertible Bonds will take place only where the issue price or total effective consideration per share for shares to be allotted and issued by the Company upon conversion of the Convertible Bonds is less than 95% of the current market price per share.

18. BONDS/CONVERTIBLE BONDS *(continued)*

The carrying amounts of the Convertible Bonds recognised are calculated as follows:

	Unaudited <i>HK\$'000</i>
Derivative component classified as financial liabilities at fair value through profit or loss	
At the issue date	26,822
Fair value changes	12,106
<hr/>	
At 30 September 2016	38,928
Liability component, classified as financial liability at amortised costs	
Nominal value of the Convertible Bonds issued	93,000
Derivative component	(26,822)
Transaction costs allocated	(1,237)
<hr/>	
At the issue date	64,941
Effective interest expenses	1,519
<hr/>	
At 30 September 2016	66,460

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



19. SHARE CAPITAL

	Unaudited		Audited	
	At 30 September 2016		At 31 March 2016	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid				
At the beginning of the period/year	1,452,639,159	14,526	1,036,800,000	10,368
Conversion of convertible bonds issued under the subscription agreements (<i>Note i</i>)	-	-	83,837,836	838
Conversion of convertible bonds issued under the placing agreements (<i>Note ii</i>)	-	-	83,837,835	838
Consideration shares issued upon the subscription in July 2015 (<i>Note iii</i>)	-	-	63,953,488	640
Shares issued upon the subscription in January 2016 (<i>Note iv</i>)	-	-	184,210,000	1,842
Cancellation of repurchased shares (<i>Note v</i>)	(16,590,000)	(166)	-	-
At the end of the reporting period	1,436,049,159	14,360	1,452,639,159	14,526

19. SHARE CAPITAL *(continued)*

Note:

- (i) In June 2015, a total number of 83,837,836 ordinary shares were issued via conversion of convertible bonds in the principal amount of US\$20 million each (equivalent to approximately HK\$155.1 million in aggregate), issued under subscription agreements in April 2015, at a conversion price of HK\$1.85 per share. The expenses of approximately HK\$1,208,000 arising from the conversion of convertible bonds were recognised in the share premium account of the Company.
- (ii) In June 2015, a total number of 83,837,835 ordinary shares were issued via conversion of convertible bonds in the principal amount of US\$20 million (equivalent to approximately HK\$155.1 million), issued under placing agreement in April 2015, at a conversion price of HK\$1.85 per share. The expenses of approximately HK\$835,000 arising from the conversion of convertible bonds were recognised in the share premium account of the Company.
- (iii) In July 2015, a total number of 63,953,488 ordinary shares were issued via subscription at a price of HK\$1.18 per shares. The Company raised proceeds of approximately HK\$75.5 million to finance the initial consideration for the acquisition of the AE Group in July 2015. The expenses of approximately HK\$156,000 arising from the subscription were recognised in the share premium account of the Company.
- (iv) In January 2016, a total number of 184,210,000 ordinary shares were issued via subscription at a price of HK\$1.90 per shares. The Company raised proceeds of approximately HK\$349,999,000 to finance the Group's future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK\$15,000 arising from the subscription were recognised in the share premium account of the Company.
- (v) On 7 June 2016, the Company cancelled a total number of 16,590,000 ordinary shares of the Company which has been repurchased on the Stock Exchange during the year ended 31 March 2016. 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.

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



20. 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.

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 Annual General Meeting (“AGM”) on 22 August 2016, 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 143,604,915 shares, representing 10% of the issued share capital of the Company at the date of the AGM approving the Refreshment.

20. SHARE OPTION SCHEME *(continued)*

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

	Number of share options
At 31 March 2016	235,680,000
Granted during the period <i>(Note (ii))</i>	93,400,000
At 30 September 2016	329,080,000

Note:

- (ii) On 1 September 2016, options of 93,400,000 shares (the “Share Options”) were granted to certain eligible persons, of which 16,400,000 Share Options were executive directors of the Company, under the Scheme to subscribe the Company’s ordinary shares at the exercise price of HK\$1.68. 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	5,000,000
Dr. Cao Guoqi	10,000,000
Mr. Zhou Jinhunag	1,400,000

The validity period of the Share Options is five years from 1 September 2016, subject to the following vesting conditions:

- 31,133,333 Share Options will be vested on 1 September 2017; and
- 62,266,667 Share Options will be vested on the 1st day of each month over a period of three years commencing from 1 September 2018 in equal portions.



20. SHARE OPTION SCHEME (continued)

Note: (continued)

(i) (continued)

The fair values of Share Options granted on 1 September 2016 ranges from HK\$0.86 to HK\$0.93 per option, which are calculated using the Binominal Option Pricing Model with different exercisable periods the following key inputs:

Share price at grant date	HK\$1.68
Exercise price	HK\$1.68
Expected volatility	67.4%
Risk-free interest rate	0.63%
Expected dividends	Nil
Voluntary exercise boundary multiple	2.47

The expected volatility was determined using the historic volatility of the Company's share prices.

During the six months ended 30 September 2016, with reference to the fair value of the share options granted, the Group recognised approximately HK\$22,865,000 (2015: approximately HK\$31,220,000) as the share-based compensation cost.

21. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Interim Financial Statements on a recurring basis at 30 September 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, 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.

21. FAIR VALUE MEASUREMENT (continued)

a) Assets and liabilities measured at fair value

	Level 1	
	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Financial assets measured at fair value		
Equity investments listed in Hong Kong	187,960	208,280
	<hr/>	
	Level 2	
	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Financial liabilities measured at fair value		
Derivative financial instruments	38,928	–
	<hr/>	
	Level 3	
	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Financial liabilities measured at fair value		
Contingent consideration		
– consideration shares	110,959	99,992
	<hr/>	



21. FAIR VALUE MEASUREMENT *(continued)*

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

During the six months ended 30 September 2016, there were neither transfers from Level 1 to Level 2 fair value measurement, nor transfers into or out of Level 3 fair value measurements.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of derivative financial instruments in Level 2 is calculated using binomial option pricing model. The fair value is determined based on main inputs of the quoted market price, observable dividend yields and volatility of the underlying listed equities investments and in consideration of contract terms, including the exercise price and maturity date.

Information about Level 3 fair value measurements

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

21. FAIR VALUE MEASUREMENT (continued)

a) Assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements (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 (audited)	–
Initial recognition	67,805
Fair value changes	32,187
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As at 31 March 2016 (audited)	99,992
Fair value changes	10,967
<hr/>	
As at 30 September 2016 (unaudited)	110,959
<hr/>	
Change in unrealised loss for the period included in profit or loss for liabilities held at 30 September 2016	10,967
<hr/>	

b) Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair value at 30 September 2016.



22. COMMITMENTS

Commitments under operating leases

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

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Within one year	9,553	5,960
In the second to fifth years inclusive	8,261	2,332
	17,814	8,292

Capital expenditure commitments

On 8 October 2014, the Group 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 aggregated consideration of no more than RMB18 million (equivalent to approximately HK\$23 million). At 30 September 2016, RMB5 million (equivalent to approximately HK\$5.8 million) (31 March 2016: RMB5 million (equivalent to approximately HK\$6.1 million)) had been paid and reported as "deposits on investments" as set out in Note 12(c) to the Interim Financial Statements. Such transaction is yet to be completed at the date of approving the Interim 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.

23. EVENTS AFTER THE REPORTING PERIOD

On 5 July 2016, Shanghai Qijun Investments Limited (“Qijun Investment”, English translation of 上海啟峻投資有限公司 for identification purpose only) and Shanghai Chengfu Chuangye Investment Limited (“Chengfu Investment”, English translation of 上海誠富創業投資有限公司 for identification purpose), an independent third party, entered into two loan agreements (the “Previous Loan Agreements”), pursuant to which Qijun Investment agreed to grant to Chengfu Investment loans of approximately RMB31 million (equivalent to approximately HK\$36 million) (the “Previous Loan A”) and approximately RMB9 million (equivalent to approximately HK\$10.5 million) (the “Previous Loan B”) respectively, which bear an interest rate of 12.5% per annum for a term of one year from the date of drawdown.

Prior to entering into the Previous Loan Agreements, on 15 May 2016, Chengfu Investment entered into share transfer agreements with (i) Shenzhen Changliang Technology Co., Limited (“Changliang Technology”, English translation of 深圳市長亮科技股份有限公司 for identification purpose) (the “SPA One”) and (ii) Shenzhen Dinghengruixiang Investment Limited (Limited Partnership) (“Dingheng Investment”, English translation of 深圳市鼎恒瑞祥投資企業(有限合夥) for identification purpose) (the “SPA Two”) respectively, pursuant to which Changliang Technology and Dingheng Investment agreed to sell and Chengfu Investment agreed to acquire 31.63% and 9.25% shareholding interest in China Union Loyalty Co., Limited (“China Union Loyalty”, English translation of 上海銀商資訊有限公司 for identification purpose), a service provider of single-merchant prepaid cards in the PRC, at consideration of approximately RMB155 million (equivalent to approximately HK\$180 million), plus accrued interest arising from the SPA One (the “Accrued Interest A”), and approximately RMB45 million (equivalent to approximately HK\$52.5 million), plus accrued interest arising from the SPA Two (the “Accrued Interest B”). After completion of the SPA One and the SPA Two, Chengfu Investment’s shareholding in China Union Loyalty will increase from 8.01% to 48.89%.

On 18 August 2016, Qijun Investment and Chengfu Investment further entered into two loan agreements, pursuant to which Qijun Investment agreed to grant to Chengfu Investment further loans of approximately RMB124 million (equivalent to approximately HK\$144 million) plus the Accrued Interest A (collectively the “Loan A”) and approximately RMB36 million (equivalent to approximately HK\$42 million) plus the Accrued Interest B (collectively the “Loan B”) respectively, which bear an interest rate of 12.5% per annum for a term of one year from the date of drawdown.



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

Further on 18 August 2016, Qijun Investment entered into an agreement (the “Capital Injection Agreement”) with Chengfu Investment and the equity holders of Chengfu Investment pursuant to which Qijun Investment shall capitalise a sum equivalent to the aggregate amount of the Previous Loan A, the Previous Loan B, the Loan A and the Loan B (collectively the “Total Loan”) as equity interest in Chengfu Investment (the “Chengfu Capital Injection”). Upon the completion of the Chengfu Capital Injection, approximately RMB55 million (equivalent to approximately HK\$63.5 million) will be recognised as the registered capital of Chengfu Investment and the remaining balance of the Total Loan will be recognised as the capital reserve of the Chengfu Investment. Accordingly, the Group, via Qijun Investment, will hold approximately 83.6% of the enlarged equity interests of Chengfu Investment. Chengfu Investment will become a subsidiary of the Group and China Union Loyalty will become an associate of the Group.

At 30 September 2016, approximately RMB140 million (equivalent to approximately HK\$163 million) of the Total Loan had been paid and was included in “Trade and other receivables – Deposits on investments” (see note 12(c) of the Interim Financial Statements).

Details of the above transactions are set out in the Company’s announcement dated 18 August 2016. These transactions were not yet completed at the date of approving the Interim Financial Statements.

24. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 14 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been engaged in the following businesses during the six months ended 30 September 2016 (the “Review Period”):

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 prepaid cards and internet payment services business, the Company controls one of six payment service licences for nationwide prepaid cards and internet payment services in the PRC. This licence enables us to become one of the few companies that can manage and operate large-scale countrywide prepaid programs in the PRC. As disclosed in the announcement dated 12 August 2016, the Group’s payment service licence in the PRC has been successfully renewed to 2 May 2021. In the six months ended 30 September 2016, this segment has continued to contribute to our profit growth. The Group is also working on a number of initiatives including but not limited to payment solutions in the healthcare industry, transportation and corporate benefits distribution, which the Group believe will transform the payment business into a complete internet-based ecosystem. Moreover, as disclosed in the announcement dated 18 August 2016, the Group is also in the process of finalizing an investment in China Union Loyalty Co., Ltd. (上海銀商資訊有限公司) (“China Union Loyalty”), China’s largest service provider of single-merchant prepaid cards and a pioneer in virtual prepaid cards issuing and distribution services, which will give the Company access to both a vast merchant network as well as a breakthrough into the virtual prepaid card market.

For prestige benefits business, the Company 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. There is a 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 offer consumers a more convenient and interactive consumption experience. The Company’s prestige benefits products have been steadily integrated with other businesses of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

For e-commerce and trade financing business, the Company has continued to focus on the provision of supply chain financing for other e-commerce trading companies. The Company is now offering lending services along the supply chain to facilitate the trading and payment process, and help upstream suppliers receive payments more efficiently. This re-adjustment of strategic focus is closely in line with the Group's long-term strategy of becoming a comprehensive internet finance platform. Moreover, the Group's interest in a micro-credit company based in Chongqing, the PRC obtained the necessary government approval to operate on 18 September 2016. The Company, through this new platform in Chongqing 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, the Group can also provide data and statistics for credit analysis and risk management.

For card acceptance business in Thailand, the transaction volume handled by the Group during the Review Period was amounted to Baht 14,044 million, represented a slight increase from Baht 13,688 million for the same period in 2015. The Group is currently launching a promotion campaign with King Power, one of the largest duty free stores and also one of the largest merchants of the Group in Thailand, for promoting the UnionPay brand. Besides, the Group is also exploring new merchants for a more in-depth development of our business in Thailand. The Group is in the process of setting up an indirect system host connection with UnionPay International ("UPI") for our UnionPay card acceptance business based in Thailand as requested by UPI. The indirect system connection is developed to enhance the existing direct system connection established earlier with UPI. The migration from direct connection to indirect connection is expected to be completed by the end of year 2016.

In the meantime, the Group continues to evaluate strategic investment into businesses in industries that are related to its core business, such as payment, technology, financing and internet finance. The Group expects such investments to not only reap monetary rewards, but also create synergy for the Group's businesses.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS OUTLOOK

For prepaid cards and internet payment business, the Group will continue to seek major near-term breakthroughs for its electronic payment in different areas including virtual prepaid gift card, tourism, e-commerce, the healthcare industry, corporate benefits to public transportation. The Group also expects to finalize its investment in China Union Loyalty in near future. The Group is also evaluating several strategies, such as investment and/or acquisitions that can rapidly realize the Group's strategic goals.

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

For e-commerce and trade financing business, the Group will further develop the financing and lending side of the e-commerce business. By launching the online microcredit business in Chongqing, the PRC, the Group will further integrate e-commerce and trade financing business with the internet finance business. The Group expects its new projects and collaborations in the lending industry will further utilize its experience in 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, the Group anticipated that there may be a short term impact on the Thai tourism resulting from the sentiments in respect of the death of the King of Thailand in October 2016. The Group will keep monitoring the situation and update the shareholders of the Company by means of announcement whenever it sees fit. Further, the Group will put more resources into the promotion and marketing campaigns in order to boost up the revenue generated from that sector. Moreover, the Group has been working with UPI to launch UnionPay Quickpass/contactless payment services to both domestic and visiting UnionPay cardholders which shall be computed as soon as practicable in 2016/2017, and will endeavor to further simplify the payment process for Chinese tourists in Thailand with a more comprehensive payment approach. The Group is also studying the feasibility to implement the UnionPay online payment for the Thai market, in order to further strengthen its local market leadership with diversified payment platforms by UnionPay. With the migration from traditional card acquiring/acceptance business mode to innovative financial technology business platform, the Group is currently seeking for funding as the Group expects that there exists a need of a significant investments in information technology relating to transaction management systems and the connection with UPI, for development of a smarter and sophisticated point-of-sales ("POS") terminals for ease of payment and for building of a quality team of information technology professionals.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS OUTLOOK *(continued)*

For investment business, the Group 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.

The Company intends to develop all business sub-segments as integral parts of a single business model all along and will strive to create more synergy among different business units. The Group intends to develop and to introduce a single product that can integrate all major business lines in the near future.

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 all contributed to the growth in the total revenue of the Group for the Review Period. Total revenue of the Group for the Review Period amounted to approximately HK\$224 million, of which approximately HK\$44 million was attributed to the e-commerce and trading financing services business; approximately HK\$69 million was attributed to the prepaid cards and internet payment business; approximately HK\$50 million was attributed to the card acceptance business in Thailand; and approximately HK\$61 million was attributed to the prestige benefits business respectively.

The income generated from the prepaid cards and internet payment business and prestige benefits business was driven by the increasing volume of prepaid cards and internet payment activities conducted during the Review Period. The revenue of prepaid cards and internet payment business and prestige benefits business for the Review Period amounted to approximately HK\$130 million, representing 58% of total revenue of the Group.

For the card acceptance business, revenue was slightly dropped by approximately 2.71% as compared with the same recorded in the corresponding period of last year. The decrease was mainly resulted from the decrease in foreign exchange rate discount income and the devaluation of Baht during the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Cost of goods sold/Cost of services rendered

Total cost of goods sold and cost of services rendered for the Review Period amounted to approximately HK\$119 million, representing a decrease of approximately 30% as compared with the same recorded in the corresponding period of last year. Cost of goods sold for the e-commerce and trading financing services business represent the cost for goods traded. The cost of service rendered comprised the information network cost and costs of licence fee of the card acceptance business in Thailand.

General administrative expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$105 million, representing an increase of approximately 23% as compared with the same recorded in the corresponding period of last year. The increase was primarily attributable to an increase in overall staff costs, including the recognition of share-based compensation cost of approximately HK\$22.87 million and director's remuneration, as well as the operating lease charges on premises.

Selling and distribution costs

The selling and distribution costs for the Review Period amounted to approximately HK\$22 million, representing an increase of approximately 36% as compared with the same recorded in the corresponding period of last year. The increase was mainly due to the higher selling and distribution costs at newly acquired subsidiaries as compared with the corresponding period of last year and also the promotion campaigns for our card acceptance business in Thailand.

Finance costs

The finance costs for the Review Period amounted to approximately HK\$7.5 million, representing a decrease of approximately 25% as compared with the same recorded in the corresponding period of last year. The decrease was mainly due to the decrease in interest expense on convertible bonds and interest expense on secured interest bearing borrowings.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Loss for the period

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$75 million, representing an decrease of approximately 12% as compared with the same recorded in the corresponding period of last year. Basic losses per share was approximately 5.18 HK cents compared to basic losses per share of 7.28 HK cents in the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows, public fund raising and other borrowings.

On 29 July 2016, the Company entered into a subscription agreement with the subscribers to (i) subscribe for the bonds in the aggregate principal amount of US\$32,000,000 (equivalent to approximately HK\$248,000,000) which are due on 1 August 2019. The bonds bear interest at a rate of 9% per annum; and (ii) subscribe for the convertible bonds in the aggregate principal amount of US\$8,000,000 (equivalent to approximately HK\$62,000,000) which are due on 1 August 2019 and could convert into a maximum 32,631,578 ordinary shares. The convertible bonds bear interest at a rate of 4% per annum. The conversion price at which the Company shall issue ordinary shares to the holder of convertible bonds upon conversion will initially be HK\$1.90 per Share but will be subject to adjustment in the circumstances, among others. The subscription of the bonds and convertible bonds was completed on 1 August 2016 and 12 August 2016, respectively. Details of the subscription including the major terms are set out in the announcement of the Company dated 31 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

On 2 August 2016, the Company entered into a further subscription agreement with the subscribers to (i) subscribe for the further bonds in the aggregate principal amount of US\$16,000,000 (equivalent to approximately HK\$124,000,000) which are due on 4 August 2019. The further bonds bear interest at a rate of 9% per annum; and (ii) subscribe for the further convertible bonds in the aggregate principal amount of US\$4,000,000 (equivalent to approximately HK\$31,000,000) which are due on 12 August 2019 and could convert into a maximum 16,315,789 ordinary shares. The further convertible bonds bear interest at a rate of 4% per annum. The conversion price at which the Company shall issue ordinary shares to the holder of convertible bonds upon conversion will initially be HK\$1.90 per Share but will be subject to adjustment in the circumstances, among others. The subscription of the further bonds and further convertible bonds was completed on 4 August 2016 and 12 August 2016, respectively. Details of the subscription including the major terms are set out in the announcement of the Company dated 31 July 2016, 3 August 2016 and 12 August 2016.

At 30 September 2016, the interest-bearing borrowings of RMB5,600,000 (equivalent to HK\$6,512,000), which were denominated in RMB and bore 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\$29,745,000 (31 March 2016: HK\$31,816,000).

At 30 September 2016, the Group's other long-term borrowings amounted to Baht 7,650,000 (equivalent to approximately HK\$1,714,000) (31 March 2016: Baht 7,650,000 (equivalent to approximately HK\$1,690,000)) due to a non-controlling shareholder, represented the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum and such dividend was recorded as finance costs.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The gearing ratio of the Group is calculated as a ratio of total borrowings to total assets for the period/year ended 30 September 2016 and 31 March 2016 were approximately 18% and 1% respectively.

At 30 September 2016, the Group had net current assets of approximately HK\$1,039.69 million (31 March 2016: HK\$597.38 million). Current ratio at 30 September 2016 was 2.74 (31 March 2016: 1.82). The cash and cash equivalents of the Group included cash held by a security broker at 30 September 2016 were approximately HK\$452.71 million (31 March 2016: approximately HK\$243.06 million).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK\$1,288.18 million at 30 September 2016 (31 March 2016: approximately HK\$1,367.26 million).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

At 30 September 2016, the Group had investments in securities in Hong Kong with a market value of approximately HK\$188 million (31 March 2016: HK\$208 million), representing a listed equity in Hong Kong. The Group recorded an unrealised fair value loss of approximately HK\$20.32 million (31 March 2016: 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 at 30 September 2016 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised gain (loss) for the year HK\$'000	Unrealised loss on fair value change for the Review Period HK\$'000	Cost of acquisition HK\$'000	Fair value as at 30 September 2016 HK\$'000	% of net assets	Principal activities
Zhi Cheng Holdings Limited	8130	508,000,000	19.68%	-	20,320	68,580	187,960	13.94%	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 Review Period, there was no dividend received from the securities held. Since the share price of the listed securities dropped from HK\$0.41 at 31 March 2016 to HK\$0.37 at 30 September 2016, the Group recorded an unrealised fair value loss of approximately HK\$20.32 (31 March 2016: unrealised fair value gain of approximately HK\$139.70 million) in respect of investment in listed securities at 30 September 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.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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. At 30 September 2016, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$3,000,000 (equivalent to approximately HK\$23,264,000) (31 March 2016: US\$1,500,000 (equivalent to approximately HK\$11,631,000)). 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 at 30 September 2016.

EMPLOYEES AND REMUNERATION POLICY

At 30 September 2016, the Group had a total staff of 450 (31 March 2016: 387) of whom 36 (31 March 2016: 32) were based in Hong Kong, 395 (31 March 2016: 330) were based in the PRC, 10 (31 March 2016: 13) were based in Thailand 3 (31 March 2016: 12) were based in Singapore and 6 (31 March 2016: nil) were based in Korea. 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 ACQUISITION, 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 Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

SEGMENT INFORMATION

Details of the Group's segment information are set out in Note 3 to the Interim Financial Statements.

CHARGES ON ASSETS

At 30 September 2016, the Group's leasehold land and buildings with HK\$29,745,000 was pledged to a financial institution in the PRC for securing a loan facility of RMB5,600,000 (equivalent to HK\$6,512,000) granted to Open Union.

CONTINGENT LIABILITIES

At 30 September 2016, the Group did not have any significant contingent liabilities.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

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

As at 30 September 2016, the interests of the Directors and chief executive of the Company in the shares, underlying 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:



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(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 Guoqi ("Dr. Cao")	Corporate – Interest of controlled corporation <i>(Note 1)</i>	62,890,000	4.38%
	Beneficial owner <i>(Note 2)</i>	21,000,000	1.46%
	Interest of spouse <i>(Note 3)</i>	1,370,000	0.10%
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner <i>(Note 2)</i>	2,000,000	0.14%
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner	6,460,000	0.45%
	Beneficial owner <i>(Note 2)</i>	31,000,000	2.16%
Mr. Xiong Wensen ("Mr. Xiong")	Beneficial owner <i>(Note 2)</i>	13,600,000	0.95%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner <i>(Note 2)</i>	5,000,000	0.35%
Dr. Zhou Jinhuang ("Dr. Zhou")	Beneficial owner <i>(Note 2)</i>	1,400,000	0.10%

Notes:

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(b) Associated corporations

Save as disclosed above, as at 30 September 2016, so far as is known to any Directors or 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 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 Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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



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

As at 30 September 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	12.83%
Tian Li Holdings Limited ("Tian Li") (Note 1)	Beneficial owner	174,500,000	12.15%
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation	174,500,000	12.15%

Save as disclosed above, as at 30 September 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 who is the controlling shareholder of Tian Li under the SFO.

COMPETING INTERESTS

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

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 participant. Eligible participant of the Scheme include, without limitation, employees, Directors, shareholders of the Group.

For the Review Period, the Company has the following share options granted 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.



SHARE OPTION SCHEME *(continued)*

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:
(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.
(a) Mr. Zhang Huaqiao (b) Dr. Cao Guoqi (c) Dr. Zhou Jinhuang	1 September 2016	HK\$1.68 per share	(a) 5,000,000 (b) 10,000,000 (c) 1,400,000	HK\$1.68 per share	Five years (1 September 2016 to 31 August 2021)	(a) 1,666,666 Share options shall be vested on 1 September 2017, 3,333,334 Share options shall be vested on the 1st day of each month over a period of three years commencing from 1 September 2018 in equal portions. (b) 3,333,333 Share options shall be vested on 1 September 2017, 6,666,667 Share options shall be vested on the 1st day of each month over a period of three years commencing from 1 September 2018 in equal portions. (c) 466,666 Share options shall be vested on 1 September 2017, 933,334 Share options shall be vested on the 1st day of each month over a period of three years commencing from 1 September 2018 in equal portions.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 17.50A OF THE GEM LISTING RULES

During the Review Period, Dr. Zhou Jinhuang ("Dr. Zhou") appointed as an independent non-executive director with effect from 8 June 2016.

Saved as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Review Period, the Company through a subsidiary cancelled its own shares on the Stock Exchange. Details are set out in note 19(v) to the Interim Financial Statements.

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



CORPORATE GOVERNANCE CODE

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing its corporate value. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for approval by the Board before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. During the Review Period, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in 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 2016 to 30 September 2016.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises Dr. Yuan Shumin, Mr. Lu Dongcheng and Mr. Wang Yiming, all of whom are independent non-executive Directors. Dr. Yuen Shunmin has been appointed as the chairman of the Audit Committee.

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

The Group's unaudited interim results for the six months ended 30 September 2016 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Zhang Huaqiao
Chairman

Hong Kong, 14 November 2016

As at the date of this report, the Board of Directors of the Company comprise five executive Directors, namely Mr. Zhang Huaqiao, Dr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen and Mr. Song Xiangping and four independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.