



## China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)

INTERIM REPORT 2017





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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\$304.09 million for the six months ended 30 September 2017. The Group's gross profit amounted to approximately HK\$117.80 million, which represented an increase of approximately 12% as compared with the Group's gross profit recorded in the corresponding period in 2016.
- The Group reported a loss amounted to approximately HK\$91.60 million for the six months ended 30 September 2017 as compared with a loss of approximately HK\$73.37 million recorded in the corresponding period in 2016. The Group reported a loss attributable to equity holders of the Company for the period ended 30 September 2017 amounted to approximately HK\$94.16 million (2016: approximately HK\$74.64 million).
- The Group recognised share-based compensation cost, fair value loss on contingent consideration (which resulted from acquisition of prestige benefits business), fair value loss on financial assets at fair value through profit or loss and interest expenses related to bonds and convertible bonds amounted to approximately HK\$28.62 million, HK\$20.59 million, HK\$40.64 million and HK\$23.93 million for the period ended 30 September 2017 respectively (2016: approximately HK\$22.87 million, HK\$10.97 million, HK\$20.32 million and HK\$6.92 million). Except for above expenses, the Group reported a profit for the period amounted to approximately HK\$22.18 million (2016: loss of approximately HK\$12.29 million).
- Loss per share for the loss attributable to equity holders of the Company for the six months ended 30 September 2017 was approximately 6.25 HK cents (2016: approximately 5.18 HK cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2017

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>	2	<b>179,839</b>	118,535	<b>304,094</b>	224,419
Cost of services rendered and cost of goods sold		<b>(114,079)</b>	(62,971)	<b>(186,293)</b>	(118,987)
Gross profit		<b>65,760</b>	55,564	<b>117,801</b>	105,432
Other income		<b>2,155</b>	2,672	<b>4,650</b>	3,378
General administrative expenses		<b>(55,273)</b>	(53,563)	<b>(113,285)</b>	(104,977)
Selling and distribution costs		<b>(19,997)</b>	(14,505)	<b>(28,739)</b>	(21,855)
Finance costs	4	<b>(12,084)</b>	(7,173)	<b>(24,020)</b>	(7,488)
Fair value loss on contingent consideration – consideration shares	15	<b>(18,594)</b>	(10,967)	<b>(20,589)</b>	(10,967)
Fair value gain (loss) on derivative financial instruments	17	<b>7,657</b>	(12,106)	<b>15,632</b>	(12,106)
Fair value loss on financial assets at fair value through profit or loss		<b>(4,064)</b>	(33,020)	<b>(40,640)</b>	(20,320)
Loss on disposal of subsidiaries		–	–	<b>(10)</b>	–
Loss on disposal of equity interest in a joint venture		–	–	<b>(78)</b>	–
Share of results of joint ventures		<b>205</b>	(42)	<b>131</b>	13
Share of results of associates		<b>2,144</b>	(538)	<b>1,390</b>	(1,030)

## CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the three months and six months ended 30 September 2017

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Loss before tax</b>	4	<b>(32,091)</b>	(73,678)	<b>(87,757)</b>	(69,920)
Income tax expenses	5	<b>(2,669)</b>	(1,672)	<b>(3,847)</b>	(3,451)
<b>Loss for the period</b>		<b>(34,760)</b>	(75,350)	<b>(91,604)</b>	(73,371)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(35,906)</b>	(75,906)	<b>(94,161)</b>	(74,641)
Non-controlling interests		<b>1,146</b>	556	<b>2,557</b>	1,270
		<b>(34,760)</b>	(75,350)	<b>(91,604)</b>	(73,371)
<b>Losses per share for loss attributable to equity holders of the Company</b>					
Basic and diluted	6	<b>(2.32) HK cents</b>	(5.29) HK cents	<b>(6.25) HK cents</b>	(5.18) HK cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss for the period	(34,760)	(75,350)	(91,604)	(73,371)
<b>Other comprehensive income (loss)</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Increase in fair value on available-for-sale financial assets	2,025	–	26,315	–
Share of other comprehensive income (loss) of associates – exchange difference on translation	6,125	(2,497)	6,755	(2,497)
Share of other comprehensive income (loss) of joint ventures – exchange difference on translation	248	(361)	429	(361)
Exchange difference on translation of foreign subsidiaries	22,674	1,678	49,205	(25,344)
<b>Total comprehensive loss for the period</b>	<b>(3,688)</b>	<b>(76,530)</b>	<b>(8,900)</b>	<b>(101,573)</b>
<b>Total comprehensive (loss) income attributable to:</b>				
Equity holders of the Company	(6,719)	(76,740)	(14,246)	(101,951)
Non-controlling interests	3,031	210	5,346	378
	<b>(3,688)</b>	<b>(76,530)</b>	<b>(8,900)</b>	<b>(101,573)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Note	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
<b>Non-current assets</b>			
Interests in joint ventures		7,885	10,433
Interests in associates	7	325,926	29,539
Goodwill	8	677,213	657,814
Property, plant and equipment	9	49,571	49,276
Intangible assets	9	63,899	34,461
Other investments	10	35,775	44,030
Other receivables – deposits on investments	12	79,757	302,921
		<b>1,240,026</b>	1,128,474
<b>Current assets</b>			
Financial assets at fair value through profit or loss	11	99,060	139,700
Inventories		6,396	3,444
Tax recoverable		1,780	1,869
Trade and other receivables	12	278,297	361,533
Restricted funds	13	559,013	451,560
Cash and bank balances		201,953	264,572
		<b>1,146,499</b>	1,222,678
Assets of disposal group classified as held for sale	23(a)	417,255	–
		<b>1,563,754</b>	1,222,678
<b>Current liabilities</b>			
Trade and other payables	14	664,274	519,235
Tax payables		15,355	9,327
Contingent consideration – consideration shares	15	84,902	64,313
		<b>764,531</b>	592,875
Liabilities of disposal group classified as held for sale	23(a)	38,931	–
		<b>803,462</b>	592,875
<b>Net current assets</b>		<b>760,292</b>	629,803
<b>Total assets less current liabilities</b>		<b>2,000,318</b>	1,758,277

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2017

		<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
	<i>Note</i>		
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>2,477</b>	4,239
Other long-term liabilities	16	<b>1,784</b>	1,747
Derivative financial instruments	17	<b>2,573</b>	18,205
Bonds payables	17	<b>368,982</b>	368,140
Convertible bonds	17	<b>74,478</b>	70,284
		<b>450,294</b>	462,615
<b>NET ASSETS</b>			
		<b>1,550,024</b>	1,295,662
<b>Capital and reserves</b>			
Share capital	18	<b>16,111</b>	14,611
Reserves		<b>1,420,764</b>	1,220,645
<b>Equity attributable to equity holders of the Company</b>			
		<b>1,436,875</b>	1,235,256
Non-controlling interests		<b>113,149</b>	60,406
<b>TOTAL EQUITY</b>			
		<b>1,550,024</b>	1,295,662



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to equity holders of the Company										
	Share capital HK\$'000 (Note 18)	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000 (Note 19)	Fair value reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>For the six months ended 30 September 2017</b>											
At 1 April 2017 (audited)	14,611	1,329,806	6,996	(99,344)	6,256	192,747	-	(215,816)	1,235,256	60,406	1,295,662
Loss for the period	-	-	-	-	-	-	-	(94,161)	(94,161)	2,557	(91,604)
<b>Total other comprehensive income:</b>											
<i>Items that may be reclassified</i>											
<i>subsequently to profit or loss</i>											
Increase in fair value on available-for-sale financial assets (Note 10(a))	-	-	-	-	-	-	26,315	-	26,315	-	26,315
Share of other comprehensive income of associates											
- exchange difference on translation	-	-	-	6,755	-	-	-	-	6,755	-	6,755
Share of other comprehensive income of joint ventures - exchange difference on translation	-	-	-	429	-	-	-	-	429	-	429
Exchange difference on translation of foreign subsidiaries	-	-	-	46,416	-	-	-	-	46,416	2,789	49,205
Total comprehensive loss for the period	-	-	-	53,600	-	-	26,315	(94,161)	(14,246)	5,346	(8,900)
<b>Transaction with owners:</b>											
Contributions and distributions											
Recognition of share-based compensation cost	-	-	-	-	-	28,618	-	-	28,618	-	28,618
Shares issued upon subscription in August 2017 (Note 18(c))	1,500	185,747	-	-	-	-	-	-	187,247	-	187,247
Lapse of share options (Note 19(a))	-	-	-	-	-	(2,571)	-	2,571	-	-	-
	1,500	185,747	-	-	-	26,047	-	2,571	215,865	-	215,865
<b>Changes in ownership interests</b>											
Non-controlling interests arising from acquisition of a subsidiary (Note 20)	-	-	-	-	-	-	-	-	-	47,397	47,397
<b>At 30 September 2017 (unaudited)</b>	16,111	1,515,553	6,996	(45,744)	6,256	218,794	26,315	(307,406)	1,436,875	113,149	1,550,024

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

For the six months ended 30 September 2017

	Attributable to equity holders of the Company										
	Share capital HK\$'000 (Note 18)	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000 (Note 19)	Fair value reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>For the six months ended 30 September 2016</b>											
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 for the period	-	-	-	-	-	-	-	(74,641)	(74,641)	1,270	(73,371)
<b>Total other comprehensive loss:</b>											
<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 for the period	-	-	-	(27,310)	-	-	-	(74,641)	(101,951)	378	(101,573)
<b>Transaction with owners:</b>											
<i>Contributions and distributions</i>											
Recognition of share-based compensation cost	-	-	-	-	-	-	22,865	-	22,865	-	22,865
Cancellation of repurchased shares	(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
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 CASH FLOWS

For the six months ended 30 September 2017

		<b>Unaudited Six months ended 30 September</b>	
	<i>Note</i>	<b>2017 HK\$'000</b>	2016 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash used in operations		<b>(131,274)</b>	(209,292)
Interest received		<b>1,050</b>	579
Interest paid		<b>(13,306)</b>	(573)
Income tax refunded (paid)		<b>50</b>	(11,941)
<b>Net cash used in operating activities</b>		<b>(143,480)</b>	(221,227)
<b>INVESTING ACTIVITIES</b>			
Additions in property, plant and equipment	9	<b>(4,769)</b>	(5,438)
Additions in intangible assets	9	<b>(44,174)</b>	(5,002)
Acquisition of a subsidiary	20	<b>7</b>	-
Proceeds from disposal of other investments		-	9,303
Proceeds from disposal of a joint venture		<b>2,929</b>	-
Proceeds from disposal of property, plant and equipment		<b>189</b>	-
Proceeds from disposal of intangible assets		<b>2,866</b>	-
Purchase of other investments		-	(9,460)
Deposits on investment paid		<b>(11,021)</b>	-
Capital injection from non-controlling interests for incorporation of a subsidiary		-	3,163
<b>Net cash used in investing activities</b>		<b>(53,973)</b>	(7,434)
<b>FINANCING ACTIVITIES</b>			
Repayment of interest-bearing borrowings		-	(13,023)
Proceeds from issuance of shares upon subscription, net	18(c)	<b>187,247</b>	-
Proceeds from issuance of bonds, net		-	367,052
Proceeds from issuance of convertible bonds, net		-	91,763
<b>Net cash from financing activities</b>		<b>187,247</b>	445,792

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 September 2017

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2017</b>	2016
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(10,206)</b>	217,131
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>264,572</b>	243,063
Effect on exchange rate changes		<b>9,740</b>	(7,483)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>264,106</b>	452,711
<i>Analysis of the balances of cash and cash equivalents:</i>			
Cash at bank and in hand		<b>174,531</b>	452,711
Non-pledged time deposits with original maturity of 3 months or less when acquired		<b>89,575</b>	–
		<b>264,106</b>	452,711
<i>Represented by:</i>			
Existing Group		<b>201,953</b>	452,711
Disposal Group	<i>23(a)</i>	<b>62,153</b>	–
		<b>264,106</b>	452,711



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 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 2017 (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 2017, 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 2017 (the “**Annual Report**”).



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

### **Basis of preparation** *(continued)*

The Interim Financial Statements have been prepared on the historical costs basis, except for financial assets at fair value through profit or loss, listed equity securities classified under other investments, 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 disposal group classified as held for sale as follows:

#### *Disposal group classified as held for sale*

Disposal group is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Disposal group classified as held for sale is measured at the lower of their previous carrying amount and fair value less costs to sell.

### **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 7: Disclosure Initiative*

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments do not have significant impact on the Interim Financial Statements.

#### *Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value. These amendments do not have significant impact on the Interim Financial Statements.

#### *Annual Improvements Project – 2014-2016 Cycle – HKFRS 12: Clarification of the scope*

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5. These amendments do not have significant impact on the Interim Financial Statements.

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

### Future changes in HKFRSs

At the date of authorisation of the Interim Financial Statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

Annual Improvements to HKFRSs	<i>2014–2016 Cycle</i> <sup>1</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>2</sup>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>2</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>2</sup>
HKFRS 9 (2014)	<i>Financial Instruments</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>2</sup>
HKFRS 16	<i>Leases</i> <sup>3</sup>
HK(IFRIC)-Int23	<i>Uncertainty over Income Tax Treatments</i> <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018 where applicable

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

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

## 2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Prepaid cards and internet payment business</b>				
Cards issuing service fee income	78	182	148	332
Management fee income of prepaid cards	4,168	22,256	11,281	46,520
Merchant service fee income	23,213	3,866	42,005	12,470
Interest income from accumulated unutilised float funds	2,083	2,742	3,845	6,097
Software development income	819	1,982	1,864	1,982
Sales and services fee income of point of sales machine	944	1,025	2,464	1,914
<b>Prestige benefits business</b>				
Issuance income of prestige benefits cards	74,618	28,675	118,225	50,444
Hotel booking agency service income	14,119	6,737	31,674	10,271
<b>E-commerce and trade financing business</b>				
Sales of goods	12,913	24,094	19,172	42,697
Loan interest income	20,768	879	31,380	1,887
<b>Third party card acquiring business</b>				
Third party card acquiring transaction fee income	20,077	19,923	31,791	38,344
Foreign exchange rate discount income	6,039	6,174	9,669	11,461
Marketing service income	–	–	576	–
	<b>179,839</b>	118,535	<b>304,094</b>	224,419



### 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) third party card acquiring business in Thailand; and
- (v) securities investment business in Hong Kong.

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

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

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 2017 (unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	E-commerce and trade financing business HK\$'000	Third party card acquiring business HK\$'000	Securities investment business HK\$'000	Consolidated HK\$'000
Major customer A	-	45,585	-	-	-	45,585
Major customer B	-	41,815	-	-	-	41,815
Other customers	61,607	62,499	50,552	42,036	-	216,694
<b>Segment revenue</b>	<b>61,607</b>	<b>149,899</b>	<b>50,552</b>	<b>42,036</b>	<b>-</b>	<b>304,094</b>
<b>Segment results</b>	<b>4,407</b>	<b>19,438</b>	<b>(3,510)</b>	<b>4,868</b>	<b>(40,688)</b>	<b>(15,485)</b>
Unallocated other income						4,650
Unallocated finance costs						(24,020)
Unallocated other expenses and losses						(49,378)
Fair value loss on contingent consideration – consideration shares						(20,589)
Fair value gain on derivative financial instruments						15,632
Loss on disposal of subsidiaries						(10)
Loss on disposal of equity interest in a joint venture						(78)
Share of results of joint ventures						131
Share of results of associates						1,390
<b>Loss before tax</b>						<b>(87,757)</b>
Income tax expenses						(3,847)
<b>Loss for the period</b>						<b>(91,604)</b>

### 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	Third party card acquiring business HK\$'000	Securities investment business HK\$'000	Consolidated HK\$'000
Segment revenue <Remark>	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 customers contributed over 10% of the total revenue of the Group.

### 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 2017 (unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	E-commerce and trade financing business HK\$'000	Third party card acquiring business HK\$'000	Securities investment business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
	<i>&lt;Remark&gt;</i>						
Property, plant and equipment	38,604	480	964	9,985	-	476	50,509
Intangible assets	24,868	-	43,416	1,021	-	-	69,305
Goodwill	484,796	192,417	-	-	-	-	677,213
Financial assets at fair value through profit or loss	-	-	-	-	99,060	-	99,060
Other assets	1,142,515	87,609	466,542	57,096	36,849	117,082	1,907,693
<b>Total assets</b>	<b>1,690,783</b>	<b>280,506</b>	<b>510,922</b>	<b>68,102</b>	<b>135,909</b>	<b>117,558</b>	<b>2,803,780</b>
<b>Total liabilities</b>	<b>597,873</b>	<b>105,561</b>	<b>43,125</b>	<b>39,631</b>	<b>1,000</b>	<b>466,566</b>	<b>1,253,756</b>

*<Remark>*

At 30 September 2017, the segment assets and liabilities under e-commerce and trade financing business included assets and liabilities of disposal group classified as held for sale of approximately HK\$417,255,000 and approximately HK\$38,931,000 respectively. Details are set out in Note 23(a) to the Interim Financial Statements.

### 3. SEGMENT REPORTING (continued)

#### Segment assets and liabilities (continued)

At 31 March 2017 (audited)

	Prepaid cards and internet payment business	Prestige benefits business	E-commerce and trade financing business	Third party card acquiring business	Securities investment business	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	39,947	543	230	7,909	-	647	49,276
Intangible assets	27,212	73	6,313	863	-	-	34,461
Goodwill	465,397	192,417	-	-	-	-	657,814
Financial assets at fair value through profit or loss	-	-	-	-	139,700	-	139,700
Other assets	627,226	73,225	401,013	28,959	9,574	329,904	1,469,901
<b>Total assets</b>	<b>1,159,782</b>	<b>266,258</b>	<b>407,556</b>	<b>37,731</b>	<b>149,274</b>	<b>330,551</b>	<b>2,351,152</b>
<b>Total liabilities</b>	<b>464,564</b>	<b>90,984</b>	<b>14,952</b>	<b>15,268</b>	<b>-</b>	<b>469,722</b>	<b>1,055,490</b>

#### 4. LOSS BEFORE TAX

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
This is stated after charging:				
<b>Finance costs</b>				
Effective interest on convertible bonds ( <i>Note 17</i> )	3,038	1,519	6,074	1,519
Finance costs on other long-term liabilities	45	41	86	81
Interest on bonds	9,001	5,396	17,860	5,396
Interest on interest-bearing borrowings	–	217	–	492
	<b>12,084</b>	7,173	<b>24,020</b>	7,488
<b>Other items</b>				
Amortisation of intangible assets (included in “General administrative expenses” and “Selling and distribution costs”)	4,282	493	6,277	1,821
Cost of goods sold	12,537	22,471	18,613	41,791
Depreciation of property, plant and equipment	2,213	1,336	4,495	2,765
Operating lease charges on premises	4,174	2,572	7,016	6,028
Staff costs, including directors’ emoluments and share-based compensation cost	26,611	23,219	64,750	52,410
Share-based compensation cost to service providers	1,861	4,391	4,279	9,678

## 5. TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Current tax</b>				
PRC Enterprise Income Tax	2,179	437	4,409	1,430
Thailand Enterprise Income Tax	449	542	721	1,098
Withholding tax on dividend declared by a foreign subsidiary	655	–	655	–
	<b>3,283</b>	979	<b>5,785</b>	2,528
<b>Deferred tax</b>				
Origination and reversal of temporary difference	(614)	736	(1,938)	736
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	–	(43)	–	187
	<b>(614)</b>	693	<b>(1,938)</b>	923
Income tax expenses for the period	<b>2,669</b>	1,672	<b>3,847</b>	3,451

### (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 2017 and 2016.

### (ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in the Cayman Islands and the 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% (2016: 25%), except for 開聯通支付服務有限公司 (Open Union Payment Services Limited\*, "Open Union") and 上海靜元信息科技有限公司 (Shanghai Jingyuan Message Technology Limited\*, "Shanghai Jingyuan") (2016: Open Union), which is subject to PRC Enterprise Income Tax at a preferential rate of 15% for high and new technology enterprises.

The Group's operation in Thailand is subject to Thailand income tax at 20% (2016: 20%).

The Group's operation in Singapore is subject to Singapore income tax at 17% (2016: 17%).

The Group's operation in Korea is subject to Korea corporation tax ranged from 10% to 22% (2016: 10% to 22%).

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.

\* *English translation for identification purpose only.*

## 6. LOSSES PER SHARE

Basic losses per share for the three months and six months ended 30 September 2017 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$35,906,000 and approximately HK\$94,161,000 respectively (2016: approximately HK\$75,906,000 and approximately HK\$74,641,000 respectively) and on the weighted average number of 1,549,752,395 and 1,505,700,956 ordinary shares (2016: 1,436,049,159 and 1,442,123,093 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 2017 and 2016.



## 7. INTERESTS IN ASSOCIATES

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Share of net assets	<b>112,574</b>	9,316
Goodwill	<b>213,352</b>	20,223
	<b>325,926</b>	29,539

On 30 June 2017, the Group acquired 83.62% of the equity interests in 上海誠富創業投資有限公司 (Shanghai Chengfu Chuangye Investment Limited\*, "**Chengfu Investment**"), which in turn holds 48.89% equity interests in 上海銀商資訊有限公司 (China Union Loyalty Co., Limited\*, "**China Union Loyalty**") at an aggregate consideration of approximately RMB210.1 million (equivalent to approximately HK\$242 million). Upon completion of the acquisition, the Group held 40.88% equity interest in China Union Loyalty which became an associate of the Group since then. Details of the acquisition are set out in Note 20 to the Interim Financial Statements.

\* English translation for identification purpose only.

## 8. GOODWILL

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	<b>657,814</b>	690,170
Impairment loss	–	(988)
Exchange realignments	<b>19,399</b>	(31,368)
<b>At the end of the reporting period</b>	<b>677,213</b>	657,814
Cost	<b>678,201</b>	658,802
Accumulated impairment losses	<b>(988)</b>	(988)
	<b>677,213</b>	657,814



## 9. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the six months ended 30 September 2017, the Group had:

- (i) spent approximately HK\$4,769,000 (2016: approximately HK\$5,438,000) and approximately HK\$44,174,000 (2016: approximately HK\$5,002,000) on additions to property, plant and equipment and intangible assets, respectively;
- (ii) disposed approximately HK\$397,000 (2016: Nil) and approximately HK\$2,869,000 (2016: Nil) of the property, plant and equipment and intangible assets, respectively; and
- (iii) written off approximately HK\$35,000 (2016: Nil) of the intangible assets.

## 10. OTHER INVESTMENTS

	<i>Note</i>	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>Listed investments, at fair value</b>			
Equity securities listed in Hong Kong	<i>(a)</i>	<b>35,775</b>	–
<b>Unlisted investments, at cost</b>			
Equity securities	<i>(a)</i>	–	9,460
Equity-linked structured note	<i>(b)</i>	<b>34,570</b>	34,570
	<i>(c)</i>	<b>34,570</b>	44,030
		<b>70,345</b>	44,030
<i>Analysed and represented by:</i>			
Non-current – Existing Group		<b>35,775</b>	44,030
Current – Disposal Group	<i>23(a)</i>	<b>34,570</b>	–
		<b>70,345</b>	44,030

## 10. OTHER INVESTMENTS (continued)

### Notes:

- (a) At 31 March 2017, the Group held 15% interest in the ordinary share capital of Nexion Technologies Limited (“**Nexion**”), a company incorporated in the Cayman Islands with its principal subsidiaries engaged in the business of provision of cyber infrastructure solutions and research and development and provision of cyber security solutions services, amounted to HK\$9,460,000.

On 16 June 2017, Nexion completed its public offer and was listed on the GEM by issuing 150,000,000 ordinary shares of HK\$0.48 each. After completion of the public offer together with the capitalisation issue, the equity interest in Nexion (Stock code: 8420) held by the Group decreased to 11.3%, which represented 67,500,000 ordinary shares held. At 30 September 2017, the fair value of the equity interest in Nexion was approximately HK\$35,775,000 and the fair value increase of approximately HK\$26,315,000 was recognised in other comprehensive income for the period.

- (b) The Group held an unlisted investment in equity-linked structured note (the “**Structured Note**”), with the underlying investment related to certain assets held by a minority shareholder, issued by a subsidiary of an entity listed in Hong Kong (the “**Issuer**”). The Structured Note is interest-free and will be matured on 15 August 2018 and can be extended to a maximum period of 5 years. The Structured Note is secured by corporate guarantee provided by the ultimate holding company of the Issuer. The Structured Note can be redeemed from time to time prior to five business days before maturity date, subject to sole discretion of the Issuer.
- (c) In the opinion of the Directors, the fair value of the above-mentioned unlisted investments cannot be reliably measured because (a) the unlisted investments do not have quoted market price in an active market; (b) the range of reasonable fair value estimates is significant for the unlisted investments; and (c) the probabilities of the various estimates cannot be reasonably assessed and used in estimating the fair value. As such, the unlisted investments are stated at cost less any impairment losses.



## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Designated upon initial recognition		
Equity investments listed in Hong Kong	<b>99,060</b>	139,700

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 2017, the listed investments represent 18.20% (31 March 2017: 18.29%) interest in the ordinary share capital of Zhi Cheng Holdings Limited ("Zhi Cheng") (the "Zhi Cheng Shares"), 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 and the Zhi Cheng Shares are accounted for as financial assets at fair value through profit or loss.

## 12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>Trade and bills receivables</b>	<i>(a)</i>	<b>99,489</b>	86,763
<b>Loan receivables, net of allowances</b>	<i>(b)</i>	<b>373,231</b>	136,672
<b>Other receivables</b>			
Deposits on investments	<i>(c)</i>	<b>79,757</b>	302,921
Deposits paid to merchants	<i>(d)</i>	<b>21,120</b>	19,921
Deposits, prepayments and other debtors	<i>(e)</i>	<b>86,830</b>	106,903
Due from an associate	<i>(f)</i>	<b>11,740</b>	11,274
		<b>199,447</b>	441,019
		<b>672,167</b>	664,454
<i>Analysed and represented by:</i>			
Non-current – Existing Group		<b>79,757</b>	302,921
Current			
– Existing Group		<b>278,297</b>	361,533
– Disposal Group	<i>23(a)</i>	<b>314,113</b>	–
		<b>672,167</b>	664,454

## 12. TRADE AND OTHER RECEIVABLES (continued)

### 12(a) Trade and bills 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 or bills issuance date is as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Less than 1 month	50,066	61,922
1 month to 3 months	25,719	14,199
Over 3 months	23,704	10,642
	<b>99,489</b>	86,763

### 12(b) Loan receivables, net of allowances

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>Loan receivables, gross</b>		
Term loans	68,130	84,953
Micro-credit loans	308,493	52,250
	<b>376,623</b>	137,203
Impairment allowances	(3,392)	(531)
	<b>373,231</b>	136,672

At 30 September 2017, loan receivables (i) include an aggregate amount of approximately HK\$43,301,000 (31 March 2017: approximately HK\$59,855,000) which are secured by personal guarantee provided by equity holder of the borrowers and the remaining balances are unsecured; and (ii) carry fixed interest rates ranging from Nil to 12% per annum (31 March 2017: Nil to 12% per annum).

## 12. TRADE AND OTHER RECEIVABLES *(continued)*

### 12(b) Loan receivables, net of allowances *(continued)*

At the end of the reporting period, the ageing analysis of loan receivables (net of allowances) prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Less than 1 month	150,843	24,296
1 month to 3 months	101,914	24,119
Over 3 months	120,474	88,257
	<b>373,231</b>	136,672

### 12(c) Deposits on investments

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
	<i>Note</i>	
Deposits on acquisition of the remaining interest in Open Union	46,959	33,822
Deposits on potential acquisitions	–	236,899
Deposits on potential investments in equity interest in other entities	21,132	20,307
Deposits on potential investments in equity interest and acquisition of assets from other entities	22 4,930	5,636
Other deposits on investments	6,736	6,257
	<b>79,757</b>	302,921

## 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

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Funds prepaid to merchants ( <i>Note</i> )	<b>14,803</b>	7,495
Other deposits, prepayments and other debtors	<b>62,431</b>	57,477
Trade deposits and prepayments	<b>9,596</b>	41,931
	<b>86,830</b>	106,903

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

### 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>	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Bank deposits:			
Thailand	<i>(a)</i>	<b>2,346</b>	616
The PRC	<i>(b)</i>	<b>556,667</b>	450,944
		<b>559,013</b>	451,560

#### 13(a) Thailand

Pursuant to the agreements signed with a third party card acquiring business partner, the amounts represent bank balances in banks in Thailand maintained solely for the purpose of settlement of outstanding trade payables for the third party card acquiring business and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Thai Bhat ("**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 3.2% (31 March 2017: 0.35% to 3.3%) per annum.



#### 14. TRADE AND OTHER PAYABLES

		<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
	<i>Note</i>		
<b>Trade payables</b>	<i>(a)</i>	<b>59,962</b>	31,744
<b>Prestige benefits cards – provision of hotel and catering expenses</b>		<b>8,237</b>	14,215
<b>Unutilised float funds</b>	<i>(b)</i>	<b>535,737</b>	421,389
		<b>603,936</b>	467,348
<b>Other payables</b>			
Accruals and other payables		<b>63,481</b>	39,998
Loan interest income receipts in advance	<i>(c)</i>	<b>30,895</b>	6,350
Due to a joint venture	<i>(d)</i>	<b>4,021</b>	4,707
Due to an associate	<i>(d)</i>	<b>6</b>	–
Due to ex-shareholders of a subsidiary	<i>(d)</i>	<b>866</b>	832
		<b>99,269</b>	51,887
		<b>703,205</b>	519,235
<i>Represented by:</i>			
Existing Group		<b>664,274</b>	519,235
Disposal Group	<i>23(a)</i>	<b>38,931</b>	–
		<b>703,205</b>	519,235

## 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:

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Less than 1 month	<b>59,725</b>	31,145
1 month to 3 months	<b>58</b>	198
Over 3 months	<b>179</b>	401
	<b>59,962</b>	31,744

### 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) Loan interest income receipts in advance

The balance represented the receipt in advance of micro-credit loan interest income of approximately RMB26,317,000 (equivalent to approximately HK\$30,895,000) (31 March 2017: approximately RMB5,632,000 (equivalent to approximately HK\$6,350,000)) which arose from the difference between micro-credit loan receivables and the actual fund transferred to the borrowers at the inception of micro-credit loans granted in accordance with the respective loan agreement and would be recognised as interest income over the loan period.

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

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

## 15. CONTINGENT CONSIDERATION – CONSIDERATION SHARES

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>HK\$'000</b>	HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	<b>64,313</b>	99,992
Consideration shares issued upon fulfilment of performance target in January 2017	–	(41,442)
Fair value changes	<b>20,589</b>	5,763
<b>At the end of the reporting period</b>	<b>84,902</b>	64,313

For the six months ended 30 September 2017, the fair value loss on contingent consideration – consideration shares of approximately HK\$20,589,000 (2016: approximately HK\$10,967,000) 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.



## 16. 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 2017, the Group had an outstanding amount due to a non-controlling shareholder of Baht7,650,000 (equivalent to approximately HK\$1,784,000) (31 March 2017: Baht7,650,000 (equivalent to approximately HK\$1,747,000)) 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 2017: 9.5% per annum). The relevant dividend on the preference share capital of OCG Thailand was fully settled before 30 September 2017.

## 17. BONDS/CONVERTIBLE BONDS

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 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. 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.

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.



## 17. BONDS/CONVERTIBLE BONDS *(continued)*

The issuance of Second Bonds and Second Convertible Bonds were completed on 4 August 2016 and 12 August 2016, respectively. 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.

17. **BONDS/CONVERTIBLE BONDS** (continued)

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

**Derivative Component, classified as financial liabilities at fair value through profit or loss**

	<b>Conversion option</b>	<b>Early redemption option</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the issue date	32,821	(5,999)	26,822
Fair value changes	(3,820)	(4,797)	(8,617)
At 31 March 2017 (Audited)	29,001	(10,796)	18,205
Fair value changes	(25,994)	10,362	(15,632)
<b>At 30 September 2017 (Unaudited)</b>	<b>3,007</b>	<b>(434)</b>	<b>2,573</b>

**Liability Component, classified as financial liability at amortised costs**

	<i>HK\$'000</i>
Nominal value of the Convertible Bonds issued	93,000
Derivative Component	(26,822)
Transaction costs allocated	(1,237)
At the issue date	64,941
Effective interest expenses	5,343
At 31 March 2017 (Audited)	70,284
Effective interest expenses (Note 4)	6,074
Interest paid for the period	(1,880)
<b>At 30 September 2017 (Unaudited)</b>	<b>74,478</b>

## 18. SHARE CAPITAL

	Unaudited		Audited	
	At 30 September 2017		At 31 March 2017	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
<b>Authorised</b>	<b>2,000,000,000</b>	<b>20,000</b>	2,000,000,000	20,000
<b>Issued and fully paid</b>				
At the beginning of the reporting period/year	1,461,165,438	14,611	1,452,639,159	14,526
Cancellation of shares in June 2016 (Note (a))	-	-	(16,590,000)	(166)
Allotment of shares in January 2017 (Note (b))	-	-	25,116,279	251
Shares issued upon subscription in August 2017 (Note (c))	150,000,000	1,500	-	-
<b>At the end of the reporting period/year</b>	<b>1,611,165,438</b>	<b>16,111</b>	1,461,165,438	14,611





**18. SHARE CAPITAL** *(continued)*

*Notes:*

- (a) 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 by 16,590,000 shares. The share capital of the Company was decreased by approximately HK\$166,000 and the share premium was decreased by approximately HK\$27,213,000.
- (b) On 11 January 2017, the Company issued 25,116,279 shares of which approximately HK\$251,000 was credited to share capital and the remaining balance of approximately HK\$41,191,000 was credited to share premium account in relation to the settlement of the contingent consideration.
- (c) In August 2017, a total number of 150,000,000 ordinary shares were issued via subscription at a price of HK\$1.25 per share. The Company raised proceeds of approximately RMB165,430,000 (equivalent to approximately HK\$190,000,000) to finance the Group's future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK\$2,753,000 arising from the subscription were recognised in the share premium account of the Company.

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



## 19. 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 15 September 2017, 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 154,269,631 shares, representing 9.58% of the issued share capital of the Company at the date of the AGM approving the Refreshment.

## 19. SHARE OPTION SCHEME (continued)

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

	<b>Number of share options</b>
At 31 March 2017	329,080,000
Lapsed during the period (Note (a))	(6,000,000)
<hr/>	
<b>At 30 September 2017</b>	<b>323,080,000</b>

Note:

- (a) Upon the expiry of the validity period, on 7 September 2017, options of 6,000,000 shares granted to Mr. Zhang Huaqiao, a non-executive director, to subscribe the Company's ordinary shares at an exercise price of HK\$0.84 were lapsed.

During the six months ended 30 September 2017, with reference to the fair value of the share options granted, the Group recognised approximately HK\$28,618,000 (2016: approximately HK\$22,865,000) as the share-based compensation cost.

## 20. ACQUISITION OF A SUBSIDIARY

On 5 July 2016, 上海啟峻投資有限公司 (Shanghai Qijun Investment Limited\*, "**Qijun Investment**") and Chengfu Investment 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\$35.7 million) (the "**Previous Loan A**") and approximately RMB9 million (equivalent to approximately HK\$10.4 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.



## 20. ACQUISITION OF A SUBSIDIARY (continued)

Prior to entering into the Previous Loan Agreements, on 15 May 2016, Chengfu Investment entered into share transfer agreements with (i) 深圳市長亮科技股份有限公司 (Shenzhen Changliang Technology Co., Limited)\*, “**Changliang Technology**”) (the “**SPA One**”) and (ii) 深圳市鼎恒瑞祥投資企業(有限合夥) (Shenzhen Dinghengruixiang Investment Limited (Limited Partnership)\*, “**Dingheng Investment**”) (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, a service provider of single-merchant prepaid cards in the PRC, at consideration of approximately RMB154.8 million (equivalent to approximately HK\$178.3 million), plus accrued interest arising from the SPA One (the “**Accrued Interest A**”), and approximately RMB45.2 million (equivalent to approximately HK\$52.1 million), plus accrued interest arising from the SPA Two (the “**Accrued Interest B**”). After completion of the acquisition of shares in the SPA One and the SPA Two, which was completed on 30 June 2017, Chengfu Investment’s shareholding in China Union Loyalty had been increased 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 RMB123.8 million (equivalent to approximately HK\$142.6 million) plus the Accrued Interest A (collectively the “**Loan A**”) and approximately RMB36.2 million (equivalent to approximately HK\$41.7 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.

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**”). Details of the capital injection into Chengfu Investment, including their major terms were set out in the announcement of the Company dated 18 August 2016.

## 20. ACQUISITION OF A SUBSIDIARY (continued)

On 30 June 2017, all of the conditions precedent under the Capital Injection Agreement have been fulfilled and the completion of the Chengfu Capital Injection took place and approximately RMB210.1 million (equivalent to approximately HK\$242 million) of the Total Loan had been paid. Upon the completion of the Chengfu Capital Injection, approximately RMB54.6 million (equivalent to approximately HK\$62.9 million) was recognised as the registered capital of Chengfu Investment and the remaining balance of the Total Loan of approximately RMB155.5 million (equivalent to approximately HK\$179.1 million) was recognised as the capital reserve of the Chengfu Investment. Accordingly, the Group, via Qijun Investment, held approximately 83.62% of the enlarged equity interests of Chengfu Investment. Details of the completion of the capital injection were set out in the announcement of the Company dated 30 June 2017.

In the opinion of the Directors, the acquisition does not constitute business combination as defined in HKFRS 3 (Revised): Business Combinations. Therefore, the acquisition has been accounted for as acquisition of assets and liabilities during the period.

The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed of Chengfu Investment at the date of acquisition:

HK\$'000

### Consideration

Cash paid	242,042
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### Recognised amounts of identifiable assets acquired and liabilities assumed

Interests in an associate	288,242
Bank balances and cash	7
Trade and other receivables	3,337
Trade and other payables	(2,147)

Total identifiable net assets	289,439
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Non-controlling interests recognised	(47,397)
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242,042



## 20. ACQUISITION OF A SUBSIDIARY *(continued)*

HK\$'000

### **Net cash flow of acquisition of a subsidiary**

Net cash acquired from the subsidiary	7
Cash consideration paid	(242,042)
Less: Deposits of investments paid during the year ended 31 March 2017	242,042
<hr/>	
Net cash inflow for the period ended 30 September 2017	7
<hr/>	

\* English translation for identification purpose only.

## 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 2017 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

	<b>Level 1</b>	
	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>Financial assets measured at fair value</b>		
Available-for-sale financial assets		
– Listed in Hong Kong	<b>35,775</b>	–
<hr/>		
Financial assets at fair value through profit or loss		
– Listed in Hong Kong	<b>99,060</b>	139,700
<hr/>		
	<b>Level 2</b>	
	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>Financial liabilities measured at fair value</b>		
Derivative financial instruments	<b>2,573</b>	18,205
<hr/>		
	<b>Level 3</b>	
	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>Financial liabilities measured at fair value</b>		
Contingent consideration		
– consideration shares	<b>84,902</b>	64,313
<hr/>		



## 21. FAIR VALUE MEASUREMENT *(continued)*

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

During the six months ended 30 September 2017, 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:

<b>Liability</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
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
At 1 April 2016 (audited)	99,992
Settlement	(41,442)
Change in fair value recognised in profit or loss during the year	5,763
<hr/>	
At 31 March 2017 (audited)	64,313
Change in fair value recognised in profit or loss during the period	20,589
<hr/>	
<b>At 30 September 2017 (unaudited)</b>	<b>84,902</b>
<hr/>	
Change in unrealised loss for the period included in profit or loss for liabilities held at 30 September 2017	<b>20,589</b>
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### 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 cost or amortised cost are not materially different from their fair value at 30 September 2017.

## 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:

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Within one year	<b>13,395</b>	11,333
In the second to fifth years inclusive	<b>15,004</b>	10,910
	<b>28,399</b>	22,243

### Capital expenditure commitments

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Contracted but not provided for, net of deposits paid: – Acquisition of equity interests in subsidiaries/associates	<b>28,176</b>	38,331

In addition, on 8 October 2014, the Group entered into an agreement to acquire 10% equity interests of 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.\*) 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). In February 2017, the agreement lapsed and the deposits paid by 上海啟峻投資諮詢有限公司 (Shanghai Qijun Investments Consultancy Service Limited\*), an indirect wholly-owned subsidiary of the Company, would be refunded. At 30 September 2017, deposits of RMB4.2 million (equivalent to approximately HK\$4.9 million) (31 March 2017: RMB5 million (equivalent to approximately HK\$5.6 million)) had been paid but not yet refunded and reported as “Deposits on investments” as set out in Note 12(c) to the Interim Financial Statements.

\* English translation for identification purpose only.

## 23. OTHER AND SUBSEQUENT EVENTS

- (a) On 14 June 2017, Keen Best Investments Limited ("**Keen Best**"), the indirect wholly-owned subsidiary of the Company entered into a memorandum of understanding (the "**MOU**") with i) China Minsheng Financial Holding Corporation Limited ("**China Minsheng**"), an independent third party and the issued shares of which are listed on the Main Board of the Stock Exchange and ii) four management personnel of 重慶市眾網小額貸款有限公司 (Massnet Microcredit Company (Chongqing) Limited\*, "**Massnet Microcredit**") (the "**Massnet Microcredit Management**"), pursuant to which:
- i) Keen Best shall dispose 74.33% and 6.67% of the issued shares of Union Evernew Investment Limited ("**Union Evernew**"), an immediate holding company of Massnet Microcredit, to China Minsheng and the Massnet Microcredit Management, at consideration of RMB278,750,000 (equivalent to approximately HK\$321,084,000) and RMB21,600,000 (equivalent to approximately HK\$24,880,000), respectively (together as the "**Proposed Disposal**"); and
  - ii) Pursuant to the MOU, as a condition precedent to the completion of final agreement on the Proposed Disposal, Union Evernew shall acquire 9.8% equity interest of Massnet Microcredit from Haitong International Financial Solutions Limited, the minority shareholder of Massnet Microcredit, at a consideration not more than RMB31,752,000 (equivalent to approximately HK\$36,574,000) (the "**Share Purchase**").

Upon completion of the Share Purchase and the Proposed Disposal, the Group's equity interests in Union Evernew will be decreased to 19%. Accordingly, Union Evernew and its subsidiary, Massnet Microcredit (collectively referred to as the "**Disposal Group**"), will cease to be a subsidiary of the Company and become associates of the Group.

## 23. OTHER AND SUBSEQUENT EVENTS

(a) *(continued)*

In accordance with HKFRS 5, the Group has reclassified the following assets and liabilities of the Disposal Group at 30 September 2017 as assets/liabilities of disposal group classified as held for sale in the Group's consolidated statement of financial position. The analysis is as follow:

	<i>Note</i>	<i>HK\$'000</i>
<b>Assets of disposal group classified as held for sale:</b>		
Property, plant and equipment	9	938
Intangible assets	9	5,406
Other investments	10	34,570
Trade and other receivables	12	314,113
Tax recoverable		75
Cash and bank balances		62,153
		<hr/> 417,255
<b>Liabilities of disposal group classified as held for sale:</b>		
Trade and other payables	14	38,931
		<hr/>

At 30 September 2017, deposits of HK\$5 million had been received and reported as "Accruals and other payables" as set out in Note 14 to the Interim Financial Statements. Details of the transaction are set out in the Company's announcement dated 14 June 2017. These transactions are not yet completed at the date of approving the Interim Financial Statements.

(b) On 28 September 2017, Joy Grand Investment Limited, an indirectly wholly-owned subsidiary of the Company, entered into a share disposal agreement with Mr. Wu Xiaoming ("Mr. Wu"), the executive director and the chief executive officer of Zhi Cheng and a connected person to the Company, to dispose the Zhi Cheng Shares, at the price of HK\$0.16 per share (the "Zhi Cheng Disposal") to Mr. Wu. The total consideration of the Zhi Cheng Disposal is HK\$81,280,000.

Upon completion of the Zhi Cheng Disposal, the Group's entire interests in Zhi Cheng will be derecognised. At 30 September 2017, deposit of HK\$1 million had been received and reported as "Accruals and other payables" as set out in Note 14 to the Interim Financial Statements. Details of the transaction are set out in the Company's announcement dated 28 September 2017. These transactions are not yet completed at the date of approving the Interim Financial Statements.

\* *English translation for identification purpose only.*

## 24. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 14 November 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group has been engaged in the following businesses during the six months ended 30 September 2017 (the “**Review Period**”):

The Group offers a wide range of value-added and internet payment services to its customers and controls one of the only six payment service licences for nationwide prepaid cards and internet payment services in the PRC. It has always been the Company’s intention to provide its users with a one-stop solution combining payment, benefits and credit services.

For prepaid cards and internet payment services business, the Group has witnessed a steady growth in our key strategic businesses. Internet payment transaction volume has rapidly grown as compared with the same period for the last year. Transaction volumes growth for both of our healthcare and corporate benefits payment solutions have also been on a healthy trajectory.

For prestige benefits business, the Company designs, sells, and manages prepaid benefits packages to banks and card issuing organisations which will in turn offer the packages to their own premium members of cardholders. The total revenue for this segment for the six months ended 30 September 2017 stands at close to HK\$150 million, representing a growth of over 147% compared with corresponding period of previous year.

The Company is re-adjusting the strategies for the e-commerce and trade financing business by co-operating with strong strategic partners. Massnet Microcredit Company (Chongqing) Limited (重慶市眾網小額貸款有限公司), our main component of this segment, has provided loans of over RMB330 million for the six months ended 30 September 2017.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **BUSINESS REVIEW** *(continued)*

For third party card acquiring business in Thailand, the transaction volume for the Review period amounted to Baht 10,243 million, which declined by approximately 27% when comparing with Baht 14,044 million in the corresponding review period in 2016. Since there was a significant rise of the issuer's reimbursement fee on certain types of premium payment cards by **UPI** (Unionpay International), the Group had transferred out such cost by raising the merchant discount rate (**MDR**) charged to key merchants accordingly, causing a decline in the transaction volume of the Group. In respect of the decline, the Group closely monitored the transaction volume with major merchants and launched promotion campaign with them. In addition, the Group is also exploring new merchants in order to gain market share in Thailand. The Group managed to recover and had regained most of the market share in Thailand by June 2017.

For securities investment business, our pre-IPO investment in Nexion Technologies Limited (Stock code: 8420), an internet security specialist, has contributed to its successful initial public offer on 16 June 2017.

### **BUSINESS OUTLOOK**

For payment and benefits business, the Group focuses on business areas with rapid growth potentials to consolidate its market position. For credit business, the Group will continue to expand its internet-based credit services that can complement with the payment and benefits businesses.

For third party card acquiring business in Thailand, we will continue to evolve from traditional card-related businesses to innovative financial technology businesses. We are currently seeking for funding as we expect we will have various information technology investments in transaction management systems in connecting to UPI and point-of-sales ("**POS**") terminals, and recruitment of new IT professionals.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **BUSINESS OUTLOOK** *(continued)*

With the implementation and installation of the Group's technically sophisticated POS, the Group is also prepared to launch an innovative Coupons Promotion and Redemption Program with business partners in the PRC targeting Chinese tourists who are travelling abroad. By joining such program, Chinese tourists/customers are able to shop, enjoy and redeem their shopping/gift coupons (issued by business entities in the PRC) through their mobile phones at the Group's POS installed at participating merchants throughout Thailand.

To minimize the Group's reliance of a few and selective major business partners and customers during the past years, namely, UPI and King Power Group, the Group has been expanding global partnership in third party card acquiring services by teaming up with such global payment networks as Visa International and Mastercard International in order to provide eventual one-stop quality payment solution and services to merchants throughout Thailand, and at the same time serve diversified international tourists/cardholders in addition to Chinese tourists.

To exploit the business opportunities under the "One Belt One Road" national directional policy of the PRC government. The Group is also expanding its UPI business across a network of franchises in the key markets along the Silk Road Economic Belt. The Group chooses to look into Cambodia as the next international market after Thailand so as to leverage on Cambodia's close economic relationship with the PRC and its development progress which is similar to that of Thailand in order to further expand its payment platform experience. The Group envisages that the tourism market and investment opportunities of the PRC and Cambodia will continue to grow significantly in the coming years.

For investment business, the Group will continue to capitalise on financial investment opportunities in the Company's related industries or markets to enhance capital returns and to facilitate future growth and development of our core business segments.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW

#### *Revenue*

The e-commerce and trading financing services, the card acquiring transaction fee income and the foreign exchange rate discount income generated from the third party card acquiring business in Thailand, the prepaid cards and internet payment business and the prestige benefits business all contributed to the total revenue of the Group for the Review Period. Total revenue of the Group for the Review Period amounted to approximately HK\$304 million, of which approximately HK\$50 million was attributed to the e-commerce and trading financing services business, approximately HK\$62 million was attributed to the prepaid cards and internet payment business; approximately HK\$42 million was attributed to the third party card acquiring business in Thailand; and approximately HK\$150 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 volume of prepaid cards and internet payment activities. The revenue of prepaid cards and internet payment business and prestige benefits business for the Review Period amounted to approximately HK\$212 million, representing 70% of total revenue of the Group.

For third party card acquiring business in Thailand, the revenue dropped by approximately 16% as compared with the same recorded in the corresponding period in 2016. The decrease was mainly due to the significant rise of UPI fee on certain types of premium payment cards and keen competition, which led to significant decrease in transaction volume by approximately Baht 3,801 million, resulting in a drop in revenue. In respect of the keen competition with local acquirers, the Group actively launched promotion campaigns with major merchants during the period which enables the Group to retain the revenue generated for the three months ended 30 September 2017 at the same level as the corresponding period in 2016.





## **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 was amounted to approximately HK\$186 million, represented an increase of approximately 57% as compared to 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 third party card acquiring business in Thailand.

#### *General administrative expenses*

The general administrative expenses of the Group for the Review Period were approximately HK\$113 million, representing an increase of approximately 8% as compared to the corresponding period of last year. The increase was primarily attributable to an increase in overall staff costs, as well as the newly acquired/incorporated subsidiaries.

#### *Selling and distribution costs*

The selling and distribution costs for the Review Period amounted to approximately HK\$29 million, representing an increase of approximately 31% as compared to the corresponding period of last year. The increase was mainly due to higher selling and distribution costs from newly acquired/incorporated subsidiaries and also the promotion campaigns for our third party card acquiring business in Thailand.

#### *Finance costs*

The finance costs for the Review Period amounted to approximately HK\$24 million, representing an increase of approximately 221% as compared to the corresponding period of last year. The increase was mainly due to the increase in interest expense on convertible bonds and interest expense on bonds.



## 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\$94 million, representing an increase of approximately 26% as compared to the corresponding period of last year. Basic loss per share was approximately 6.25 HK cents compared with basic loss per share of 5.18 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 19 July 2017, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with Gayang (HongKong) Co., Limited (嘉銀(香港)有限公司) (“**Gayang**” or the “**Subscriber**”), an independent third party, pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to issue and allot, 150,000,000 ordinary shares (the “**Subscription Shares**”) at the subscription price of HK\$1.25 per share (the “**Subscription**”). The Subscription Shares were issued and allotted to the Subscriber in two tranches. On 3 August 2017, all conditions to the first tranche (the “**Tranche One Subscription**”) and the second tranche (the “**Tranche Two Subscription**”) of the Subscription pursuant to the Subscription Agreement have been satisfied. As such, Tranche One Subscription and Tranche Two Subscription took place on 3 August 2017 and 17 August 2017 respectively. Upon completion of the Tranche One Subscription and Tranche Two Subscription, the number of issued shares of the Company (the “**Shares**”) increased from 1,461,165,438 Shares to 1,611,165,438 Shares. Details of the Subscription, completion of Tranche One Subscription and Tranche Two Subscription were set out in the announcements of the Company dated 19 July 2017, 3 August 2017 and 17 August 2017 respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As stipulated in the announcement of the Company dated 19 July 2017, the Subscription raised approximately HK\$187 million. Such proceeds were to be applied in the following manner:

- (i) settle borrowings and interest expenses incurred by the Company of approximately HK\$96 million; and
- (ii) potential acquisitions, investments and business expansions in relation to the prepaid cards and internet payment business of the Group of approximately HK\$91 million.

As at the date of this report, there is no definitive plan or timing determined for these activities, and the Company has been exploring and identifying suitable projects in this regard but has not commenced any negotiation or discussions for acquisition or entered into any definitive agreements for any such acquisition. If there is any development, further announcement(s) will be made as and when appropriate.

On 30 September 2017, the Group's other long-term borrowings amounted to Baht 7,650,000 (equivalent to approximately HK\$1,784,000) (31 March 2017: Baht 7,650,000 (equivalent to approximately HK\$1,747,000)) 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.

The gearing ratio of the Group is calculated as a ratio of total borrowings to total assets for the period/year ended 30 September 2017 and 31 March 2017 were approximately 16% and 19% respectively. As at 30 September 2017, the Group had net current assets of approximately HK\$760.29 million (31 March 2017: approximately HK\$629.80 million).

Current ratio at 30 September 2017 was 1.95 (31 March 2017: 2.06). The cash and cash equivalents of the Group as at 30 September 2017 were approximately HK\$264.11 million (31 March 2017: approximately HK\$264.57 million).



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK\$1,436.88 million as at 30 September 2017 (31 March 2017: approximately HK\$1,235.26 million).

### SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 30 September 2017, the Group had investments in securities in Hong Kong with a market value of approximately HK\$134.84 million (31 March 2017: approximately HK\$139.70 million), representing a listed equity in Hong Kong. Upon acquisition, the Group recorded an accumulated unrealised fair value gain of approximately HK\$56.80 million in respect of investment in listed securities up to 30 September 2017 (31 March 2017: approximately HK\$71.12 million). The details of the investments as at 30 September 2017 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Cost of acquisition <i>HK\$'000</i>	Unrealised fair value gain since acquisition <i>HK\$'000</i>	Fair value as at 30 September 2017 <i>HK\$'000</i>	% of net assets	Principal activities
Zhi Cheng Holdings Limited ("Zhi Cheng")	8130	508,000,000	18.20%	68,580	30,480	99,060	6.39%	Provision of financial leasing and other financial services, consultancy services, advertising and media related services, provision of project management services, travel agency and related operations
Nexion Technologies Limited ("Nexion")	8420	67,500,000	11.25%	9,460	26,315	35,775	2.31%	Provision of cyber infrastructure solutions and research and development and provision of cyber security solutions services



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE** *(continued)*

During the Review Period, there was no dividend received from the securities held. Since the share price of Zhi Cheng dropped from HK\$0.275 at 31 March 2017 to HK\$0.195 at 30 September 2017, the Group recorded an unrealised fair value loss of approximately HK\$40.64 million (31 March 2017: approximately HK\$68.58 million) in respect of investment in Zhi Cheng at 30 September 2017.

On 16 June 2017, Nexion completed its public offer and was listed on the GEM by issuing 150,000,000 ordinary shares of HK\$0.48 each. After completion of the public offer together with the capitalisation issue, the equity interest in Nexion (Stock code: 8420) held by the Group decreased to 11.3%, which represented 67,500,000 ordinary shares held. At 30 September 2017, the fair value of the equity interest in Nexion was approximately HK\$35.78 million and the fair value increase of approximately HK\$26.32 million was recognised in other comprehensive income for the period.

On 28 September 2017, the Group entered into a share disposal agreement with the executive director and the chief executive officer of Zhi Cheng and a connected person to the Company to dispose 508,000,000 shares at the price of HK\$0.16 per share. The total consideration of the disposal is approximately HK\$81.28 million. Details are set out in the announcement dated 28 September 2017. The transaction is not yet completed at the date of approving the Interim Financial Statements.

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. As at 30 September 2017, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$4,200,000 (equivalent to approximately HK\$32,806,000) (31 March 2017: US\$3,600,000 (equivalent to approximately HK\$27,974,000)). 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 as at 30 September 2017.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2017, the Group had a total staff of 309 (31 March 2017: 443) of whom 32 (31 March 2017: 31) were based in Hong Kong, 260 (31 March 2017: 401) was based in the PRC, 15 (31 March 2017: 10) were based in Thailand, 1 (31 March 2017: 1) was based in Singapore, 1 (31 March 2017: Nil) was based in Korea. The total remuneration paid to employees, including Directors, for six months ended 30 September 2017 was approximately HK\$64,750,000 (2016: approximately HK\$52,410,000). 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**

As at 30 September 2017, the Group did not have any charges on assets.

### **CONTINGENT LIABILITIES**

As at 30 September 2017, the Group did not have any significant contingent liabilities.

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

As at 30 September 2017, 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
Mr. Yan Dinggui ("Mr. Yan")	Interest in controlled corporations <i>(Note 1)</i>	272,629,430	16.92%
Dr. Cao Guoqi ("Dr. Cao")	Interest in a controlled corporation <i>(Note 2)</i>	150,000	0.01%
	Beneficial owner <i>(Note 3)</i>	21,000,000	1.30%
	Interest of spouse <i>(Note 4)</i>	1,370,000	0.09%
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner <i>(Note 3)</i>	2,000,000	0.12%
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner <i>(Note 3)</i>	25,000,000	1.55%
Mr. Xiong Wensen ("Mr. Xiong")	Beneficial owner <i>(Note 3)</i>	13,600,000	0.84%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner <i>(Note 3)</i>	5,000,000	0.31%
Dr. Zhou Jinhuang ("Dr. Zhou")	Beneficial owner <i>(Note 3)</i>	1,400,000	0.09%

#### Notes:

- Since 19 July 2017, Gayang has acquired 29,970,512 Shares on 21 July 2017 and 30,000,000 Shares on 31 July 2017, as disclosed in the corporate substantial shareholder notices submitted by Gayang on 24 July 2017 and 1 August 2017, respectively. As at 30 September 2017, 62,658,918 Shares were held by Jiayin Finance Holding Group Co., Limited ("Jiayin") and 209,970,512 Shares were held by Gayang. As Mr. Yan, an executive Director, is the ultimate controlling shareholder of Jiayin and Gayang, he is deemed to be interested in those 272,629,430 Shares held by Jiayin and Gayang pursuant to Part XV of the SFO.
- These 150,000 Shares were held by Probest Limited ("Probest") which in turn is wholly owned by Dr. Cao, an executive Director. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 150,000 Shares held by Probest pursuant to Part XV of the SFO.





## **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")** *(continued)*

*Notes: (continued)*

3. These Shares represent the share options granted to Dr. Cao, Mr. Fung, Mr. Zhang, Mr. Xiong, Mr. Song and Dr. Zhou pursuant to the Company's share option scheme. Accordingly pursuant to Part XV of the SFO, they are taken to be interested in the underlying shares of the Company that they are entitled to subscribe for subject to the exercise of the share options granted.
4. 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 pursuant to Part XV of the SFO.

### **(b) Associated corporations**

Save as disclosed above, as at 30 September 2017, 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 2017, 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
Mr. Zhang Chang	Interest in a controlled corporation ( <i>Note 1</i> )	260,090,000	16.14%
Sino Starlet Limited (" <b>Sino Starlet</b> ")	Beneficial owner ( <i>Note 1</i> )	260,090,000	16.14%
上海嘉捷資產管理有限公司	Interest in a controlled corporation ( <i>Note 2</i> )	209,970,512	13.03%
Gayang and its ultimate controlling shareholder	Beneficial owner ( <i>Note 2</i> )	209,970,512	13.03%
Jiayin	Beneficial owner ( <i>Note 2</i> )	62,658,918	3.89%

Save as disclosed above, as at 30 September 2017, 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.



## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO** *(continued)*

### **The Company** *(continued)*

#### *Long positions in Shares (continued)*

##### *Notes:*

1. Mr. Zhang Chang directly holds 100% of the issued share capital of Sino Starlet. Therefore, Mr. Zhang Chang is taken to be interested in the number of Shares held by Sino Starlet pursuant to Part XV of the SFO.
2. Since 19 July 2017, Gayang has acquired 29,970,512 Shares on 21 July 2017 and 30,000,000 Shares on 31 July 2017, as disclosed in the corporate substantial shareholder notices submitted by the Subscriber on 24 July 2017 and 1 August 2017, respectively. As at 30 September 2017, 62,658,918 Shares were held by Jiayin and 209,970,512 Shares were held by Gayang. As Mr. Yan, an executive Director, is the ultimate controlling shareholder of Jiayin and Gayang, he is deemed to be interested in those 272,629,430 Shares held by Jiayin and Gayang pursuant to Part XV of 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's Share Option Scheme was adopted. For the period ended 30 September 2017, no share options have been granted under the Share Option Scheme. Set out below are details of the movements of share options during the six months ended 30 September 2017.

Grantees	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant (HK\$)	Options outstanding as at 1 April 2017	Options granted since 1 April 2017	Options exercised since 1 April 2017	Options lapsed/ cancelled since 1 April 2017	Options outstanding as at 30 September 2017	
<b>Directors, chief executives and substantial shareholders</b>									
Mr. Zhang	7 September 2012	(Note 1)	0.84	0.84	6,000,000	-	-	(6,000,000)	-
	21 April 2015	(Note 4)	2.22	2.20	20,000,000	-	-	-	20,000,000
	1 September 2016	(Note 5)	1.68	1.68	5,000,000	-	-	-	5,000,000
Dr. Cao	19 November 2013	(Note 2)	1.66	1.64	6,000,000	-	-	-	6,000,000
	21 April 2015	(Note 4)	2.22	2.20	5,000,000	-	-	-	5,000,000
	1 September 2016	(Note 5)	1.68	1.68	10,000,000	-	-	-	10,000,000
Mr. Fung	19 November 2013	(Note 2)	1.66	1.64	2,000,000	-	-	-	2,000,000
Mr. Xiong	22 September 2014	(Note 3)	1.55	1.40	8,600,000	-	-	-	8,600,000
	21 April 2015	(Note 4)	2.22	2.20	5,000,000	-	-	-	5,000,000
Mr. Song	21 April 2015	(Note 4)	2.22	2.20	5,000,000	-	-	-	5,000,000
Dr. Zhou	1 September 2016	(Note 5)	1.68	1.68	1,400,000	-	-	-	1,400,000
<b>Employees and senior management</b>	19 November 2013	(Note 2)	1.66	1.68	7,500,000	-	-	-	7,500,000
	22 September 2014	(Note 3)	1.55	1.40	30,500,000	-	-	-	30,500,000
	21 April 2015	(Note 4)	2.22	2.20	15,000,000	-	-	-	15,000,000
	1 September 2016	(Note 5)	1.68	1.68	77,000,000	-	-	-	77,000,000
<b>Others</b>	19 November 2013	(Note 2)	1.66	1.68	38,500,000	-	-	-	38,500,000
	22 September 2014	(Note 3)	1.55	1.40	32,900,000	-	-	-	32,900,000
	21 April 2015	(Note 4)	2.22	2.20	53,680,000	-	-	-	53,680,000
					329,080,000	-	-	(6,000,000)	323,080,000

## SHARE OPTION SCHEME *(continued)*

### Notes:

1. One third of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 6 March 2013 to 6 September 2017, both dates inclusive.

Another one third of the share options have been vested on the date falling on the second anniversary of the date of grant and exercisable from 6 March 2014 to 6 September 2017, both dates inclusive.

The remaining of the share options have been vested on the date falling on the third anniversary of the date of grant and exercisable from 6 March 2015 to 6 September 2017, both dates inclusive.

All share options have been lapsed on 7 September 2017.

2. 11,000,000 of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 19 November 2013 to 18 November 2018, both dates inclusive.

4,500,000 of the share options have been vested on the date falling on the second anniversary of the date of grant and exercisable from 19 November 2014 to 18 November 2018, both dates inclusive.

38,500,000 of the share options have been vested on 27 January 2015, which represented the date when the services are provided and certain performance conditions are achieved and exercisable from 27 January 2015 to 18 November 2018, both dates inclusive.

3. 72,000,000 of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 22 September 2014 to 21 September 2015, both dates inclusive.

4. One third of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 21 April 2016 to 20 April 2020, both dates inclusive.

Another one third of the share options have been vested on the date falling on the second anniversary of the date of grant and exercisable from 21 April 2017 to 20 April 2020, both dates inclusive.

The remaining of the share options have been vested on the date falling on the third anniversary of the date of grant and exercisable from 21 April 2018 to 20 April 2020, both dates inclusive.

5. One third of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 1 September 2017 to 31 August 2021, both dates inclusive.

The remaining of the Share Options shall be vested on the 1st day of each month over a period of two years commencing from 1 September 2018 in equal portions (1/36 each, rounded down to the nearest whole Share Option except the last portion to be vested) and exercisable from the respective date of vesting to 31 August 2021, both dates inclusive.



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

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**

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 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 2017 to 30 September 2017.

## 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. Yuan Shumin 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 2017 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

**Mr. Yan Dinggui**

*Executive Deputy Chairman*

Hong Kong, 14 November 2017

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