

# EFT Solutions Holdings Limited

# 俊盟國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8062



**2017**  
**Third Quarterly Report**



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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of EFT Solutions Holdings Limited (the “**Company**”), and together with its subsidiaries, (the “**Group**”, “**we**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.*



# Contents

Corporate Information	3
Third Quarterly Results	5
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Consolidated Statement of Changes in Equity	6
Notes to the Quarterly Financial Information	7
Management Discussion and Analysis	12
Disclosure of Interests and Other Information	19

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lo Chun Kit Andrew  
*(Chairman and Chief Executive Officer)*

Mr. Chan Lung Ming  
*(Vice Chairman and Chief Strategy Officer)*

Mr. Lo Chun Wa

### Non-executive Directors

Ms. Lam Ching Man  
Mr. Lui Hin Weng Samuel

### Independent Non-executive Directors

Mr. Lam Keung  
Ms. Yang Eugenia  
Mr. Ng Ming Fai

## COMPLIANCE OFFICER

Mr. Lo Chun Wa

## COMPANY SECRETARY

Mr. Luk Pok Yin

## AUTHORISED REPRESENTATIVES

Mr. Lo Chun Kit Andrew  
Mr. Luk Pok Yin

## AUDIT COMMITTEE

Ms. Yang Eugenia *(Chairman)*  
Mr. Lam Keung  
Mr. Ng Ming Fai

## REMUNERATION COMMITTEE

Mr. Ng Ming Fai *(Chairman)*  
Mr. Lo Chun Kit Andrew  
Mr. Lam Keung

## NOMINATION COMMITTEE

Mr. Lo Chun Kit Andrew *(Chairman)*  
Mr. Lam Keung  
Mr. Ng Ming Fai

## COMPLIANCE ADVISER

Lego Corporate Finance Limited  
Room 1601, 16/F, China Building  
29 Queen's Road Central  
Hong Kong

## HONG KONG LEGAL ADVISER

Li & Partners  
22/F, World-Wide House  
Central, Hong Kong

## AUDITOR

Elite Partners CPA Limited  
10/F, 8 Observatory Road  
Tsim Sha Tsui, Kowloon, Hong Kong

## PRINCIPAL BANK

Hang Seng Bank Limited  
9/F, 83 Des Voeux Road Central  
Hong Kong

## REGISTERED OFFICE

Clifton House  
75 Fort Street, P.O. Box 1350, Grand Cayman  
KY1-1108, Cayman Islands



# Corporate Information

## **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Workshops B1 & B3  
11/F, Yip Fung Industrial Building  
28-36 Kwai Fung Crescent  
Kwai Chung, New Territories  
Hong Kong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street, P.O. Box 1350, Grand Cayman  
KY1-1108, Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Boardroom Share Registrars (HK) Limited  
2103B, 21/F, 148 Electric Road  
North Point, Hong Kong

## **STOCK CODE**

8062

## **COMPANY WEBSITE**

[www.eftsolutions.com](http://www.eftsolutions.com)

## Third Quarterly Results

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and nine months ended 31 December 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 31 December 2017

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>34,673</b>	10,938	<b>69,289</b>	35,207
Cost of goods sold and services		<b>(17,351)</b>	(6,119)	<b>(32,889)</b>	(19,551)
<b>Gross profit</b>		<b>17,322</b>	4,819	<b>36,400</b>	15,656
Other income		<b>42</b>	92	<b>135</b>	158
Other losses		<b>(90)</b>	(4)	<b>(138)</b>	(14)
Administrative expenses		<b>(11,921)</b>	(1,314)	<b>(22,031)</b>	(3,953)
Listing expenses		-	(3,198)	-	(12,528)
Finance costs		-	(14)	<b>(1)</b>	(161)
<b>Profit (loss) before tax</b>		<b>5,353</b>	381	<b>14,365</b>	(842)
Income tax expense	5	<b>(865)</b>	(607)	<b>(2,510)</b>	(1,945)
<b>Profit (loss) and total comprehensive income (expenses) for the period</b>		<b>4,488</b>	(226)	<b>11,855</b>	(2,787)
<b>Earnings (loss) per share</b>	6				
- Basic (HK cents)		<b>0.94</b>	(0.05)	<b>2.47</b>	(0.58)
- Diluted (HK cents)		<b>0.93</b>	(0.05)	<b>2.44</b>	(0.58)

# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2017

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 <i>(Note)</i>	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>As at 1 April 2017 (audited)</b>	<b>4,800</b>	<b>53,545</b>	<b>(10,228)</b>	<b>–</b>	<b>9,990</b>	<b>58,107</b>
Equity-settled share-based payment transaction	–	–	–	<b>6,208</b>	–	<b>6,208</b>
Profit and total comprehensive income for the period	–	–	–	–	<b>11,855</b>	<b>11,855</b>
<b>As at 31 December 2017 (unaudited)</b>	<b>4,800</b>	<b>53,545</b>	<b>(10,228)</b>	<b>6,208</b>	<b>21,845</b>	<b>76,170</b>
<b>As at 1 April 2016 (audited)</b>	–	–	–	–	11,285	11,285
Loss and total comprehensive expense for the period	–	–	–	–	(2,787)	(2,787)
Issue of share capital	4,800	43,487	–	–	–	48,287
Effect of the Reorganisation <i>(Note)</i>	–	10,228	(10,228)	–	–	–
<b>As at 31 December 2016 (unaudited)</b>	<b>4,800</b>	<b>53,715</b>	<b>(10,228)</b>	<b>–</b>	<b>8,498</b>	<b>56,785</b>

*Note:* Special reserve represents the difference between the entire issue shares of EFT Solutions Limited (“EFT”) acquired by the Group amounting to HK\$100 and the consideration for acquiring EFT by EFT Solutions International Limited, a wholly-owned subsidiary of the Group, amounting to approximately HK\$10,228,000 pursuant to the Reorganisation (as defined in Note 2).

# Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2017



## 1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 May 2016. Its registered office is located at Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Workshops B1 & B3, 11th Floor, Yip Fung Industrial Building, 28-36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in sourcing of electronic fund transfer at point-of-sale (“**EFT-POS**”) terminals and peripheral devices, and provision of EFT-POS system support services and software solution services. Its parent and ultimate holding company is LCK Group Limited (“**LCK**”), a private company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Lo Chun Kit Andrew (“**Mr. Lo**”).

The presentation currency of the quarterly financial information is Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Group.



# Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2017

## 2. BASIS OF PREPARATION AND REORGANISATION

The quarterly financial information have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The amounts included in the quarterly financial information have been computed in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants. However, it does not contain sufficient information to constitute an interim financial statement as defined in HKFRSs.

The quarterly financial information should be read in conjunction with the consolidated financial statements of the Group incorporated in the annual report for the year ended 31 March 2017. The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2017 Annual Report.

The quarterly financial information have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Pursuant to the reorganisation in preparation for the listing of the Company’s shares (the “**Shares**”) on GEM of the Stock Exchange on 15 December 2016 (the “**Listing**”), the Company became the holding company of the subsidiaries now comprising the Group on 20 June 2016 (the “**Reorganisation**”), the details of which are set out in the prospectus of the Company dated 5 December 2016. Accordingly, the comparative figures of the quarterly financial information have been prepared on a combined basis as if the current group structure had been in existence since 1 April 2016, or since the respective dates of incorporation of the relevant entity.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the nine months ended 31 December 2017 (the “**Reporting Period**”), the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the Reporting Period and prior periods.

The Group has not applied new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2017

## 4. REVENUE

The Group's revenue, which represented the amount received or receivable for the revenue derived from sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services, is analysed as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Sourcing of EFT-POS terminals and peripheral devices	8,613	3,075	17,083	13,347
EFT-POS system support services	9,360	7,380	25,777	19,840
Software solution services	16,700	483	26,429	2,020
	<b>34,673</b>	10,938	<b>69,289</b>	35,207

## 5. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax:				
Hong Kong Profits Tax	865	607	2,510	1,945

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits for both periods.

# Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2017

## 6. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the earnings (loss) of the Company for the three months and nine months ended 31 December 2017 and the number of ordinary shares in issue during the period.

The calculation of the basic and diluted earnings (loss) per share for both periods is based on the following data:

	For the three months ended 31 December		For the nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Earnings (loss)</b>				
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	<b>4,488</b>	(226)	<b>11,855</b>	(2,787)

	For the three months ended 31 December		For the nine months ended 31 December	
	2017 '000 (unaudited)	2016 '000 (unaudited)	2017 '000 (unaudited)	2016 '000 (unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>480,000</b>	480,000	<b>480,000</b>	480,000
Effect of dilutive potential ordinary shares on share options	<b>5,014</b>	–	<b>5,014</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<b>485,014</b>	480,000	<b>485,014</b>	480,000

The number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share has been determined based on the assumption that the Reorganisation and capitalisation issue were deemed to be effective on 1 April 2016.

# Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2017

## 7. RELATED PARTY TRANSACTIONS

During the three months and nine months ended 31 December 2016 and 2017, the Group entered into the following transactions with related parties:

Name of related parties	Nature of Transactions	For the three months ended		For the nine months ended	
		31 December		31 December	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
EFT Payments (Asia) Limited	Sourcing of EFT-POS terminals and peripheral devices	1,431	–	3,400	2,343
	Provision of EFT-POS system support services	509	235	1,253	539
	Management income received	–	15	20	45
	Rental income received	–	16	21	31
	Disposal of fixed asset	–	–	57	–
Mr. Lo	Interest income received	–	–	–	19
	Rental expense paid	243	243	729	729
Ms. Lam Ching Man (Note 1)	Rental expense paid	81	81	243	243
Mr. Lo Chun Wa (Note 2)	Rental expense paid	45	45	135	135
Hung Wai Innovation Limited (Note 3)	Purchasing cost of peripheral devices	–	–	92	–
Hung Wai Holdings Limited (previously known as Hung Wai Products Limited) (Note 3)	Purchasing cost of peripheral devices	170	–	261	–

Note 1: Ms. Lam Ching Man ("**Ms. Lam**") is a Director and the spouse of Mr. Lo.

Note 2: Mr. Lo Chun Wa is a Director and the brother of Mr. Lo.

Note 3: Hung Wai Holdings Limited (previously known as Hung Wai Products Limited) ("**Hung Wai**"), of which Mr. Lo holds 25%, became related company of the Group since April 2017. Hung Wai Innovation Limited is the wholly-owned subsidiary of Hung Wai Electronics (Huizhou) Limited, which is owned by Hung Wai as to 92.12% of its shareholdings. Accordingly, it is also a related company of the Group.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Overview

During the Reporting Period, the Group recorded revenue of approximately HK\$69.3 million which represented an increase of approximately 96.9% as compared with approximately HK\$35.2 million in the corresponding period in 2016.

The Group recorded profit after tax of approximately HK\$11.9 million for the Reporting Period. However, the Group recorded loss after tax of approximately HK\$2.8 million for the nine months ended 31 December 2016, as a result of the one-off listing expenses in connection with the preparation for Listing of approximately HK\$12.5 million recorded during the nine months ended 31 December 2016.

### Revenue

The Group's revenue principally represented income derived from sourcing of EFT-POS terminals and peripheral devices, provision of EFT-POS system support services and software solutions services. Revenue of approximately HK\$69.3 million was recognised for the Reporting Period which represented a significant increase of approximately 96.9% as compared with approximately HK\$35.2 million in the corresponding period in 2016. This was mainly due to increase in provision of software solution services of approximately 1,220.0% compared to the corresponding period in 2016.

For sourcing of EFT-POS terminals and peripheral devices, revenue of approximately HK\$17.1 million was recognised for Reporting Period which represented an increase of approximately 28.6% as compared to HK\$13.3 million in the corresponding period in 2016 due to increase in number of EFT-POS terminals sold.

For provision of EFT-POS system support services, revenue of approximately HK\$25.8 million was recognised for the Reporting Period which represented an increase of approximately 30.3% as compared to HK\$19.8 million in the corresponding period in 2016 due to increase in number of EFT-POS terminals covered by our system support services.

For provision of software solution services, revenue of approximately HK\$26.4 million was recognised for the Reporting Period which represented a significant increase of approximately 1,220.0% as compared to HK\$2.0 million in the corresponding period in 2016. The reason for the increase was that an increased number of software solution projects completed during the Reporting Period were at higher contract values as compared with that in the corresponding period in 2016.

### Costs of Goods Sold and Services

Costs of goods sold and services primarily consisted of costs of inventories recognised as expense, cost of independent service providers, tools and consumables, salaries and benefits, freight and transportation, rent, local travelling and telephone and utilities expense. Costs of goods sold and services for the nine months ended 31 December 2016 and 2017 was approximately HK\$19.6 million and HK\$32.9 million, respectively, which represented an increase of approximately 67.9% due to increase in costs of independent service providers in accordance with the increase in revenue from provision of EFT-POS system support services and software solution services.

# Management Discussion and Analysis

## Gross Profit and Gross Profit Margin

The overall gross profit for the nine months ended 31 December 2016 and 2017 was approximately HK\$15.7 million and HK\$36.4 million, respectively, which represented an increase of approximately 131.8%; and the overall gross profit margin for the nine months ended 31 December 2016 and 2017 were approximately 44.5% and 52.5%, respectively, which represented an increase of approximately 8.0%. The reason for the increase was that the Group completed an increased number of software solution projects with high contract values which generated relatively higher profit margin than that generated from sourcing EFT-POS terminals and system support services in the Reporting Period as compared to that in corresponding period in 2016.

## Other Income

Other income mainly represented delivery income charged back to customers and management fee income. Other income for the nine months ended 31 December 2016 and 2017 was approximately HK\$0.2 million and HK\$0.1 million, respectively, and was relatively stable over the corresponding periods.

## Staff Costs

Staff costs of approximately HK\$9.9 million and HK\$22.5 million were recorded for the nine months ended 31 December 2016 and 2017, respectively, which represented an increase of approximately 127.3%. The increase was mainly due to the increase in directors' remuneration and staff salaries after the Listing as well as the share-based payment expenses.

## Listing Expenses

During the Reporting Period, the Group had not incurred any listing expense. The Group incurred listing expenses of approximately HK\$12.5 million for the nine months ended 31 December 2016 in connection with the preparation for the Listing which were charged as expenses. Total listing expenses for the nine months ended 31 December 2016 were approximately HK\$20.3 million, and part of these expenses of approximately HK\$5.5 million was available for offsetting against the Company's equity reserves and approximately HK\$1.3 million had been borne by Mr. Lo, the selling shareholder during the Listing.

## Other Administrative Expenses

Other administrative expenses (excluding listing expenses and staff costs) comprised mainly auditors' remuneration, depreciation, legal and professional fees and office expenses.

Other administrative expenses for the nine months ended 31 December 2016 and 2017 were approximately HK\$1.7 million and HK\$8.6 million, respectively, which represented a significant increase of approximately 405.9% as a result of increased legal and professional fees of approximately HK\$6.0 million to cope with the needs of compliance work as a result of the listing status and potential investment projects.



# Management Discussion and Analysis

## Finance Costs

Finance costs represented interest expenses on bank borrowings. Finance costs for the nine months ended 31 December 2016 and 2017 were approximately HK\$161,000 and HK\$1,000, respectively. Since the Group's bank borrowings have been fully settled in April 2017, the finance costs decreased accordingly.

## Income Tax Expense

Income tax expense represented Hong Kong Profits Tax at the rate of 16.5% for the Company's subsidiary in Hong Kong. Listing expenses were not deductible for tax purpose.

## Profit (Loss) for the Period

For the Reporting Period, the Group recorded profit for the period of approximately HK\$11.9 million as compared to a loss of approximately HK\$2.8 million for the nine months ended 31 December 2016. The turnaround result was mainly due to completion of software solution projects with high contract values in the Reporting Period, which is set off against the increase in the share-based payment expenses, and absence of non-recurring listing expenses, boosted up the profit of the Group.

## Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with major banks in Hong Kong and denominated mostly in Hong Kong dollars.

The Group has remained at a sound financial resource level. As at 31 December 2017, the Group had net current assets of approximately HK\$72.5 million (as at 31 December 2016: approximately HK\$55.4 million) including cash and bank balances of approximately HK\$25.8 million (as at 31 December 2016: approximately HK\$52.4 million).

As at 31 December 2017, the gearing ratio (calculated on the basis of total bank borrowings divided by the total equity as at the end of the period) of the Group was nil (as at 31 December 2016: approximately 2.2%).

## Pledge of Assets

As at 31 December 2017, the Group did not have any pledged assets (as at 31 December 2016: nil).

# Management Discussion and Analysis

## Capital Commitments and Contingent Liabilities

As at 31 December 2017, the Group did not have any significant capital commitments (as at 31 December 2016: nil).

As at 31 December 2017, the Group did not have any significant capital expenditures (as at 31 December 2016: nil).

As at 31 December 2017, the Group did not have any significant contingent liabilities (as at 31 December 2016: nil).

## Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

On 22 November 2017, the Group entered into a subscription agreement with Open Sparkz Pty Ltd (“**Open Sparkz**”) to subscribe for the subscription shares, which represents 25% of the enlarged issued share capital of Open Sparkz at the consideration of AUD1 million by five installments. Open Sparkz is incorporated in Australia and is principally specialising in highly automated offers and rewards solutions using front of wallet credit, debit and prepaid cards. The Group considers that the subscription could provide an opportunity to the Group to enter into the electronic payment business. For the Reporting Period and up to the date of this report, the Group has paid AUD450,000 to Open Sparkz to subscribe shares for the first and second installments.

On 19 January 2018, the Group has entered into the sale and purchase agreement with Earn World Enterprises Limited (“**Earn World Enterprises**”), pursuant to which Earn World Enterprises has conditionally agreed to sell and the Group has conditionally agreed to purchase the sale shares, which represented 70% of the entire issued share capital of Earn World Development Limited (“**Earn World Development**”). The consideration for the acquisition is HK\$210.0 million which shall be payable by the Group as to HK\$16.0 million by cash and HK\$194.0 million by issuance of promissory notes. Completion is subject to fulfillment of the terms and conditions precedent set out in the sale and purchase agreement. Earn World Development and its subsidiaries has been in the information technology industry for more than ten years. It is principally engaged in the provision of software solution in retail, distribution and accounting sectors including point of sales system, ordering and inventory system and accounting system, with the objective of providing commercial software applications and retail and distribution solutions which are suitable for global operation. The Group considers that the acquisition could provide an opportunity to the Group to enlarge the market share of the software solutions business and to explore more business opportunities in payment solutions so as to strengthen the Company’s financial position and maintain its growth in Hong Kong. Please refer to the Company’s announcement dated 19 January 2018 for further details. For the Reporting Period and up to the date of this report, the terms and conditions for completion has not yet fulfilled.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the Reporting Period and up to the date of this report.





# Management Discussion and Analysis

## Plans for Material Investments and Acquisitions

As of the date of this report, the Group has entered into the memorandum of understanding in respect of the following proposed material investments and acquisitions as follows:

- The Group has conditionally proposed to subscribe for the subscription shares, which represents 75% of the enlarged issued share capital of Newport Technology Pty Ltd (“**Newport**”). Newport is incorporated in Australia and is principally engaged in guiding the clients through the maze of embedded systems technology to achieve an effective price/performance ratio for their products. The Group considers that the proposed subscription could provide an opportunity to the Group to enter into the overseas software solutions business. Please refer to the Company’s announcement dated 11 September 2017 for further details.
- The Group has conditionally proposed to invest in Hung Wai for a majority stake by way of subscription of new shares or acquisition of shares. Hung Wai is incorporated in Hong Kong and is principally engaged in investment holding and the trading of electronic technological products, and vending machines used in conjunction with EFT-POS products and peripheral devices. The Group considers that the proposed investment could provide an opportunity to the Group to expand our market share through provision of customised EFT-POS products and devices to meet the specific customer needs and to meet global trend of smart city development and will further enhance the investment portfolio and future earnings of the Group. Please refer to the Company’s announcement dated 25 October 2017 for further details.
- The Group has conditionally proposed to make an angel investment in Trend Lab Limited (“**Trend Lab**”) by way of subscription of new shares, which represents approximately 10% of the enlarged issued share capital of Trend Lab. Trend Lab is incorporated in Hong Kong and is principally focusing on electronic payments. The Group considers that the proposed subscription could provide an opportunity to the Group to enter into the electronic payment business. Please refer to the Company’s announcement dated 15 January 2018 for further details.

## Dividend

The Board does not recommend the payment of any dividend for the Reporting Period (for the nine months ended 31 December 2016: nil).

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is a leading EFT-POS solution provider focusing on sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services in Hong Kong.

The Group positions itself as the link between EFT-POS terminal manufacturers and acquirers (i.e. acquiring bank or payment processor that processes credit or debit card payments on behalf of a merchant) to provide total EFT-POS solutions including sourcing of EFT-POS terminals and peripheral devices services, together with developing software that comply with electronic payment standards acceptance certification, installation and ongoing maintenance and repair services of EFT-POS terminals and other related services. The Group also provides customised project-based software solution services to merchants. The Group provides sourcing of EFT-POS terminals and peripheral devices services to acquirers as well as merchants. Leveraging its experience in the electronic payment industry and its well-established business relationships with EFT-POS terminal and peripheral device manufacturers, it is able to recommend suitable EFT-POS solutions meeting the requirements of its customers.

During the Reporting Period, the Group recorded a growth of approximately 96.9% in total revenue as compared to the nine months ended 31 December 2016.

The business objective of the Group is to maintain its position as the leading EFT-POS solution provider in Hong Kong. The Group plans to continue to expand its market share and strengthen its market position in Hong Kong's electronic payment industry by increasing its capabilities and offering diverse and high quality services. To achieve this, the Group intends to implement its business strategies, which are to expand and diversify its business offering to increase revenue streams and selectively pursue strategic acquisitions and partnerships.

Looking ahead, the management of the Group would make every endeavor to explore more business opportunities in payment and software solutions so as to strengthen the Group's financial position and maintain its growth.

## USE OF PROCEEDS

The total net proceeds from the issue of new Shares under the public offer and placing after deducting all related expenses was approximately HK\$35.1 million, which are intended to be applied in the following manners:

- approximately HK\$8.9 million, will be used to expand our information technology workforce for total EFT-POS solutions;
- approximately HK\$5.4 million, will be used to expand our information technology workforce for acquiring host software services;
- approximately HK\$5.4 million, will be used to expand our business development workforce;
- approximately HK\$0.6 million, will be used to enhance our information technology and network system;



## Management Discussion and Analysis

- approximately HK\$2.0 million, will be used for property improvements to accommodate new headcount;
- approximately HK\$10.0 million, will be used for potential future strategic acquisitions or arrangements to expand our product portfolio or increase our market share; and
- the remaining amount of approximately HK\$2.8 million, will be used to provide funding for our working capital and other general corporate purposes.

Upon receipt of the proceeds, the actual use of the proceeds by the Group as at 31 December 2017 was as follows:

- approximately HK\$0.8 million has been used to expand our information technology workforce for total EFT-POS solutions;
- approximately HK\$0.3 million has been used to expand our business development workforce;
- approximately HK\$0.3 million has been used to enhance our information technology and network system;
- approximately HK\$0.1 million has been used for property improvements to accommodate new headcount;
- approximately HK\$10.0 million has been used for potential future strategic acquisitions or arrangements to expand our product portfolio or increase our market share;
- approximately HK\$2.8 million has been used for our working capital and other general corporate purposes; and
- the remaining balance of approximately HK\$20.8 million is placed with a licensed bank in Hong Kong.

The Group has been actively exploring opportunities for strategic acquisitions to expand the Group. The Group intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

# Disclosure of Interests and Other Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

### INTERESTS IN THE SHARES OF THE COMPANY

Name	Capacity	Note	Long position			Percentage of total number of issued Shares
			Total interests in ordinary Shares	Total interests in underlying Shares	Total interests	
Mr. Lo	Interest in a controlled corporation	1	360,000,000	–	360,000,000	75%
Ms. Lam	Interest of spouse	2	360,000,000	–	360,000,000	75%
Chan Lung Ming	Beneficial owner	3	–	24,000,000	24,000,000	5%

Notes:

1. Mr. Lo is interested in the entire issued share capital of LCK and he is therefore deemed to be interested in the Shares held by LCK by virtue of the SFO.
2. Ms. Lam is the spouse of Mr. Lo and she is therefore deemed to be interested in the Shares held by Mr. Lo by virtue of the SFO.
3. The interest of Mr. Chan Lung Ming ("**Mr. Chan**") in 24,000,000 underlying shares represents the interest in the share options granted by the Company to him on 18 September 2017 under the Share Option Scheme (as defined under the paragraph headed "Share Option Scheme"). The consideration paid by Mr. Chan on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$0.320 per share and the exercisable period is between 18 September 2017 and 17 September 2027.

Save as disclosed above and the paragraph headed "Share Option Scheme", as at 31 December 2017, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

# Disclosure of Interests and Other Information

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, to the knowledge of the Directors, shareholders of the Company (the "Shareholders") (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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 were as follows:

Name	Capacity	Note	Long position	
			Number of ordinary Shares	Percentage of total number of issued Shares
LCK	Beneficial Owner	1	360,000,000	75%

Note:

1. The entire issued share capital of LCK is legally and beneficially owned by Mr. Lo who is deemed to be interested in the Shares held by LCK by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, to the knowledge of the Directors, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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.

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and the paragraph headed "Share Option Scheme", at no time during the Reporting Period, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined under the paragraph headed "Share Option Scheme"), at no time during the Reporting Period was the Company, any of its subsidiaries, its associated companies 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).

# Disclosure of Interests and Other Information

## DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

For the Reporting Period, none of the Directors, nor the substantial Shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interests (other than their interest in the Company or (prior to completion of the Reorganisation) its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 7 to the quarterly financial information and the sub-heading "Plans for Material Investments and Acquisitions" in this report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

## CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in Note 7 to the quarterly financial information and the sub-heading "Plans for Material Investments and Acquisitions" in this report, for the Reporting Period, there had been no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of their close associates, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of their close associates.

## SHARE OPTION SCHEME

A share option scheme was adopted and approved by the Shareholders on 23 November 2016 (the "**Share Option Scheme**"). On 18 September 2017, the Company granted 43,200,000 share options (the "**Options**") to certain eligible participants of the Company (the "**Grantee(s)**").

The following is a summary of the principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group. The Share Option Scheme is valid and effective for a period of ten years commencing from the date of adoption of the scheme.

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and



## Disclosure of Interests and Other Information

- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
  - (a) contribution to the development and performance of the Group;
  - (b) quality of work performed for the Group;
  - (c) initiative and commitment in performing his/her duties; and
  - (d) length of service or contribution to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Share Option Scheme and any other schemes for the time being of the Company shall not exceed 30% of the shares in issue from time to time. Share options of the Company which are lapsed or cancelled for the time being shall not be counted for the purpose of calculating the said 30% limit and the maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the "**Cancelled Shares**") to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular and the approval of the Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

Upon acceptance of an option to subscribe for Shares granted pursuant to the scheme, the eligible participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to the Options will be a price determined by the Board and notified to each participant and shall be 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 of the Options;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

## Disclosure of Interests and Other Information

Details of the Options granted and outstanding under the Share Option Scheme during the Reporting Period were as follows:

Category	Date of grant	Exercise period of the option	Exercise price HK\$	Number of share options		
				As at 1 April 2017	Granted during the period	As at 31 December 2017
Executive Director (Mr. Chan)	18 September 2017	<i>Note 1</i>	0.320 <i>(Note 4)</i>	–	24,000,000	24,000,000
Employees	18 September 2017	<i>Note 2</i>	0.320 <i>(Note 4)</i>	–	4,800,000	4,800,000
Consultants	18 September 2017	<i>Note 3</i>	0.320 <i>(Note 4)</i>	–	14,400,000	14,400,000
				–	43,200,000	43,200,000

### Notes:

- 40% of the Options granted to Mr. Chan shall become exercisable immediately upon approval by the Shareholders of the Company; 30% of the Options granted to Mr. Chan shall become exercisable on or after completion of one year of service on 1 September 2018 and the remaining Options granted to Mr. Chan shall become exercisable on or after completion of two years of service on 1 September 2019. Options granted to Mr. Chan have been approved by the Shareholders in its extraordinary general meeting held on 10 November 2017.
- 50% of the Options granted to the Grantees of this category shall become exercisable after three months from the date of grant. The remaining Options granted to the Grantees shall become exercisable on or after the first anniversary of the date of grant.
- 50% of the Options granted to the Grantees of this category shall become exercisable after six months from the date of grant. The remaining Options granted to the Grantees shall become exercisable on or after the first anniversary of the date of grant.
- The closing price of shares on the date of grant was HK\$0.320. The average closing price was HK\$0.2744 per share for the five business days immediately preceding the date of grant.
- There are no share options being exercised, cancelled or lapsed during the Reporting Period.

## COMPLIANCE ADVISER'S INTERESTS

As notified by Lego Corporate Finance Limited ("**Lego**"), compliance adviser of the Company, neither Lego nor any of its close associates and none of the directors or employees of Lego had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2017.





## Disclosure of Interests and Other Information

### COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions (the “**Model Code**”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code for the Reporting Period.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.

### COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance in emphasising a quality board of directors, sound internal control, transparency and accountability with a view to safeguard the interests of all the Shareholders.

The Group has adopted the principles and code provisions of Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, the Company has established its audit committee (“**Audit Committee**”), a nomination committee and a remuneration committee with specific written terms of reference. During the Reporting Period and up to the date of this report, the Company has complied with all the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules except for the deviations as follows:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lo is the Chairman and the CEO of the Company. In view that Mr. Lo has been assuming day-to-day responsibilities in operating and managing the Group since 2008 and the rapid development of the Group, the Board believes that with the support of Mr. Lo’s extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and CEO of the Company in Mr. Lo strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to the Group. The Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

Notwithstanding the above, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

# Disclosure of Interests and Other Information

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established by the Board on 23 November 2016 with written terms of reference in compliance with the GEM Listing Rules. Members of the Audit Committee currently comprise Ms. Yang Eugenia (Chairman of the Audit Committee), Mr. Lam Keung and Mr. Ng Ming Fai, all of them being independent non-executive Directors. The primary duties of the Audit Committee include, but are not limited to, (a) monitoring the integrity of the Company's financial statements, (b) reviewing the Company's financial controls, internal control and risk management systems, and (c) reviewing the Group's financial and accounting policies and practices.

The unaudited condensed consolidated quarterly results of the Group for the Reporting Period have not been audited.

The Audit Committee has reviewed with the management of the Group the unaudited condensed consolidated quarterly results of the Group for the Reporting Period, this quarterly report, the accounting principles and policies adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## EVENT AFTER THE REPORTING PERIOD

On 9 January 2018, the Company granted a total of 48,000,000 share options to certain Grantees (including certain Directors and its associate), subject to acceptance by the Grantees, to subscribe for a total of 48,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. Please refer to the Company's announcement dated 9 January 2018 for further details.

On 15 January 2018, the Group conditionally proposed to make an angel investment in Trend Lab by way of subscription of new shares, which represents approximately 10% of the enlarged issued share capital of Trend Lab and the Company entered into a non-legally binding memorandum of understandings with Trend Lab. Please refer to the sub-heading "Plans for Material Investments and Acquisitions" in this report and the Company's announcement dated 15 January 2018 for further details.



## Disclosure of Interests and Other Information

On 19 January 2018, the Group has entered into the sale and purchase agreement with Earn World Enterprises, pursuant to which Earn World Enterprises has conditionally agreed to sell and the Group has conditionally agreed to purchase the sale shares, which represented 70% of the entire issued share capital of Earn World Development. The consideration for the acquisition is HK\$210.0 million which shall be payable by the Group as to HK\$16.0 million by cash and HK\$194.0 million by issuance of the promissory notes. Please refer to the sub-heading “Significant Investments, Material Acquisitions and Disposal of Subsidiaries and Capital Assets” and the Company’s announcement dated 19 January 2018 for further details.

On 26 January 2018, the Company entered into the second supplemental agreement with EFT Payments (Asia) Limited, to revise the existing annual caps for the financial year ending 31 March 2018 from HK\$5.0 million to HK\$9.9 million. Please refer to the Company’s announcement dated 26 January 2018 for further details.

By order of the Board

### **EFT Solutions Holdings Limited**

#### **Lo Chun Kit Andrew**

*Chairman and Chief Executive Officer*

12 February 2018

*As of the date of this report, the Board comprises executive Directors Mr. Lo Chun Kit Andrew, Mr. Lo Chun Wa and Mr. Chan Lung Ming; non-executive Directors Ms. Lam Ching Man and Mr. Lui Hin Weng Samuel; and independent non-executive Directors Mr. Lam Keung, Ms. Yang Eugenia and Mr. Ng Ming Fai.*

*This report will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the date of its posting and be posted on the website of the Company at [www.eftsolutions.com](http://www.eftsolutions.com).*