



# China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)

ANNUAL REPORT 2018





## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Yan Dinggui (*Executive Deputy Chairman*)  
(appointed on 15 September 2017)

Dr. Cao Guoqi  
Mr. Fung Weichang  
Mr. Xiong Wensen  
Mr. Song Xiangping

### Non-executive Directors

Mr. Zhang Huaqiao (*Chairman*)  
(re-designated from an executive director to a  
non-executive director on 15 September 2017)  
Mr. Xie Zhichun (appointed on 27 April 2017)

### Independent Non-executive Directors

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

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Office No. 01, 31st Floor  
Hong Kong Plaza  
188 Connaught Road West  
Hong Kong

## COMPANY SECRETARY

Mr. Tang Wai Leung, *FCCA*

## COMPLIANCE OFFICERS

Dr. Yuan Shumin  
Dr. Cao Guoqi

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## INTERNAL CONTROL COMMITTEE

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

## COMPLIANCE COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Dr. Cao Guoqi  
Mr. Tang Wai Leung

## COMPANY WEBSITE

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

## STOCK CODE

08325

## LEGAL ADVISOR

Tung & Co.  
Office 1601,  
16/F, LHT Tower,  
31 Queen's Road Central,  
Hong Kong

## AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*  
42/F, Central Plaza  
18 Harbour Road  
Wan Chai  
Hong Kong

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

Union Registrars Limited  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

### **PRINCIPAL BANKERS**

Dah Sing Bank Limited  
Bank of Communications Co., Limited  
Bangkok Bank Public Company Limited  
China Merchants Bank Co., Limited  
China Minsheng Bank

### **INVESTOR RELATIONS CONTACT**

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## Deputy Chairman's Statement



*To all shareholders,*

I am pleased to present the annual report of China Smartpay Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2018 to the shareholders of the Company.

For the year ended 31 March 2018, we recorded a net loss of approximately HK\$364.45 million. The loss was due to factors such as the share-based compensation costs, fair value loss on contingent consideration, fair value loss in relation to our investment in Zhi Cheng Holdings Limited (Stock Code: 8130), impairment on goodwill and interests in associates, share of results of associates and interest expenses related to our bonds and convertible bonds. If we were to strip out such factors and items, our net loss for the financial year ended 31 March 2018 would be approximately HK\$23.54 million.

On the operational side, several positive developments took place in the year. We have witnessed rapid expansion of our internet payments operation. We are revamping our internet-based micro-credit business through technology upgrading and process optimisation. We cut the size of the staff in half in early 2018. Since last December the government has been in the process of clamping down on unscrupulous online credit operators. We think this process will last two to three years. While absolutely necessary, we feel that the process will cause collateral damage to all online lenders across the country as the compliance costs rise and bad debts skyrocket. Moreover, the central bank is tightening credit, adding to the challenges faced by credit institutions.

Meanwhile, as one of the few national prepaid-cards issuers, we will continue to explore possibilities to grow our business. At this stage, we still face a lot of uncertainties as the old business has dissipated and new revenue streams still appear elusive.

We are making efforts to take our business online. We see good growth potential here. The total revenue in this segment for the year ended 31 March 2018 was approximately HK\$283 million, a year-over-year growth of 57%. This represents a solid base for us to grow online promotion of our benefits programs.

All the sectors in which we operate are dominated by big players. To survive and prosper in such a competitive environment, we must stay nimble and instill a sense urgency in our team. We must find new ways to work with stronger partners.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, investors, and customers for your support.

**Yan Dinggui**

*Executive Deputy Chairman*

Hong Kong, 29 June 2018

## BUSINESS REVIEW

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 People's Republic of China (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 business, the Group operated in a steady and compliant manner and received recognition and commendation from regulatory authorities in 2017. The prepaid cards business recorded a rapid growth, with the value of cards issued growing by 22% to RMB1.2 billion from 2016. The number and sector of merchants accepting prepaid cards further expanded, and the number of merchants under cooperation exceeded 1,500. Meanwhile, the prepaid card development in certain industries began to produce results. The charging value for healthcare cards exceeded RMB200 million, and the cooperation with several i-PASS companies and scenic spots were accomplished.

As one of the limited national prepaid card enterprises, we will utilise the resources of our branches to vigorously develop prepaid cards business across the nation in the future and intensively strengthened its presence in the areas of industry cooperation leveraging its own advantages.

For prestige benefits business, we are a leader in consolidating upstream and downstream prestige benefits resources in the PRC. It provides resources consolidation of prestige virtual benefits, benefits design and marketing and promotion for credit card centres of major domestic banks and international card issuance organisations. Meanwhile, the Company also offers customised membership benefits products to high-end customers through banking channels and other internet channels.

The Group is fully promoting further development of internet micro-credit business through infrastructure technology upgrading and business model optimisation. By adhering to its positioning of providing "inclusive financial services" and leveraging the internet scene platform, big data capability and technical applications, the Group will provide borrowers with various customised credit products based on their actual situations and meet their borrowing and consumption needs.

For merchant acquiring business in Thailand, the transaction value handled by the Group during the year amounted to Baht26,057 million, representing a slightly decrease by approximately 2% when comparing with last year. It was mainly attributable to the significant decrease in transaction value during the first half year. After the mourning period following the death of the Thailand's King Bhumibol Adulyadej and the advertising and promotion campaigns launched with our major duty-free merchants, there was a rebound in transaction value since October 2017.

For investment business, please refer to significant investments and performance on page 9 to 10.

## 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 business.

For merchant acquiring business in Thailand, we are currently seeking for funding as we expect to use in various investments such as strengthening and broadening the market initiatives, recruitment of new talents and the expansion to Cambodia.

With the implementation and installation of the Group's smart point-of-sales terminals, the Group is also prepared to launch an innovative coupons promotion and redemption program with business partners in mainland China targeted to Chinese tourists abroad, in which Chinese tourists and customers are able to shop, enjoy and redeem their shopping or gift coupons (issued by business entities in China) through their mobile phones at the Group's point-of-sales terminals installed at participating merchants in Thailand.

# Management Discussion and Analysis



To minimize the Group's reliance of a few major business partners and customers during the past years, the Group will continue to expand the global partnership in merchant acquiring business by teaming up with global network associations in order to render one-stop quality merchant payment services to the merchants in Thailand and serve diversified international tourists and cardholders in addition to Chinese tourists.

To exploit the business opportunities under the "Belt and Road" national policy of the PRC government, the Group is expanding its business to Cambodia as the next international market of the Group after Thailand so as to leverage on Cambodia's close economic relationship with the PRC and its development direction 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. The Group has obtained approval in principle from National Bank of Cambodia on the establishment of the payment service provider in June 2018.

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, facilitate future growth and develop of our core business segments.

## FINANCIAL REVIEW

### Revenue

The internet micro-credit services, the merchant acquiring transaction fee income and the foreign exchange rate discount income generated from merchant 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 year ended 31 March 2018. Total revenue of the Group for the year ended 31 March 2018 amounted to approximately HK\$598 million, of which approximately HK\$99 million was attributed to the internet micro-credit business; approximately HK\$110 million was attributed to the prepaid cards and internet payment business; approximately HK\$106 million was attributed to the merchant acquiring business in Thailand; and approximately HK\$283 million was attributed to the prestige benefits business respectively.

The Group's revenue for the year ended 31 March 2018 was approximately HK\$598 million, representing an increase of approximately 22% as compared than that of last year (2017: approximately HK\$489 million) because of the significant increase in the revenue of the prestige benefits business. Such increase was mainly attributable to an increase of number of prestige benefits cards sold and new package promoted to customers.

For merchant acquiring business in Thailand, despite the slightly decrease in transaction volume handled, the increase in revenue was mainly attributable to a higher merchant discount rate ("MDR") charged for transactions in our merchant network using premium-class payment cards of China UnionPay.

### Cost of Goods Sold/Cost of Services Rendered

Total cost of goods sold and cost of services rendered was amounted to approximately HK\$364 million, represented an increase of approximately 36% as compared with the same recorded in last year. Cost of goods sold for the internet micro-credit business represented the cost for goods traded. The cost of services rendered comprised the IT network service fee and franchise license fee of merchant acquiring business in Thailand.

### General Administrative Expenses

The general administrative expenses of the Group for the year ended 31 March 2018 were approximately HK\$266 million, representing an increase of approximately 13% from that of last year. The increase was primarily attributable to an increase in expenses for spin-off project, impairment loss on loan receivables and write-off of loan receivable.



## Selling and Distribution Costs

The selling and distribution costs for the year ended 31 March 2018 amounted to approximately HK\$61 million, representing an increase of approximately 17% from last year. The increase was mainly due to the increase in advertising and promotion expenses to our major duty-free merchants for merchant acquiring business.

## Finance Costs

The finance costs for the year ended 31 March 2018 amounted to approximately HK\$47 million, representing an increase of approximately 53% from last year. The increase was mainly due to the increase in interest expense on convertible bonds and interest expense on secured interest bearing borrowings.

## Loss for the Year

During the year ended 31 March 2018, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$361 million. Basic loss per share was approximately 23.03 HK cents as compared with approximately 12.07 HK cents recorded in last year.

## LIQUIDITY AND FINANCIAL RESOURCES

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

### Subscription of New Shares

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**”), a company ultimately controlled by Mr. Yan Dinggui, 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 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.

### Issue of Third Tranche Consideration Shares

As at 31 March 2018, based on the guaranteed profit reconciliation statement of the AE Investment Consulting Limited and its subsidiaries (together the “**AE Group**”) audited by Mazars CPA Limited (“**Mazars**”) and the associated report of the 2016 net profit issued by Mazars on 5 December 2017, the 2016 net profit exceeded the 2016 performance target and thus, the Group is required to settle the third tranche consideration in full. The final settlement value of the third tranche consideration of approximately HK\$71,000,000 was determined with reference to the an agreed price of the Company’s shares of HK\$2.15 per share as set out in the agreements and the numbers of new shares confirmed to be allotted and a fair value change of approximately HK\$19,245,000 was recognised to the profit or loss for the year. The third tranche consideration was partly settled by issuance of 33,023,255 consideration shares of the Company on 5 December 2017 of approximately HK\$47,223,000, which was measured in accordance with the published share price at the business day prior to the proposed date of issuance of the shares and the remaining balances of approximately HK\$23,777,000 was unsettled at the end of the reporting period. For details, please refer to Information on the Structured Agreements on page 12 to 34.

At as 31 March 2018, the Group’s other long-term borrowings amounted to Baht7,650,000 (equivalent to approximately HK\$1,936,000) (31 March 2017: Baht7,650,000 (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, calculated as a ratio of total borrowings to total assets, for the years ended 31 March 2018 and 31 March 2017 were approximately 18.5% and 18.7% respectively.

As at 31 March 2018, the Group had net current assets of approximately HK\$715.42 million (2017: approximately HK\$629.80 million). Current ratio as at 31 March 2018 was approximately 2.24 (2017: approximately 2.06). The cash and cash equivalents of the Group as at 31 March 2018 were approximately HK\$289.22 million (2017: approximately HK\$264.57 million).

# Management Discussion and Analysis



## CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK\$1,322.49 million as at 31 March 2018 (2017: approximately HK\$1,235.26 million).

## SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 31 March 2018, the Group had investments in securities in Hong Kong with a market value of approximately HK\$117.74 million (2017: approximately HK\$139.70 million). The Group recorded an unrealised fair value gain of approximately HK\$39.70 million in respect of investment in listed securities since acquisition. The details of the investments as at 31 March 2018 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Cost of acquisition HK\$'000	Unrealised fair value gain since acquisition HK\$'000	Fair value as at 31 March 2018 HK\$'000	% of net assets of the Group	Principal activities
Zhi Cheng Holdings Limited ("Zhi Cheng")	8130	508,000,000	15.67%	68,580	14,732	83,312	5.94%	Provision of consultancy services, advertising and media related services, project management services, travel agency and related operations, financial leasing and other financial services.
Nexion Technologies Limited ("Nexion")	8420	67,500,000	11.25%	9,460	24,965	34,425	2.46%	Provision of cyber infrastructure solutions, research and development and provision of cyber security solutions services.

During the year, there were 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\$0.164 at 31 March 2018, the Group recorded an unrealised fair value loss of approximately HK\$56.39 million (2017: unrealised fair value gain of approximately HK\$68.58 million) in respect of investment in Zhi Cheng at 31 March 2018.

On 28 September 2017, the Group 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 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. The transaction has not completed at the date of approving annual report.

Details are set out in the announcement dated 28 September 2017, 8 February 2018, 8 May 2018 and 27 June 2018.

On 16 June 2017, Nexion completed its public offer and was listed on 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 approximately 11.25%, which represented 67,500,000 ordinary shares held. As at 31 March 2018, the fair value of the equity interest in Nexion was approximately HK\$34.43 million and the fair value increase of approximately HK\$24.97 million was recognised in other comprehensive income for the year.

In June 2018, the Group disposed of the entire equity interest in Nexion to certain independent third parties and recognised a gain on disposal of approximately HK\$5 million.

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

### FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in Hong Kong dollars (“**HK\$**”), Renminbi (“**RMB**”) and Baht, which are the functional currencies of the relevant subsidiaries. The Group’s trade receivables arising from the operation of merchant acquiring business in Thailand are mainly denominated in United States dollars (“**US\$**”). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. At 31 March 2018, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$6,000,000 (equivalent to approximately HK\$47,090,000) (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 31 March 2018.

### RESULTS AND DIVIDENDS

For the year ended 31 March 2018 the Group recorded a revenue of approximately HK\$589.48 million (2017: approximately HK\$489.12 million) and a loss attributable to equity holders of the Company of approximately HK\$361.23 million as compared with approximately HK\$174.40 million for the previous year. The basic loss per share was 23.03 HK cents (2017: basic loss per share 12.07 HK cents).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

### EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had a total staff of 332 (2017: 443) of whom 26 (2017: 31) was based in Hong Kong, 288 (2017: 401) were based in the PRC, 17 (2017: 10) were based in Thailand and 1 (2017: 1) was based in Singapore. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

# Management Discussion and Analysis



## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group has made no other material acquisitions, disposals or any significant investments during the year ended 31 March 2018.

## FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Date of announcement	Fund raising activities	Net Proceeds	Intended use of proceeds	Actual use of proceeds
19 July 2017, 3 August 2017 and 17 August 2017	Subscription of 150,000,000 shares in the aggregate of HK\$190 million.	Approximately HK\$187 million	(i) Settlement of borrowings and interest expenses in the aggregate of HK\$96 million.  (ii) Potential acquisition, investments and business expansions in relation to the prepaid cards and internet payment business in the aggregate of HK\$91 million.	(i) Approximately US\$4.87 million was used as the payment of interest.  (ii) The remaining was used as investment, payment of interest and general capital of the Group.

## CAPITAL COMMITMENTS

Saved as disclosed in the annual report, as at 31 March 2018, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to HK\$15 million in respect of the acquisition of equity interests in subsidiaries/associates (2017: approximately HK\$38.33 million in respect of the acquisition of equity interests in subsidiaries/associates.)

## CHARGES ON ASSETS

Saved as disclosed in this annual report, as at 31 March 2018, the Group did not have any charges on assets.

## CONTINGENT LIABILITIES

Save as disclosed in this annual report, as at 31 March 2018, the Group did not have any significant contingent liabilities.

### EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 41 to the consolidated financial statements.

### INFORMATION ON THE STRUCTURED AGREEMENTS

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

The completion of the AE Acquisition is conditional upon, inter alia, satisfaction of the approval of the AE share subscription contemplated thereunder in a general meeting of the Company which shall not be waived in any event. Accordingly, the AE Acquisition and the AE share subscription was considered as a single transaction.

On 8 July 2015, the AE Acquisition was completed.

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

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

The second tranche consideration and the third tranche consideration of the AE Acquisition shall be a maximum of HK\$125 million which shall be settled by the allotment and issue of a maximum of 58,139,534 new ordinary shares of the Company at an issue price of HK\$2.15 per share to the Vendors. The second tranche consideration and the third tranche consideration of the AE Acquisition is subject to adjustments on the basis of the performance targets as stated in the Agreements in respect of the AE Acquisition.

On 11 January 2017, an aggregate of 25,116,279 ordinary shares of the Company was allotted and issued at the subscription price of HK\$2.15 per Share (the “**AE Second Tranche Share Subscription**”) as settlement of the second tranche consideration of the AE Acquisition.

On 5 December 2017, an aggregate of 33,023,255 ordinary shares of the Company was allotted and issued at an agreed price of HK\$2.15 per Share (the “**AE Third Tranche Share Subscription**”) as settlement of the third tranche consideration of the AE Acquisition.

By implementation of a series of structured agreements entered between an indirect wholly owned subsidiary of the Company, 客樂英信息技術(上海)有限公司 (Colourful Message Technology (Shanghai) Limited\*, “**Colourful**”) upon completion of the AE Acquisition, Shanghai Jingyuan and the legal owners of Shanghai Jingyuan (the “**Colourful Structured Agreements**”), Colourful had obtained control over Shanghai Jingyuan and Colourful is entitled, or has rights, to variable returns from its involvement with Shanghai Jingyuan and has the ability to affect those returns through its power over Shanghai Jingyuan.

\* English translation for identification purpose only

# Management Discussion and Analysis



A summary of the information of AE Group, Colourful, Shanghai Jingyuan, Shanghai Jingyuan Shareholders and the Colourful Structured Agreements entered into between Colourful and Shanghai Jingyuan is set out below.

## 1.1 Particulars of AE Investment, AE Group, Colourful and Shanghai Jingyuan

AE Investment is an investment holding company incorporated in Hong Kong with limited liability. AE Group is principally engaged in the issuance of prestige benefits cards to premium consumers and financial institutions.

Colourful is a company incorporated in the PRC with limited liability. The entire interest of Colourful is wholly owned by AE Investment and indirectly held by the Group upon completion of the AE Acquisition. It has an approved business scope of provision of computer software development, design, production; sales of self-developed products; provision of related information technology consultation and technical support services; the wholesaling of similar computer software products; conducting import and export business; and provision of agency service for commission (other than auction).

Shanghai Jingyuan is a limited liability company incorporated in PRC.

The registered shareholders of the Shanghai Jingyuan are Mr. Lin Xiaofeng (林曉峰) (“**Mr. Lin**”) and Mr. Sun Yixin (孫懿鑫) (“**Mr. Sun**”). Each of Mr. Lin and Mr. Sun owns 50% of the equity interests of the Shanghai Jingyuan as at the date of this report.

Mr. Lin is a PRC citizen. He is a registered shareholder of the Shanghai Jingyuan holding, as at the date of this report, 50% of the equity interests of the Shanghai Jingyuan and is an employee of the Group.

Mr. Sun is a PRC citizen. He is a registered shareholder of the Shanghai Jingyuan holding, as at the date of this report, 50% of the equity interests of the Shanghai Jingyuan and is an employee of the Group.

It is primarily engaged in the issuance and sales of the benefit cards to premium consumers and financial institutions. Colourful entered into the Colourful Structured Agreements with Shanghai Jingyuan in order to gain control over financing and business operations of Shanghai Jingyuan, and to be entitled to the economic interest and benefits of Shanghai Jingyuan.

## 1.2 Description of the business of AE Group

A substantial portion of revenue and profit of AE Group was derived from its issuance and sales of the benefits card business. AE Group generates revenue through its benefit cards via (i) telemarketing of benefit cards by the call center of its partner banks; and (ii) the bulk purchase of the benefit cards by banks and card issuing companies.

## 1.3 Summary of the major terms of the Colourful Structured Agreements

The Colourful Structured Agreements have been entered into among the parties to facilitate the contractual arrangement among AE Group, Colourful and Shanghai Jingyuan. Through the Colourful Structured Agreements and the AE Acquisition, the Group is able to exercise full and effective control over the finance and operation of Shanghai Jingyuan and in effect obtain the entire economic interest and benefits in Shanghai Jingyuan.

## Management Discussion and Analysis

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

A. *Business Cooperation Agreement*

Parties: (i) Colourful; and

(ii) Shanghai Jingyuan.

Term: The Business Cooperation Agreement shall take effect from the date of its execution and shall remain effective unless it is terminated by Colourful by giving 30 days' prior written notice to Shanghai Jingyuan or is required to be terminated under applicable PRC laws and regulations.

Services: Pursuant to the Business Cooperation Agreement, Shanghai Jingyuan appointed Colourful as its exclusive service provider to provide complete technical support, business support and related consulting services during the term of the Business Cooperation Agreement in accordance with its terms and conditions, which may include all necessary services within the scope of Shanghai Jingyuan's business as may be determined from time to time by Shanghai Jingyuan and consented by Colourful, such as technical services, business consultations, equipment or property leasing, marketing consultancy, system integration, product research and development, system maintenance. Under the approved business scope of Colourful, Colourful is allowed to (i) provide computer software development, design and production; (ii) sell self-developed products; (iii) provide related information technology consultation and technical support services; (iv) conduct wholesale of similar computer software products; (v) conduct import and export business; and (vi) provide agency service for commission (other than auction). Accordingly, these services are provided within the approved business scope of Colourful.

Fees: Details of the services to be provided by Colourful to Shanghai Jingyuan, the service fees and the payment terms are set out in the Technical Consultation and Services Agreement.

## Management Discussion and Analysis



### B. *Technical Consultation and Services Agreement*

Parties: (i) Colourful; and  
(ii) Shanghai Jingyuan.

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

Services: Pursuant to the Technical Consultation and Services Agreement, Colourful is the exclusive consultation and service provider of Shanghai Jingyuan and shall provide consultation and services to Shanghai Jingyuan in the areas of funding, human resources, technology and intellectual properties. The consultation and services to be provided by Colourful include (i) research and development of the relevant software and technology according to the needs of Shanghai Jingyuan's business and granting of the right to use the relevant software and technology to Shanghai Jingyuan; (ii) development, design, monitoring, testing and troubleshooting of the computer network equipment and website(s) of Shanghai Jingyuan; (iii) providing training and technical support to the staff of Shanghai Jingyuan; and (iv) providing consultation services regarding the marketing of Shanghai Jingyuan. Under the approved business scope of Colourful, Colourful is allowed to (i) provide computer software development, design and production; (ii) sell self-developed products; (iii) provide related information technology consultation and technical support services; (iv) conduct wholesale of similar computer software products; (v) conduct import and export business; and (vi) provide agency service for commission (other than auction). Accordingly, these services are provided within the approved business scope of Colourful.

Fees: Shanghai Jingyuan shall pay an annual service fee of RMB1 million to Colourful for the technical consultation services under the Technical Consultation and Services Agreement. Such fees will be payable on quarterly basis and shall be settled within 15 business days after the beginning of the relevant quarter. Nevertheless, in the event that Shanghai Jingyuan does not have sufficient working capital to settle the service fees, Shanghai Jingyuan has the right not to settle such fees.

Apart from the abovementioned annual service fees, Shanghai Jingyuan shall also, based on the actual amount of technical consultation and services provided by Colourful under the Technical Consultation and Services Agreement in the relevant quarter, pay a quarterly floating service fee to Colourful. Such floating fees shall be in the amount equivalent to the net income of Shanghai Jingyuan in the relevant quarter, including but not limited to, its revenue in each quarter or to be determined after taking into account, among other things, the number and qualification of the staff deployed to provide services and the time spent to provide the services for the relevant quarter.



## Management Discussion and Analysis

- C. *Pledge Agreements*
- Parties:
- (i) Colourful (as pledgee);
  - (ii) Shanghai Jingyuan Shareholders (each of them entered into a Pledge Agreement separately)(as pledgor); and
  - (iii) Shanghai Jingyuan.
- Pledge:
- Pursuant to the Pledge Agreements, each of Shanghai Jingyuan Shareholders pledged to Colourful his/her respective equity interests in Shanghai Jingyuan as security for the full performance by Shanghai Jingyuan Shareholders and Shanghai Jingyuan of their obligations under the Colourful Structured Agreements and the timely and full payment of fees payable to Colourful under the Colourful Structured Agreements (including but not limited to the consultation and service fees).
- The pledge shall take effect from the date of registration of the same with the relevant Industrial and Commercial Administration Bureau in the PRC and shall remain effective until the abovementioned registration is discharged or released. The parties agreed that within three business days following the execution of the Pledge Agreements, Shanghai Jingyuan Shareholders and Shanghai Jingyuan shall register the pledge in the shareholders' register of Shanghai Jingyuan.
- Prior to the full payment of the consultation and service fees under the Colourful Structured Agreements, Colourful shall have the right to dispose of the pledge under the Pledge Agreements.
- Termination:
- If (i) the Colourful Structured Agreements (other than the Pledge Agreements) are terminated in accordance with their respective terms; (ii) Shanghai Jingyuan shall no longer be held responsible for any obligations under the Colourful Structured Agreements; and (iii) Colourful agrees in writing to terminate the Pledge Agreements, the Pledge Agreements shall be terminated and Colourful shall then release the equity pledge under the Pledge Agreements as soon as reasonably practicable.
- Undertakings:
- Shanghai Jingyuan Shareholders and Shanghai Jingyuan undertake to Colourful, among other things, that:
- (i) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not commence any operation activities (other than its ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;
  - (ii) they shall maintain the asset value of Shanghai Jingyuan and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Jingyuan;
  - (iii) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business); and



- (iv) without the prior written consent of Colourful, Shanghai Jingyuan Shareholders and Shanghai Jingyuan shall not, from the date of the Pledge Agreement, dispose of, transfer, pledge, or through any other means to dispose of any of the legal or beneficial interests of Shanghai Jingyuan over its assets, business or income, or creating any encumbrances over such interests.

Shanghai Jingyuan Shareholders (as the pledgors) undertakes to Colourful (as the pledge), among the other things, that:

- (i) saved in respect of the performance of the obligations of the parties under the Share Disposal Agreements, Shanghai Jingyuan Shareholders shall not, without the prior written consent of Colourful, transfer their equity interests in Shanghai Jingyuan, or create or allow the creation of any encumbrances over their equity interests in Shanghai Jingyuan during the term of the Pledge Agreements.

#### D. *Share Disposal Agreements*

- Parties:
- (i) Colourful;
  - (ii) Shanghai Jingyuan; and
  - (iii) Shanghai Jingyuan Shareholders (each of them entered into a Share Disposal Agreement separately).

Option: In consideration of the payment of RMB1 by Colourful, Shanghai Jingyuan Shareholders irrevocably agreed that on the condition that it is permitted by the PRC laws, Colourful has the right to require Shanghai Jingyuan Shareholders to fulfill and complete all approval and registration procedures as required under the PRC laws so as to allow Colourful to purchase, or designate one or more persons (each, a “**Designee**”) to purchase, the entire equity interests of Shanghai Jingyuan Shareholders in Shanghai Jingyuan or any part thereof, at one or multiple time(s) at any time at Colourful’s sole and absolute discretion and at the lowest price as permitted by the laws of PRC at the relevant time (such right being the “**Equity Interest Purchase Option**”). Colourful’s Equity Interest Purchase Option shall be exclusive. Shanghai Jingyuan agrees to the grant by Shanghai Jingyuan Shareholders of the Equity Interest Purchase Option to Colourful.

Without the prior written consent of Colourful, Shanghai Jingyuan Shareholders shall not assign or delegate its rights and obligations under the Share Disposal Agreements.

Term: The Share Disposal Agreements shall take effect from the date of its execution and shall remain effective until all the equity interests in Shanghai Jingyuan owned by Shanghai Jingyuan Shareholders have been legally transferred to Colourful or its designee(s) in accordance with the terms of the Share Disposal Agreements.

## Management Discussion and Analysis

Undertakings: Shanghai Jingyuan Shareholders and Shanghai Jingyuan undertake to Colourful, among other things, that:

- (i) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not commence any operation activities (other than its ordinary and usual business) and shall not incur, inherit, provide guarantee for or allow the existence of, any liability;
- (ii) they shall maintain the asset value of Shanghai Jingyuan and shall not conduct any act or omission which will affect the business operations and asset value of Shanghai Jingyuan; and
- (iii) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business).

Shanghai Jingyuan Shareholders further undertake to Colourful, among other things, that:

- (i) without the prior written consent of Colourful, Shanghai Jingyuan Shareholders shall not dispose of, transfer, pledge, or through any other means to dispose of any of their legal or beneficial interests of Shanghai Jingyuan, or creating any encumbrances over the legal or beneficial interests of Shanghai Jingyuan, save in respect of the pledge of equity interest to Colourful in accordance with the terms of the Pledge Agreements;
- (ii) Shanghai Jingyuan Shareholders shall procure the board of directors of Shanghai Jingyuan not to approve any sale, transfer, pledge, disposal or creation of any encumbrances over the legal or beneficial interests of Shanghai Jingyuan without the prior written consent of Colourful, save in respect of the pledge of equity interest to Colourful in accordance with the terms of the Pledge Agreements; and
- (iii) Shanghai Jingyuan Shareholders shall procure the board of directors of Shanghai Jingyuan not to approve any acquisition or investment from any person, either individually by Shanghai Jingyuan or jointly with any other person, without the prior written consent of Colourful.

## Management Discussion and Analysis



### E. Voting Rights Proxy Agreements

- Parties:
- (i) Colourful;
  - (ii) Shanghai Jingyuan; and
  - (iii) Shanghai Jingyuan Shareholders (each of them entered into a Voting Rights Proxy Agreement separately).

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

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

Undertakings: Shanghai Jingyuan Shareholders and Shanghai Jingyuan undertake to Colourful, among other things, that:

- (i) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not commence any operation activities (other than its those ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;
- (ii) they shall maintain the asset value of Shanghai Jingyuan and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Jingyuan; and
- (iii) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business).

## Management Discussion and Analysis

### F. *Spouse Consent*

Parties:

Shanghai Jingyuan Shareholders (as the spouse of each other).

Particulars:

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

### G. *Undertaking Letters*

Parties:

(i) Colourful; and

(ii) Shanghai Jingyuan Shareholders (each of them entered into a Undertaking Letter separately).

Undertaking:

The undertakings of Shanghai Jingyuan Shareholders under the Undertaking Letters are as follows:

- (i) to follow the instructions of Colourful in relation to the amendments to or termination of the Colourful Structured Agreements for compliance with (i) the laws, regulations and rules in the PRC (as amended from time to time); (ii) the GEM Listing Rules and the relevant rules and requirements as promulgated or amended from time to time; and (iii) the approval of Shareholders (other than those required to abstain from voting under the GEM Listing Rules) at the general meeting of the Company in respect of amendments to and/or termination of the Colourful Structured Agreements. Shanghai Jingyuan Shareholders shall also agree with such amendments to or termination of the Colourful Structured Agreements and procure Shanghai Jingyuan to agree to the same;
- (ii) after termination of the Colourful Structured Agreements, Shanghai Jingyuan Shareholders shall immediately and unconditionally return to Colourful the consideration received in any form pursuant to the Colourful Structured Agreements. Each of Shanghai Jingyuan Shareholders further undertakes that he/she would procure Shanghai Jingyuan to do the same;
- (iii) necessary arrangements have been made to protect the rights of Colourful under the Colourful Structured Agreements in case of death, bankruptcy or divorce of Shanghai Jingyuan Shareholders;



- (iv) to transfer his/her interest in Shanghai Jingyuan and all the rights attached thereto at the lowest price as permitted by the PRC laws to the individual or entity as designated by Colourful in accordance with the applicable PRC laws in the event that any one of Shanghai Jingyuan Shareholders (as the case may be) becomes incapable of performing the normal duty as a shareholder of Shanghai Jingyuan due to death, bankruptcy, divorce or any other incident; and
- (v) not to incur any unsecured personal loan (either one-off or accumulated) in an aggregate amount of more than RMB100,000 without written consent of Colourful or its direct or indirect shareholders.

## 2. Revenue and assets subject to the Colourful Structured Agreements

The revenue attributable to Shanghai Jingyuan (i.e. the Colourful Structured Agreements) amounted to approximately RMB252,908,000 (equivalent to approximately HK\$282,935,000) for the year ended 31 March 2018 (2017: approximately RMB151,261,000 (equivalent to approximately HK\$180,232,000)). The total assets and net assets attributable to Shanghai Jingyuan (i.e. the Colourful Structured Agreements) amounted to approximately RMB80,188,000 (equivalent to approximately HK\$100,235,000) (2017: approximately RMB68,374,000 (equivalent to approximately HK\$77,084,000)) and RMB8,577,000 (equivalent to approximately HK\$10,721,000) (2017: RMB29,836,000 (equivalent to approximately HK\$33,637,000)) as at 31 March 2018.

## 3. Reasons for using the Colourful Structured Agreements

Shanghai Jingyuan is principally engaged in the issue and sale of prestige benefits card and it has commissioned its partner banks and credit card centers to sell its benefit cards via telemarketing. The sales of the benefit cards through telemarketing represented over 70% of Shanghai Jingyuan's total revenue. Telemarketing of Shanghai Jingyuan is mainly done through two channels, namely the third party call center and the call centers of the partner banks. However, the partner banks are aware of the privacy issues in respect of customers' data being handled by third party call center and are seeking to separate its sales and marketing functions of the benefit cards from its own call center business. As a result, the partner banks have requested Shanghai Jingyuan to set up its own call center and gradually shift all telemarketing activities to Shanghai Jingyuan's call center.

Shanghai Jingyuan currently possesses the licence for value-added telecommunications business operation (增值電信業務經營許可證) (the "Licence") issued by 中華人民共和國工業和信息化部 (the Ministry of Industry and Information Technology of the PRC) ("MIIT") which permits Shanghai Jingyuan's operation of call center business in the PRC.

According to the PRC legal adviser of the Group, the call center business operated by Shanghai Jingyuan is regulated by the relevant telecommunications regulatory departments of the PRC and is a type of value-added telecommunications business in which foreign investment is restricted. Foreign investment in such business is subject to the pre-approval by the MIIT. According to 外商投資電信企業管理規定 (the Provisions on the Administration of Foreign-funded Telecommunications Enterprises), the ultimate proportion of contribution of the foreign investors of a foreign-funded telecommunications enterprise that is engaged in the value-added services (including the radio paging business in the basic telecommunications services) shall not be more than 50%. In addition, according to 外商投資產業指導目錄 (2015年修訂) (the Catalogue of Industries for Guiding Foreign Investment (2015 Amended)), value-added telecommunications business is a business with restricted foreign investment and foreign ownership in such business cannot exceed 50% (except for e-commerce business).

In 2015, Shanghai Jingyuan has obtained the licence for value-added telecommunications business operation issued by 中華人民共和國工業和信息化部 (the Ministry of Industry and Information Technology of the PRC) which allows it to operate the call center business in the PRC and it is expected that the call center of Shanghai Jingyuan will begin operation in mid-2015. Therefore, having considered that the call center operation is an essential sales channel of the benefits card issued by Shanghai Jingyuan, Colourful, Shanghai Jingyuan and Shanghai Jingyuan Shareholders have entered into a series of the Colourful Structured Agreements to enable Colourful to be entitled to the entire economic benefits and to bear the risks of the businesses of Shanghai Jingyuan and to gain control over Shanghai Jingyuan. Each of Shanghai Jingyuan Shareholders has also entered into an Undertaking Letter to safeguard the interest of Colourful and its direct or indirect shareholders.

#### 4. Risks relating to the Colourful Structured Agreements

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

The PRC legal adviser of the Group is of the opinion that the Colourful Structured Agreements do not violate the mandatory laws and regulations in the PRC and are not considered to be in violation of Article 52 of the PRC Contract Law, which renders void any contracts deemed to be “concealing illegal intentions with a lawful form”, and the related rules of the General Principle of Civil Law of the PRC, and therefore they are valid, binding and enforceable among relevant parties. However, the PRC legal adviser of the Group is also of the view that there can be no assurance that the Colourful Structured Agreements will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations in the way that the Colourful Structured Agreements will be deemed to be in compliance of the PRC laws and regulations.

*The Colourful Structured Agreements may not be as effective as direct ownership in providing control over Shanghai Jingyuan:*

The Group relies on contractual arrangements under the Colourful Structured Agreements with Shanghai Jingyuan to operate the benefits card business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over Shanghai Jingyuan as direct ownership in rare circumstances. If the Group had direct ownership of Shanghai Jingyuan, the Group would be able to deal with the equity interests in and the assets of Shanghai Jingyuan under any winding up situation.

*Shanghai Jingyuan Shareholders may have potential conflict of interests with the Group:*

The Group's control over Shanghai Jingyuan is based on the contractual arrangement under the Colourful Structured Agreements. Therefore, conflict of interests of Shanghai Jingyuan Shareholders will adversely affect the interests of the Company.

*The contractual arrangements under the Colourful Structured Agreements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed:*

The Group could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements under the Colourful Structured Agreements were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Colourful Structured Agreements were not entered into on an arm's length basis, they may adjust the Group's income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Shanghai Jingyuan, and this could further result in late payment fees and other penalties to Shanghai Jingyuan for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

\* English translation for identification purpose only

# Management Discussion and Analysis



*The Company does not have any insurance which covers the risks relating to the Colourful Structured Agreements and the transactions contemplated thereunder:*

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

*Certain provisions in the Colourful Structured Agreements may not be enforceable under the PRC laws:*

The Colourful Structured Agreements include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and Cayman Islands shall have the power to grant interim remedies, such as withholding or freezing of the assets or on the equity interests of the party in breach. Upon the coming into effect of the relevant arbitral award, any party shall have the right to apply to the courts in the abovementioned jurisdictions for execution of such award. However, due to restrictions of the PRC laws, the PRC legal adviser of the Group is of the view that, even though the Colourful Structured Agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by the PRC courts. As a result, in the event that Shanghai Jingyuan or any of Shanghai Jingyuan Shareholders breaches the terms of the Colourful Structured Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Shanghai Jingyuan could be materially and adversely affected.

*The Company may incur substantial costs when the equity interests in Shanghai Jingyuan are transferred from Shanghai Jingyuan Shareholders to the Group:*

As advised by the PRC legal adviser of the Group, under the current PRC laws, the legal or regulatory restriction in exercising the Equity Interest Purchase Option is 外商投資電信企業管理規定 (the Provisions on the Administration of Foreign-funded Telecommunications Enterprises) and 外商投資產業指導目錄 (2015年修定) (the Catalogue of Industries for Guiding Foreign Investment (2015 Amended)). The Company will unwind the Colourful Structured Agreements and procure Colourful to acquire the equity interests of Shanghai Jingyuan as soon as the relevant foreign investment restrictions in the PRC no longer exist. However, even if the foreign ownership restriction is relaxed, the transfer of the equity interests in Shanghai Jingyuan from Shanghai Jingyuan Shareholders to the Group may still be subject to substantial costs.

## 5. Material change

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

## 6. Unwinding of the Colourful Structured Agreements

The Company has undertaken to unwind the Colourful Structured Agreements entered between Shanghai Jingyuan and Colourful as soon as the relevant foreign investment restrictions in the PRC no longer exist such that the Company is allowed to hold interests in Shanghai Jingyuan directly or indirectly.

However, as at the date of this annual report, there is no unwinding of any of the Colourful Structured Agreements entered between Shanghai Jingyuan and Colourful nor any changes to the relevant foreign investment restrictions in the PRC.



### (ii) The Shenzhen Yongle Structured Agreements

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

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

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

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

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

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

# Management Discussion and Analysis



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

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

## 1.2 Description of the business of the Beijing Weike Group

A substantial portion of revenue and profit of the Beijing Weike Group was derived from its prepaid card and internet payment business.

## 1.3 Summary of the major terms of the Shenzhen Yongle Structured Agreements

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

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

## Management Discussion and Analysis

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

### A. *Business Cooperation Agreement*

Parties: (i) Shenzhen Yongle; and  
(ii) Shanghai Yongle.

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

Fees: Details of the services to be provided by Shenzhen Yongle to Shanghai Yongle, the service fees and the payment terms are set out in the Technical Consultation and Services Agreement.

Term: The Business Cooperation Agreement shall take effect from the date of its execution and shall maintain effective unless it is terminated by Shenzhen Yongle by giving 30 days' prior written notice to Shanghai Yongle or is required to be terminated under applicable laws and regulations of the PRC.

### B. *Technical Consultation and Services Agreement*

Parties: (i) Shenzhen Yongle; and  
(ii) Shanghai Yongle.

Services: Pursuant to the Technical Consultation and Services Agreement, Shenzhen Yongle will be the exclusive consultation and service provider of Shanghai Yongle and shall provide consultation and services to Shanghai Yongle in the areas of funding, human resources, technology and intellectual properties and shall assist Shanghai Yongle in providing aforesaid services to Beijing Weike and Open Union, and Shanghai Yongle shall accept such consultation and services in accordance with the terms and conditions under the Technical Consultation and Services Agreement. The consultation and services to be provided by Shenzhen Yongle include (i) research and development of the relevant software and technology according to the needs of Shanghai Yongle's business and shall grant Shanghai Yongle the right to use the relevant software and technology; (ii) development, design, monitoring, testing and troubleshooting of the computer network equipment and website(s) of Shanghai Yongle; (iii) providing training and technical support to the staff of Shanghai Yongle; (iv) providing consultation services regarding the marketing of Shanghai Yongle; and (v) assisting Shanghai Yongle in providing the services as required by Beijing Weike and Open Union.



**Fees:** Shanghai Yongle shall pay an annual service fees of RMB1 million to Shenzhen Yongle for the technical consultation services under the Technical Consultation and Services Agreement. Such fees will be payable on quarterly basis and shall be settled within 15 business days after the beginning of the relevant quarter. Nevertheless, in the event that Shanghai Yongle does not have sufficient working capital to settle the service fees, Shanghai Yongle has the right not to settle such fees.

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

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

## C. *Pledge Agreements*

**Parties:**

- (i) Shenzhen Yongle (as pledgee);
- (ii) the Shanghai Yongle Shareholders (each of them has entered into this Pledge Agreement separately) (as pledgor); and
- (iii) Shanghai Yongle.

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

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

## Management Discussion and Analysis

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

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

Undertakings: The Shanghai Yongle Shareholders and Shanghai Yongle:

- (i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;
- (ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Yongle; and
- (iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

### D. Share Disposal Agreements

Parties: 

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

Option: In consideration of the payment of RMB1 by Shenzhen Yongle, the Shanghai Yongle Shareholders irrevocably agree that on the condition that it is permitted by the PRC laws, Shenzhen Yongle has the right to require the Shanghai Yongle Shareholders to fulfill and complete all approval and registration procedures as required under PRC laws so as to allow Shenzhen Yongle to purchase, or designate one or more persons (each, a “**Designee**”) to purchase, the entire equity interests of the Shanghai Yongle Shareholders in Shanghai Yongle or any part thereof, at one or multiple time(s) at any time at Shenzhen Yongle’s sole and absolute discretion and at the lowest price as permitted by the laws of PRC at the relevant time (such right being the “Equity Interest Purchase Option”). Shenzhen Yongle’s Equity Interest Purchase Option shall be exclusive. Shanghai Yongle agrees to the grant by the Shanghai Yongle Shareholders of the Equity Interest Purchase Option to Shenzhen Yongle.



Without the prior written consent of Shenzhen Yongle, the Shanghai Yongle Shareholders shall not assign or delegate its rights and obligations under the Share Disposal Agreements.

**Term:** The Share Disposal Agreements shall take effect from the date of its execution and shall remain effective until all the equity interests in Shanghai Yongle owned by the Shanghai Yongle Shareholders have been legally transferred to Shenzhen Yongle or the Designee(s) in accordance with the terms of the Share Disposal Agreements.

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

- (i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to ordinary and usual business) and shall not incur, inherit, provide guarantee for or allow the existence of, any liability;
- (ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the business operations and asset value of Shanghai Yongle; and
- (iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

## *E. Voting Rights Proxy Agreements*

- Parties:**
- (i) The Shanghai Yongle Shareholders (each of them will enter into this Voting Rights Proxy Agreement separately) (as entrusting party);
  - (ii) Shenzhen Yongle; and
  - (iii) Shanghai Yongle.

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

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

## Management Discussion and Analysis

- Undertakings: The Shanghai Yongle Shareholders and Shanghai Yongle undertake to Shenzhen Yongle, among other things, that:
- (i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to those ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;
  - (ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Yongle; and
  - (iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

*F. Spouse Consent*  
Parties:

The spouse of Mr. Lin.

Particulars:

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

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

## 2. Revenue and assets subject to the Shenzhen Yongle Structured Agreements

The revenue attributable to Shanghai Yongle (i.e. the Shenzhen Yongle Structured Agreements) amounted to approximately RMB76,028,000 (equivalent to approximately HK\$89,719,000) for the year ended 31 March 2018 (2017: approximately RMB89,680,000 (equivalent to approximately HK\$103,437,000)). The total assets and net assets attributable to Shanghai Yongle (i.e. the Shenzhen Yongle Structured Agreements) amounted to approximately RMB944,128,000 (equivalent to approximately HK\$1,180,159,000) (2017: approximately RMB982,422,000 (equivalent to approximately HK\$1,107,579,000)) and RMB529,880,000 (equivalent to approximately HK\$662,350,000) (2017: RMB516,410,000 (equivalent to approximately HK\$582,199,000)) as at 31 March 2018.



### 3. Reasons for using the Shenzhen Yongle Structured Agreements

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

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

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



#### 4. Risks relating to the Shenzhen Yongle Structured Agreements

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

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

*The Shenzhen Yongle Structured Agreements may not be as effective as direct ownership in providing control over Open Union:*

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

*The Shanghai Yongle Shareholders may potentially have a conflict of interests with the Group:*

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

*The Shenzhen Yongle Structured Agreements under the Framework Agreement may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed:*

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

## Management Discussion and Analysis



*The Company does not have any insurance which covers the risks relating to the Framework Agreement and the transactions contemplated thereunder:*

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

*Certain provisions in the Shenzhen Yongle Structured Agreements and the Loan Agreements may not be enforceable under PRC laws:*

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

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

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

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

### 5. Material change

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

### 6. **Unwinding of the Shenzhen Yongle Structured Agreements**

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

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

# Biographical Details of Directors and Senior Management



## DIRECTORS

### Executive Directors

Mr. Yan Dinggui (“**Mr. Yan**”), aged 50, obtained a Master degree of Business Administration in 2016. He was appointed as the manager of the production department of 南京同創信息產業集團 (Nanjing Tongchuang Information Industry Group\*) from May 1993 to July 1995 and was promoted as the deputy general manager of the Beijing Marketing Area of Nanjing Tongchuang Information Industry Group from July 1995 to December 1997. From January 1998 to December 1999, Mr. Yan served as the deputy director of Nanjing Tongchuang Information Industry Group Shanghai preparatory office. From January 2000 to December 2006, Mr. Yan was appointed as the general manager of 上海同天信息技術有限公司 (Shanghai Tongtian Information Technology Co., Ltd\*). From March 2007 to December 2010, Mr. Yan served as the general manager of the Zhejiang Region of 北京天融信網絡安全技術有限公司. From September 2015, Mr. Yan was appointed as the Chairman of Shanghai Jiayin Financial Technology Co., Ltd. Mr. Yan is currently the chairman of Shanghai Jiayin Financial Technology Co., Ltd., and the executive director of Shanghai Niwodai Internet Financial Information Service Co., Ltd.

Mr. Zhang Huaqiao (“**Mr. Zhang**”), aged 55, was appointed as a non-executive director and the chairman of the Company in September 2012 and March 2014 respectively and was re-designated as an executive director of the Company with effect from 13 May 2015. He was further re-designated as a non-executive director on 15 September 2017. He served at the Equities Department of UBS AG, Hong Kong Branch from June 1999 to April 2006 with the last capacity as the head and co-head of its China research team. From May 2006 to September 2008, Mr. Zhang served as an executive director of Shenzhen Investment Limited, a company listed on the Main Board of the Stock Exchange. From September 2008 to June 2011, Mr. Zhang served at UBS AG, Hong Kong with the last capacity as the deputy head of China Investment Banking Department. Mr. Zhang was subsequently an executive director and chief executive officer of Man Sang International Limited, a company listed on the Main Board of the Stock Exchange, between September 2011 and April 2012.

Currently, Mr. Zhang is an independent non-executive director of Fosun International Limited, Zhong An Real Estate Limited, China Huirong Financial Holdings Limited, Logan Property Holdings Company Limited, Luye Pharma Group Limited and a non-executive director of Boer Power Holdings Limited, and the shares of the six companies are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Wanda Hotel Development (169.HK) between September 2014 and May 2018. He was appointed as a director of Nanjing Central Emporium (Group) Stocks Co., Ltd. between March 2013 and June 2015, a company whose shares are listed on the Shanghai Stock Exchange. Between April 2014 and January 2018, Mr. Zhang was an independent non-executive director of Yancoal Australia Limited (ASX: YAL), a company whose shares are listed on the stock exchange in Australia. He was an independent non-executive director of Sinopec Oilfield Service Corporation (1033.HK) between February 2015 to March 2018.

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

Dr. Cao Guoqi (“**Dr. Cao**”), aged 54, was appointed as an executive director of the Company in September 2013. Dr. Cao has a Ph.D. in Economics and graduated from the Shanghai University of Finance and Economics, the University of Hong Kong, and the Shanghai Academy of Social Sciences. He has over 20 years of experience in project financing and investment, finance, fund investment and management, mergers and acquisitions, and corporate advisory. Dr. Cao is the executive director and general manager of Probest Limited and Master Energy Inc. He is also the deputy president of Asian Economics Research Institute at Shanghai University of Finance and Economics, an EMBA professor of Hunan University, a MBA supervisor at Advanced Institute of Finance of Shanghai Jiaotong University, and a research fellow at Shanghai Institute of Development Strategy. Currently, he acts as an independent non-executive director of Century Ginwa Retail Holdings Ltd., whose shares are listed on Main Board and an independent non-executive director of Dongwu Cement International Ltd., whose shares are listed on the Main Board of the Stock Exchange. From April 2014, he takes the position as the Chairman of SBI China Capital Group.

## Biographical Details of Directors and Senior Management

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

Mr. Fung Weichang (“**Mr. Fung**”), aged 69, was appointed as an executive director and chief executive officer of the Company in September 2013 and November 2013 respectively. He obtained a master degree in business administration from the Santa Clara University in California in the United States in 1976. Mr. Fung had worked for MasterCard International from October 1992 to December 2008 and his last position was executive vice president and general manager of the Greater China region for MasterCard International, Asia Pacific Region. From January 2009 to December 2010, Mr. Fung was the senior consultant of MasterCard International, Asia Pacific Region. Prior to joining the Company, Mr. Fung worked with a couple of friends to set up a mobile payment company in China and was the Chairman of that company for 2 years. He was an independent non-executive director of Huishang Bank Corporation Limited (3698.HK) between October 2014 to March 2017.

Mr. Xiong Wensen (“**Mr. Xiong**”), aged 50, was appointed as an executive director and president of the Company in June 2014. He obtained a bachelor’s degree in engineering (Computer Science and Technology) from Tsinghua University in July 1990 and a master’s degree in business administration from Cheung Kong Graduate School of Business in December 2004.

Mr. Xiong joined China Merchants Bank from 1990 as the programmer of the computer department at the head office and the deputy general manager, and the general manager of Shenzhen Oaking Information Technology Company Limited held by China Merchants Bank. He was the general manager of 上海財大軟件 from 2004, the deputy general manager of Information executive of 上海銀商資訊有限公司 (China Union Loyalty Co. Ltd.\*) from 2006 to initiate its development of prepaid card business in China; From 2007 Mr Xiong became the president of 開聯信息技術有限公司 (Open Union Information Technology Co. Ltd.\*) to carry out its prepaid card issuance and acceptance business. From 2008, as a founding member of 通聯支付, Mr Xiong was appointed as the vice president and the senior vice president, and the director of 通聯支付網絡服務股份有限公司 (Allinpay Network Service Co., Ltd.\*), responsible for its prepaid card and Internet and payment business, and lead its corporate strategy, research and development.

Mr. Song Xiangping (“**Mr. Song**”), aged 54, was appointed as an executive director of the Company in January 2015. He graduated from the Faculty of Electrification of 武漢鋼鐵學院 (Wuhan Institute of Iron and Steel Engineering\*) in November 1983. He also obtained a degree of executive master of business administration from Cheung Kong Graduate School of Business in September 2013. Mr. Song joined the Industrial and Commercial Bank of China as engineering in August 1988. From October 2004 to June 2006, Mr. Song was the deputy general manager and overseas representative of the marketing department and the Hong Kong Branch of 上海銀商資訊有限公司 (China Union Loyalty Co. Ltd.\*) and was promoted to the general manager of its Beijing and Hong Kong Branches from July 2006 to December 2007. From December 2007 to November 2010, Mr. Song joined 開聯信息技術有限公司 (Open Union Information Technology Co. Ltd.\*) as the executive vice president and the general manager of the prepaid card business department. Since November 2010, Mr. Song has been the director and the president of Open Union.

\* English translation for identification purpose only

## Biographical Details of Directors and Senior Management



### Non-executive Director

Mr. Xie Zhichun (“**Mr. Xie**”), aged 60, was appointed as a non-executive director of the Company in April 2017. Mr. Xie graduated from Heilongjiang University in 1982 and received his bachelor’s degree in philosophy. In 1993, he graduated from Harbin Institute of Technology and received his master’s degree in economics. In 2004, Mr. Xie graduated from Nankai University and received his doctor of philosophy in economics. Mr. Xie is currently the vice chairman of the consultation committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen Hong Kong Cooperation Zone. He is also a professor of China Center for Special Economic Zone Research at Shenzhen University and postgraduate supervisor of PBC School of Finance at Tsinghua University.

Mr. Xie currently serves as chairman and an executive director of China Fortune Financial Group Limited (Stock Code: 290), a non-executive director of Elife Holdings Limited (Stock Code: 223) between November 2016 to July 2017 and an independent non-executive director of each of China Taiping Insurance Holdings Company Limited (Stock Code: 966) and China Minsheng Banking Corp., Ltd. (Stock Code: 1988).

### Independent Non-executive Directors

Mr. Wang Yiming (“**Mr. Wang**”), aged 51, was appointed as an independent non-executive director of the Company in August 2013. Mr. Wang is a member of the Company’s audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Wang holds a bachelor degree in electronic and a master degree in business administration from Shanghai Jiao Tong University. He was appointed as an executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on GEM, in September 2004. Mr. Wang had resigned as the chief executive officer and the executive director of Shanghai Jiaoda Withub Information Industrial Company Limited in June 2014. He is currently the general manager of 上海申廣科技發展有限公司 (Shanghai Shenguang Technology Development Ltd.\*).

Mr. Lu Dongcheng (“**Mr. Lu**”), aged 51, was appointed as an independent non-executive director of the Company in August 2013. Mr. Lu is the chairman of the Company’s nomination committee and a member of the Company’s audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Lu holds a Master degree of Business Administration from Yale University and a Doctor degree from Peking Medical University which has merged with Peking University. He was the partner of Infinity Group (Peking) Venture Capital Management Co., Ltd. during June 2008 to April 2011 and the chief executive officer of AnPing Capital Management Limited during May 2011 to April 2012. Mr. Lu is currently the chief executive officer of Suzhou Mountain View Equity Investment Management Co., Ltd. and the supervising partner of Mountain View Capital PE Funds. In May 2015, Mr. Lu was appointed as the managing partner of 北京重山遠志醫療健康基金 (Beijing Zhongshan Medical Health Fund\*).

Dr. Yuan Shumin (“**Dr. Yuan**”), aged 69, was appointed as an independent non-executive director of the Company in May 2014. Dr. Yuan is the Company’s compliance officer, the chairman of the Company’s audit committee, remuneration committee and internal control committee, and a member of the Company’s nomination committee and compliance committee. Dr. Yuan was a member of the Chinese Institute of Certified Public Accountants. He obtained a doctorate degree in Science (part-time doctorate program) in the School of Management from Fudan University in January 1998. Dr. Yuan was the supervisor of teaching department, the assistant supervisor and the assistant dean of the School of Accountancy in Shanghai University of Finance and Economics from 1993 to 2000; and the standing assistant dean of the School of Adult Education in Shanghai University of Finance and Economics from 2000 to 2005, Dr. Yuan has joined the School of Accountancy in Shanghai Finance University since September 2005 and had been the president of that School of Accountancy until 2013. Since April 2014 to present, he acts as chief accountant of Sanda University. From June 2007, he acts as an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited (8205.HK).

\* English translation for identification purpose only

## Biographical Details of Directors and Senior Management

Dr. Zhou Jinhuang (“**Dr. Zhou**”), aged 52, was appointed as an independent non-executive director of the Company in June 2016. He obtained a Master of Economics from the School of Economics of the Beijing University in 1997 and a Doctorate degree in Economics from the Beijing Normal University (北京師範大學) in 2007. He has over 19 years of experience in banking and finance in the PRC. Dr. Zhou is currently the chairman of 京津冀協同票據交易中心股份有限公司. Prior to joining 京津冀協同票據交易中心股份有限公司, Dr. Zhou has been the vice-president of Shanghai Huarui Bank, the deputy director of the payment system department of the People’s Bank of China (人民銀行支付結算司副司長), the director of the general office of the payment system department of the People’s Bank of China (人民銀行支付結算司綜合處處長) and the deputy director and secretary of the secretariat department of the general office of the People’s Bank of China (人民銀行辦公廳秘書處秘書、副處長).

### SENIOR MANAGEMENT

Mr. Lin Xiaofeng (“**Mr. Lin**”), aged 43, joined the Group in October 2013. He is the senior vice president of investment of the Company. Mr. Lin was an independent non-executive director of DX.com Holdings Limited from August 2013 to August 2016; a non-executive director of China Singyes Solar Technologies Holdings Limited from April 2008 to June 2011; and an executive director of AUPU Group Holdings Company Limited (“**AUPU**”) from August 2011 to September 2013 and has been redesignated as a non-executive director of AUPU since September 2013, the shares of all these companies are or were listed on the Main Board of the Stock Exchange. Mr. Lin has extensive experience in finance and venture capital investment.

Ms. Song Qian (“**Ms. Song**”), aged 39, joined the Group on 1 December 2017. She is an experienced professional in the payment and banking industry in the PRC. She worked at the People’s Bank of China, Xi’an Branch and Shaanxi Banking Regulatory Bureau from 2001 to 2005; at Ping An Insurance (Group) Company of China, Ltd. from 2008 to 2011, where she was involved in the full internal control process of the company and assumed major compliance management responsibilities. From 2011 to 2014, she worked at Orient Electronic Payment Co., Ltd., where she completed the establishment and effective implementation of its internal control system. She is familiar with COSO internal control management process and has extensive experience in legal compliance and internal control in the internet finance industry. She worked at Jiayin Credit Services Co., Ltd. from 2014 to 2017.

Mr. Tang Wai Leung (“**Mr. Tang**”) aged 37, was appointed as the company secretary of the Company in February 2014. Mr. Tang holds a bachelor degree of Bachelor of Arts (Hons) in Accounting from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Tang has over 11 years of experience in accounting and auditing.

# Directors' Report



The Board of Directors is pleased to present its annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2018 to the shareholders.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2018 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements which appear on page 70 to page 167 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on page 168 of this annual report. This summary does not form part of the audited consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## PROPERTY, PLANT AND EQUIPMENT

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

## RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 42(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 March 2018, other than share premium, no other distributable reserve is available for distribution to shareholders by the Company.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the percentage of revenue and cost of goods sold/cost of services rendered attributable to the Group's major customers and suppliers are set out below:

Revenue	
– The largest customer	23%
– The total of five largest customers	55%
Cost of services rendered/cost of goods sold	
– The largest supplier	21%
– The total of five largest suppliers	38%



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

### **DIRECTORS**

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

#### **Executive Directors:**

Mr. Yan Dinggui (*Executive Deputy Chairman*)  
(appointed on 15 September 2017)

Dr. Cao Guoqi

Mr. Fung Weichang

Mr. Xiong Wensen

Mr. Song Xiangping

#### **Non-executive Directors:**

Mr. Zhang Huaqiao (*Chairman*)

(re-designated from an executive director to a non-executive director on 15 September 2017)

Mr. Xie Zhichun (appointed on 27 April 2017)

#### **Independent Non-executive Directors:**

Mr. Wang Yiming

Mr. Lu Dongcheng

Dr. Yuan Shumin

Dr. Zhou Jinhuang

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

In accordance with Article 83(3) of the Company's Article of Association, Mr. Yan Dinggui (who was appointed as executive Director of the Company on 15 September 2017) shall hold office only until the forthcoming annual general meeting of the Company and is eligible and has offered himself for re-election.

### **BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

Biographic information of the Directors and senior management of the Group are set out on page 35 to page 38 of this annual report.

### **DIRECTOR'S SERVICE CONTRACTS/LETTER OF APPOINTMENT**

Mr. Yan was appointed as executive Director of the Company for an initial term of three years commencing from 15 September 2017 and expiring on 14 September 2020, subject to retirement by rotation and re-election under the Articles of Association of the Company. Mr. Yan shall receive a remuneration of HK\$20,000 per month payable in arrears.

## Directors' Report



Dr. Cao and Mr. Fung, the executive Directors of the Company, entered into a letter of appointment for a term of three years commencing from 18 September 2016, subject to retirement by rotation and re-election under the Articles of Association of the Company. Dr. Cao and Mr. Fung shall receive a remuneration of HK\$20,000 and HK\$10,000 per month respectively payable in arrears.

Mr. Xiong, the executive Director of the Company, entered into a letter of appointment for a term of three years commencing from 3 June 2017, subject to retirement by rotation and re-election under the Articles of Association of the Company. Mr. Xiong shall receive a remuneration of HK\$166,667 per month payable in arrears.

Mr. Song, the executive Director of the Company, entered into a letter of appointment for a term of three years commencing from 16 January 2018, subject to retirement by rotation and re-election under the Articles of Association of the Company. Mr. Song shall receive a remuneration of HK\$10,000 per month payable in arrears. The remuneration of Mr. Song was adjusted to HK\$100,000 per month payable in arrears with effect from 1 February 2018.

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

<b>Name</b>	<b>HK\$</b>
Mr. Yan	130,520
Dr. Cao	240,000
Mr. Fung	120,000
Mr. Xiong	2,000,000
Mr. Song	300,000

Mr. Zhang and Mr. Xie were re-designated and appointed as NEDs of the Company for a term of three years commencing from 15 September 2017 and 27 April 2017 respectively. Their directors' fees were HK\$480,000 and HK\$445,260 per annum respectively. None of the NEDs is expected to receive any other remuneration (save for the share options that may be granted) for holding their offices as the NEDs.

Mr. Wang and Mr. Lu were appointed as INEDs of the Company for a term of one year commencing from 2 August 2017. Their respective directors' fee was HK\$72,000 per annum. Dr. Yuan was appointed as an INED of the Company for a term of one year commencing from 19 May 2017. His director's fee was HK\$72,000 per annum. Dr. Zhou was appointed as an INED of the Company for an initial term of three years commencing from 8 June 2016. His director's fee was HK\$72,000 per annum. None of the INEDs is expected to receive any other remuneration (save for the share options that may be granted) for holding their offices as the INEDs.

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

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

## DIRECTORS' INTERESTS IN CONTRACTS

No Director had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the financial year ended 31 March 2018.

## COMPETING INTERESTS

During the financial year ended 31 March 2018, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

## EMOLUMENT POLICY

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

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

As at 31 March 2018, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Yan	Interest in controlled corporations (Note 1)	396,789,430	24.13%
Dr. Cao	Interest of controlled corporation (Note 2)	150,000	0.01%
	Beneficial owner (Note 3)	21,000,000	1.28%
	Interest of spouse (Note 4)	1,370,000	0.08%
Mr. Fung	Beneficial owner (Note 3)	2,000,000	0.12%
Mr. Zhang	Beneficial owner (Note 3)	25,000,000	1.52%
Mr. Xiong	Beneficial owner (Note 3)	13,600,000	0.83%
Mr. Song	Beneficial owner (Note 3)	5,000,000	0.30%
Dr. Zhou	Beneficial owner (Note 3)	1,400,000	0.09%

## Directors' Report



- Notes:
1. As at 31 March 2018, 103,908,918 Shares were held by Jiayin Finance Holding Group Co., Limited ("**Jiayin**") and 292,880,512 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 396,789,430 Shares held by Jiayin and Gayang pursuant to Part XV of the SFO.
  2. 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.
  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 corporation

Save as disclosed above, as at 31 March 2018, so far as is known to any of the Directors or the chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

As at 31 March 2018, 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> )	170,000,000	10.34%
	Beneficial owner ( <i>Note 1</i> )	90,090,000	5.48%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner ( <i>Note 1</i> )	170,000,000	10.34%
上海喜捷資產管理有限公司	Interest in a controlled corporation ( <i>Note 2</i> )	292,880,512	17.81%
Gayang	Beneficial owner ( <i>Note 2</i> )	292,880,512	17.81%
Jiayin	Beneficial owner ( <i>Note 2</i> )	103,908,918	6.32%

Save as disclosed above, as at 31 March 2018, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- Note:*
- Of 260,090,000 Shares, 170,000,000 Shares were held by Sino Starlet, which in turn is wholly owned by Mr. Zhang Chang. As Mr. Zhang Chang is the controlling shareholder of Sino Starlet, he is deemed to be interested in these 170,000,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.
  - As at 31 March 2018, 103,908,918 Shares were held by Jiayin and 292,880,512 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 396,789,430 Shares held by Jiayin and Gayang pursuant to Part XV of the SFO.



## SHARE OPTION SCHEME

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

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme and any other scheme must not exceed 493,256,608 Shares, representing 30% of the Shares in issue as at the date of Annual General Meeting (i.e. 15 September 2017) approving the refreshment of 30% Limit. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

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

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

## Directors' Report

For the year ended 31 March 2018, the Company granted the following share options under the Scheme:

Grantees	Date of grant		Exercise price (HK\$)	Closing price immediately before the date of grant	Options	Options	Options	Options	Options
					outstanding as at 1 April 2017	granted since 1 April 2017	exercised since 1 April 2017	lapsed/ cancelled since 1 April 2017	outstanding as at 31 March 2018
<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	1.64	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	1.64	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

# Directors' Report



## Notes:

- 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.
- 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.
- 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 2019, both dates inclusive.
- 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.
- 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 three 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.

## **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 year ended 31 March 2018.

## **RETIREMENT SCHEMES**

Particulars of the retirement schemes of the Group are set out in note 3 to the consolidated financial statements.

## **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.



### **CORPORATE GOVERNANCE**

A report on the principal corporate governance practices adopted by the Company is set out on page 49 to page 57 of this annual report.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### **ADDITIONAL INFORMATION OF BUSINESS REVIEW**

Additional information of business review is set out on page 6 under the "Management Discussion and Analysis" of this report.

### **AUDITOR**

The consolidated financial statements of the Group for the year ended 31 March 2018 have been audited by Mazars CPA Limited, who will retire and a resolution to re-appoint Mazars CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

### **PUBLICATION OF INFORMATION ON WEBSITES**

This annual report is available for viewing on the website of Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company.

ON BEHALF OF THE BOARD

**Yan Dinggui**

*Executive Deputy Chairman*

Hong Kong, 29 June 2018



## CORPORATE GOVERNANCE CODE

The Board of the Company is committed to establish and maintain high standards of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the year ended 31 March 2018, the Company has complied with all the code provisions in the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2017 to 31 March 2018.

## BOARD OF DIRECTORS

### Board composition

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

#### Executive Directors:

Mr. Yan Dinggui (*Executive Deputy Chairman*)  
(appointed on 15 September 2017)

Dr. Cao Guoqi

Mr. Fung Weichang

Mr. Xiong Wensen

Mr. Song Xiangping

#### Non-executive Directors:

Mr. Zhang Huaqiao (*Chairman*)  
(re-designated from an executive director to a non-executive director on 15 September 2017)  
Mr. Xie Zhichun (appointed on 27 April 2017)

#### Independent Non-executive Directors:

Mr. Wang Yiming

Mr. Lu Dongcheng

Dr. Yuan Shumin

Dr. Zhou Jinhuang

## Biographical Details of Directors and Senior Management

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

As at 31 March 2018, there were eleven members in the Board comprising five executive Directors, two non-executive Directors and four independent non-executive Directors ("INEDs"). The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on page 35 to page 38 of this annual report. Their role and function are published on the Company's website and the Stock Exchange's website. Save as disclosed in this annual report, to the best knowledge of the Company, there is no other financial, business or family relationship among the Board members.

## Board Meetings

During the year ended 31 March 2018, a total of 28 Board meetings and 1 annual general meeting of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

	Attendance of meetings	
	Board meetings	Annual general meeting
<b>Executive Directors</b>		
Mr. Yan Dinggui ( <i>Executive Deputy Chairman</i> ) (appointed on 15 September 2017)	5/5	0/1
Dr. Cao Guoqi	11/11	0/1
Mr. Fung Weichang	11/11	0/1
Mr. Xiong Wensen	11/11	0/1
Mr. Song Xiangping	11/11	0/1
<b>Non-executive Directors</b>		
Mr. Zhang Huaqiao ( <i>Chairman</i> ) (re-designated from an executive director to a non-executive director on 15 September 2017)	11/11	1/1
Mr. Xie Zhichun (appointed on 27 April 2017)	9/9	0/1
<b>Independent Non-executive Directors</b>		
Mr. Wang Yiming	11/11	0/1
Mr. Lu Dongcheng	11/11	0/1
Dr. Yuan Shumin	11/11	1/1
Dr. Zhou Jinhuang	11/11	0/1

## Responsibility and Delegation

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the shareholders' value.

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

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

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



## Independent Non-executive Directors

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

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Records of continuous professional development were received from the Directors. All of them have attended seminars and/or read materials and update relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements during the year ended 31 March 2018.

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

	Attending seminars/ conferences/forums	Reading journals/ updates/articles/ materials
<b>Executive Directors</b>		
Mr. Yan Dinggui ( <i>Executive Deputy Chairman</i> ) (appointed on 15 September 2017)	✓	✓
Dr. Cao Guoqi	✓	✓
Mr. Fung Weichang	✓	✓
Mr. Xiong Wensen	✓	✓
Mr. Song Xiangping	✓	✓
<b>Non-executive Directors</b>		
Mr. Zhang Huaqiao ( <i>Chairman</i> ) (re-designated from an executive director to a non-executive director on 15 September 2017)	✓	✓
Mr. Xie Zhichun (appointed on 27 April 2017)	✓	✓
<b>Independent non-executive Directors</b>		
Mr. Wang Yiming	✓	✓
Mr. Lu Dongcheng	✓	✓
Dr. Yuan Shumin	✓	✓
Dr. Zhou Jinhuang	✓	✓

## CHAIRMAN AND CHIEF EXECUTIVE

The code provision A.2.1 stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual, and that the division of responsibilities between the Chairman and the CEO should be clearly stated.

The Company fully supports this division of responsibilities between the Chairman and CEO in order to ensure a balance of power and authority. The positions of the Chairman and the CEO are segregated and are held by Mr. Zhang Huaqiao, an executive Director who was re-designated to a non-executive Director on 15 September 2017, and Mr. Fung Weichang, an executive Director, respectively. These positions have clearly defined separate responsibilities.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

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

## COMMITTEES

As part of the corporate governance practices, the Board has established an audit committee, a nomination committee, a remuneration committee, an internal control committee and a compliance committee. All of the committees are composed of INEDs (except the compliance committee which comprises all the three INEDs and Dr. Cao) with terms of reference in accordance with the principles set out in the CG Code. The respective terms of reference of the audit committee, the nomination committee and the remuneration committee have been published on the Company's website and the Stock Exchange's website. The compositions of the various committees of the Company on 31 March 2018 were set out below:

### Audit committee

The audit committee members of the Company are as follows:

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

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

# Corporate Governance Report



During the year ended 31 March 2018, the audit committee met with the external auditor to discuss the general scope of their audit work and reviewed the management representation letter. It also reviewed the quarterly, interim and annual financial statements and reports and discussed with external auditor on any significant or unusual items before submission to the Board, reviewed the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement and reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures. It also reviewed the training and continuous professional development of the Directors and the senior management and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The current terms of reference of the Audit committee was adopted on 9 March 2016 so as to ensure the function of overseeing financial reporting system, risk management system and internal control system can be properly performed by the Audit Committee.

## Nomination committee

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

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

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

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

## Remuneration committee

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

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

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

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

	<b>Number</b>
Nil to HK\$1,000,000	3
HK\$1,000,001 to HK\$2,000,000	1
HK\$2,000,001 or above	3
	<hr/>
	7
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## Internal control committee

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

The internal control committee members are as follows:

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

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

## Compliance committee

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

# Corporate Governance Report



The compliance committee members are as follows:

## **Executive Director**

Dr. Cao Guoqi (*Chairman*)

– a compliance officer of the Company

## **Independent Non-executive Directors**

Dr. Yuan Shumin

Mr. Wang Yiming

Mr. Lu Dongcheng

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

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

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

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

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

### **Internal control and risk management**

The Board is responsible for monitoring the risk management and internal control systems of the Company and reviewing their effectiveness. These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Assisted by the Audit Committee, the Board evaluates and determines the nature and extent of significant risks it is willing to take in achieving the Company's strategic objectives. The Board lists the risks they identified and the relevant measures to manage or mitigate such risks. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal control systems. Procedures have been designed and implemented to safeguard the Company's assets against unauthorised use or disposal, ensure maintenance of proper accounting records for provision of reliable financial information for internal use or for publication and ensure the Company's compliance with applicable laws, rules and regulations. The Board also ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.



To ensure the effectiveness of the risk management and internal control systems, the Board requests the management to facilitate each of the departments of the Company to identify major risk events in the field it operates and assess the possibility of occurrence and influence of these risk events to the Company. Each department also prepares solutions and mitigation measures to deal with the possible risk events to the management. The management gathers the information from each of the departments and provide confirmations and feedbacks to the board on the effectiveness of the risk management and internal control system. Based on the information from the management, the Board conducted an annual review on the effectiveness of the Company's risk management and internal control system for the year ended 31 March 2018. The Board concluded that the risk management and internal control systems of the Company were adequate and effective during the year ended 31 March 2018.

The Company does not have an internal audit function as the Board presently considers that the size, nature and complexity of the Group's business does not require such function.

With respect of procedures and internal controls of the handling and dissemination of inside information, the Company is fully aware of its obligation under Part XIVA of the SFO and the Listing Rules. The Board has adopted a policy which contains the guidelines of the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations.

## Auditor's remuneration

The auditor provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. For the year ended 31 March 2018, the remuneration paid/payable to the auditor of the Company, Mazars CPA Limited were set out below:

Nature of services	Fees paid/payable HK\$'000
Audit service	1,460
Audit related service	
– Agreed-upon procedures on quarterly and interim results	480
– Spin-off audit fee	1,195
– Other professional services	250
	<hr/>
Total	3,385

\* The auditor's remuneration disclosed in note 8(d) to the consolidated financial statements included HK\$227,000, which was paid to the statutory auditors of the overseas subsidiaries of the Company (not Mazars CPA Limited).

## SHAREHOLDERS' RIGHTS

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

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

# Corporate Governance Report



## Procedures for putting enquiries to the Board

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

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

## COMPANY SECRETARY

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

Mr. Tang Wai Leung is the company secretary of the Company. He is a full-time employee of the Company and undertook over 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 March 2018.

## INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investors.

The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports and notices, announcements and circulars. The corporate website of the Company (<http://www.chinasmartpay.com>) provides a communication platform to the public and the shareholders.

# Environmental, Social and Governance Report

We are pleased to present this Environmental, Social and Governance Report (the “**ESG report**”) in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) published by the Stock Exchange, as contained in Appendix 20 to the GEM Listing Rules. The information stated in this report covers the period from 1 April 2017 to 31 March 2018 (the “**Reporting Period**”) which aligns with the financial year as the 2018 annual report of the Group.

The Group’s headquarters office is located in Shanghai, PRC, and its trading network covers the whole country, with branches in Hong Kong, Beijing, Shanghai and Thailand. The scope of this ESG report mainly includes data and activities of the office in Hong Kong, Beijing, Shanghai and Thailand which are the key operation sites of the Group.

This report describes the Group’s policies that were designed to fulfil the Group’s obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide.

## **A ENVIRONMENT**

Protecting environment is one of our key concerns; we are committed to protecting environment and focusing on environmental protection in our operation, hoping that through rigorous supervision and control to reduce our long-term negative impact on environment. The key environmental impacts from our operations mainly related to the energy consumption, sewage and waste management.

### **A1 Energy Management**

The indirect greenhouse gas emission which generated from our daily electricity power consumption, is the main source of the Group’s carbon footprint, we will keep monitoring and disclosing the Company’s carbon footprint to find out and control the impact of our daily operation on environment. We implement the following energy-saving and energy efficiency measures at various office locations to reduce greenhouse gas emission:

- Install high-performance electrical equipment;
- Select and purchase high energy efficiency products;
- The employees must turn off light and unnecessary energy device to reduce energy consumption and avoid unnecessary waste of energy;
- Deploy natural light as much as possible;
- Monitor and review electricity consumption;
- Keeping all the doors and windows closed when the air conditioners are running, and setting and maintaining the office room temperature at 24 to 26°C.



## A2 Use of Resources

The resources used by the Group are principally electricity, water and paper that are consumed in our offices.

### A.2.1 Energy consumption

The water consumption of the Group is minimal because electricity is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, functioning of office equipment, functioning of equipment relating to repair and maintenance, etc. As mentioned in Section A1, the Group has established energy saving procedures that are in place to help reduce the Group's use of resources.

During the year ended 31 March 2018, the Group's consumption in electricity were:

Indicators	2018
Total energy consumption (kWh)	213,000
Total energy consumption per employee (kWh/employee)	641

### A. 2.2 Water consumption

The Group does not consume significant water in its business activities. Regardless of limited water consumption, the Company still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

During the year ended 31 March 2018, the Group's consumption in water cannot be measured reliably since the majority of water consumption were taken place in public area of the rental office.

### A.2.3 Paper reduction

We encourage employees to reduce the use of paper by accessing the necessity of printing and where appropriate, using duplex printing and reprinting on single-sided printed paper. The Group also encourages electronic communication where advertisements and promotional materials are made in electronic form and delivered to customers via "WeChat".

The Group engages third parties for collection and handling of waste paper. The Group did not generate any hazardous waste and we are committed to reducing our paper consumption and waste. In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

The Company has covered some of the resources conservation guidelines in the employees' handbook and requested every employee to save water and electricity. In addition, the Company has implemented a number of specific measures to conserve resources, such as:

- Recycling and reusing old computer accessories and electrical appliances;
- Replacing disposable batteries with rechargeable ones;
- Setting up recycling stations to encourage our employees to recycle waste papers, toner cartridges, rechargeable batteries, light bulbs and fluorescent tubes, etc;
- Using daylight whenever possible and installing energy efficient lighting in the office;

- Encouraging our employees to communicate electronically (e.g. by email) to reduce paper consumption;
- Encouraging our employees to use methods such as electronic scanning or electronic fax to reduce photocopying;
- Promoting two-sided printing of documents, and posting labels on all printers and copiers to remind employees to reduce paper consumption;
- Replacing plastic bags for office waste less frequently; and
- Actively implementing 3R initiatives of “reduce, reuse and recycle” in the ordinary course of business.

### **A3 Environment and natural resources**

The Group pursues the best practice between the development and the environment, and takes into careful consideration of all the aspects and activities within the value chain to mitigate the impact on the environment. To achieve the sustainable development of the environment, the Group regularly provides environmental protection information and practical advice related to environmentally friendly living style to staff for circulation.

## **B SOCIETY**

### **B1 Employment**

Employees are regarded as the greatest and most valuable assets and core competitive advantages of the Group who continuously provide the source of innovation for the Group. The Group offers competitive remuneration and welfare, and implements comprehensive performance appraisal scheme to award and praise the staff with excellent performance and assists them with their career development and promotion within the Group by providing appropriate trainings and opportunities. Meanwhile, in order to create a favorable and fair working environment for employees and protect their physical and psychological health, the Group will give careful consideration to all the valuable suggestions for improving the working efficiency and harmonizing the working atmosphere proposed by employees, thereby establishing a united, harmonious and professional team for the Group.

The Group strictly complied with the regulations and provisions of laws in the PRC and Hong Kong, formulated and strictly implemented the relevant management system and measures, and expressly specified the employment, labor relations, treatment, promotion, benefits and retirement of the staff to safeguard their interests.

The Group strictly complied with the PRC laws and regulations and policies associated with social insurance, and made full contributions to various social insurance and housing provident fund for all the staff in a timely manner.



## **B2 Health and Safety**

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees. The operation of the Group belongs to general office operation and does not involve high-risk or high hazard work. However, the Company identifies potential safety risk in the workplace and establish various safety practices. All staff must adhere to the safety guidelines. The Group provides its staff with relevant health and safety training such as fire safety and first aid knowledge training. In addition to the international labor standards and laws, the Group has created internal guidelines and systems specific to its industry to make sure that the employees would discharge their duties effectively.

During the year ended 31 March 2018, the Group has complied with relevant rules and regulations in the PRC, including the Law of the PRC on Work Safety and Occupational Disease Prevention and Control Law of the PRC, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance. Meanwhile, the Group was not aware of any non-compliance with the health and safety laws and regulations.

## **B3 Development and Training**

The Group adopts the principle of unified management and stratified training for the education and training of its staff. Upon joining the Company, new employees must participate in pre-service training focusing on the Company's corporate culture, corporate policies and goals, production safety, necessary skills, etc. A series of tailor-made training courses are provided to senior management and middle management on anti-corruption practices for leaders as well as trainings for middle and senior management of listed companies. The Company will evaluate the training effects subsequently, so as to enhance the pertinence and effectiveness of training, which will further enhance the technical skills and professional quality of the Company's employees of each level achieving satisfactory results.

## **B4 Labor Standards**

All employees are made aware of the Group's employment policies and guidelines, which are in compliance with the relevant laws and regulations. The Group has committed to maintaining a work environment that is free of discrimination and all employees are treated fairly regardless of age, marital status, pregnancy, race and religion. We strictly comply with the relevant PRC and Hong Kong labour regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. Employees are not encouraged to work beyond working hours and are entitled to overtime pay in accordance with the local regulations.

During the Reporting Period, the Group has complied with all relevant labour standards. The Group has not been notified of any violation regarding the age of employment or labour dispute.

## **B5 Supply Chain Management**

Given that the Group does not engage in production and consumption of raw materials, it is unnecessary to categorise the region of suppliers and record the number of suppliers. Our procurements are mainly office supplies. While purchasing products, impacts on environment will be considered during procurement process and products made from renewable materials are preferred.

## **B6 Product Responsibility**

We are committed to providing the customers with high-quality products and services and settling customer complaints effectively, continuously improving service level and ensuring customer satisfaction.

- Make sure that the products and services comply with related laws and guidelines;
- Provide the customers with accurate product information and high-quality products, and develop recovery policy and after-sale service for related products;
- If there is a problem with a product, we will take the initiative to explain the problem and find a mutually satisfactory solution for the customers;
- After handling a customer complaint, a document should be archived properly, and the relevant department shall review the complaint and develop measures to prevent the recurrence of similar complaints, so that the Company's service quality keeps improving; and
- Customer information will only be used for business purpose, not for other unrelated purposes. All employees should handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law.

## **B7 Prevention of Corruption and Fraud**

All of the Group's operations are in compliance with local and national legislation on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislation on anti-corruption and bribery in mainland China.

The Group requires employees to strictly conform to code of business ethics and forbids any corruption bribe behavior as stipulated in the employment contracts. In case of any conflict of interest, it must be reported to the Group's management immediately. Employees, who engage in business operations and represent the Company's professional image, are strictly prohibited to use business opportunities or power for personal interest or benefit.

## **B8 Community Investment**

The Group always seeks to become a positive momentum in the communities in which it operates and maintains close communications and interactions with the communities in order to contribute to local development.

The Group believes that the creation of a beautiful and peaceful community relies on the cooperation of people, corporations and the government. By working together with various community partners, the Group believes it can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will also actively encourage the staff to volunteer their time and skills to benefit local communities. It provides the employees with the opportunities to explore more issues of the society and environment and reinforce the Group's corporate values.

# Independent Auditor's Report



## MAZARS CPA LIMITED

中審眾環(香港)會計師事務所有限公司

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To the members of

### **China Smartpay Group Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## **OPINION**

We have audited the consolidated financial statements of China Smartpay Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 70 to 167, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### **Control over entities under structured agreements (the "Relevant Entities")**

*Refer to significant accounting policy and critical accounting estimate and judgement in Note 3 and the disclosures of the Relevant Entities in Note 13(b) and Note 13(d) to the consolidated financial statements respectively*

The Group, through certain of its indirect wholly-owned subsidiaries, entered into series of structured agreements (the "Structured Agreements") in the People's Republic of China (the "PRC") with the Relevant Entities and the legal owners of the Relevant Entities. The Group, through the Structured Agreements, has exposure and rights to variable returns from its involvement with the Relevant Entities and has ability to affect those returns through its power over the Relevant Entities. Therefore, the Group is considered to have control over the Relevant Entities.

In determining the extent of the Group's involvement with and control over the Relevant Entities, the management considers a number of factors including whether the Group has: (1) exercised effective financial and operational control over the Relevant Entities; (2) exercised equity holders' voting rights of the Relevant Entities; (3) received substantially all of the economic interest returns generated by the Relevant Entities; (4) obtained an irrevocable and exclusive right to purchase the remaining entire equity interest in the Relevant Entities from the respective equity holders; and (5) obtained a pledge over the entire equity interest of the Relevant Entities from their respective equity holders under the Structured Agreements.

We have identified the above matter as a key audit matter because the Relevant Entities are material to the Group and the determination of whether the Group has control over the Relevant Entities involves a significant degree of management judgement.

Our key procedures included:

- a) Evaluated the terms in the Structured Agreements in connection with the Group's control over the Relevant Entities;
- b) Understood how the Group controls the daily business operation of the Relevant Entities;
- c) Evaluated the management's assessment in relation to the control over the Relevant Entities according to *HKFRS 10 Consolidated Financial Statements*;
- d) Obtained an updated legal opinion from the Company's PRC legal counsel regarding whether the Structured Agreements are in compliance with relevant PRC laws and regulations and are legally binding and enforceable; and
- e) Evaluated the Company's PRC legal counsel's competence, capabilities and objectivity.

# Independent Auditor's Report



## KEY AUDIT MATTERS *(continued)*

### Key Audit Matter

#### ***Recognition of revenue from prepaid cards and internet payment business and internet micro-credit business***

*Refer to significant accounting policy in Note 3 and the disclosures of revenue, loan receivables and unutilised float funds in Note 6, Note 22 and Note 25(c) to the consolidated financial statements respectively*

The Group maintains sophisticated information technology (“IT”) systems in (1) prepaid cards and internet payment business, in order to track the point of service provision for each transaction and also to track the issuance and subsequent consumption and utilisation of prepaid cards and the internet payment accounts; and (2) internet micro-credit business, in order to review the creditability of each borrower, monitor each outstanding loan balance and calculate interest income arising from the loans. Revenue recognition in both businesses highly relies on information generated from the IT systems.

We have identified the above matter as a key audit matter because revenue is one of the Group’s key performance indicators and it involves complicated IT systems, all of which give rise to an inherent risk that revenue could be recorded in an incorrect accounting period or could be subject to manipulation to meet targets or expectations.

### How our audit addressed the Key Audit Matter

Our key procedures included:

- a) With the involvement of our IT experts, assessed the design, implementation and operating effectiveness of management’s general IT controls and key application controls over the Group’s IT systems which govern revenue recognition, including access controls, controls over program changes, interfaces among different systems and key manual internal controls over revenue recognition;
- b) Performed analytical procedures on revenue from prepaid cards and internet payment business and internet micro-credit business by extracting each type of revenue using independent inputs and information generated from the Group’s IT systems and comparing them with recorded revenue;
- c) Inspected underlying documents for any journal entries which were considered to be significant or met other specified risk-based criteria; and
- d) Inspected the key terms and conditions of contracts with business partners and borrowers to assess if there were any terms and conditions that may affect the accounting treatment of the related revenue.

## KEY AUDIT MATTERS *(continued)*

### Key Audit Matter

#### **Impairment of goodwill and interests in associates**

*Refer to significant accounting policy and critical accounting estimate and judgement in Note 3 and the disclosures of interests in associates and goodwill in Note 15 and Note 16 to the consolidated financial statements respectively*

At 31 March 2018, the Group had goodwill of approximately HK\$633,130,000 arising from acquisitions of businesses in prior years. In addition, the Group had interests in associates of approximately HK\$252,570,000.

For the purpose of assessing impairment on goodwill arising from business combination, goodwill is allocated to cash generating units ("CGUs") and the recoverable amount of each CGU identified was determined with reference to value-in-use (the "VIU") calculations using cash flow projections. In addition, the Group was also required to estimate the recoverable amount of interests in associates, with reference to the VIU calculations, when an impairment indication existed. In carrying out the impairment assessments, significant management judgement was used to identify and evaluate indication of impairment, identify each CGU and determine the key assumptions underlying the VIU calculations.

Management has engaged an independent professional valuer to provide assistance in estimating the recoverable amount of certain significant CGUs and the interests in associates. Accordingly, impairment loss of approximately HK\$36,226,000 and HK\$37,362,000 on goodwill arising from the internet payment clearing CGU and the prestige benefits CGU have been recognised for the current reporting period respectively. In addition, impairment loss of approximately HK\$67,893,000 on the interests in associates has been recognised for the current reporting period.

We have identified the above matter as a key audit matter because those items are material to the Group and the estimation of recoverable amount of CGUs and interests in associates and assessment of impairment indication on each investment in associate involved a significant degree of management judgement and therefore was subject to an inherent risk of error.

### How our audit addressed the Key Audit Matter

Our key procedures included:

- a) Evaluated the appropriateness and reasonableness of the Group's policies and process to identify indicators of impairment to perform the impairment test;
- b) Assessed the appropriateness of the valuation methodologies used by the independent professional valuer and management to estimate recoverable amount of CGUs and interests in associates;
- c) Reconciled key input data to reliable supporting evidence applied in the VIU calculations;
- d) Evaluated the independent professional valuer's competence, capabilities and objectivity;
- e) Challenged the reasonableness of key assumptions based on our knowledge and understanding of the businesses and industry; and
- f) Evaluated the sensitivity of the impairment tests to changes in key assumptions.

# Independent Auditor's Report



## KEY AUDIT MATTERS *(continued)*

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### ***Recoverability assessment of trade and other receivables***

*Refer to significant accounting policy and critical accounting estimate and judgement in Note 3, the disclosures of trade and other receivables in Note 22 and the disclosures of the financial risk management – credit risk in Note 38(a)(iii) to the consolidated financial statements respectively*

At 31 March 2018, the Group had trade and other receivables of approximately HK\$574,127,000, net of impairment allowances of approximately HK\$8,934,000.

The recoverability assessment of these receivables involves significant judgement based on a number of factors, including the debtors' current creditworthiness, past collection history, subsequent settlement and ageing analysis.

We have identified the above matter as a key audit matter because the balances are material to the Group and the recoverability assessment of these receivables involved a significant degree of management judgement and therefore was subject to an inherent risk of error.

Our key procedures included:

- a) Evaluated the adequacy and appropriateness of the Group's credit risk assessment policies to limit the exposure of credit risk of these receivables;
- b) Tested the settlement of trade and other receivables throughout the year, on a sample basis, to ensure the reliability of past collection history for management's recoverability assessment;
- c) Tested the accuracy of the ageing analysis of trade receivables, on a sample basis; and
- d) Assessed the reasonableness of recoverability assessment of trade and other receivables with reference to credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2018 annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditor's Report



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee and the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 29 June 2018

The engagement director on the audit resulting in this independent auditor's report is:

### **She Shing Pang**

Practising Certificate number: P05510

# Consolidated Income Statement

Year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	6	<b>598,482</b>	489,121
Cost of services rendered and cost of goods sold		<b>(363,821)</b>	(268,071)
Gross profit		<b>234,661</b>	221,050
Other income	7	<b>11,837</b>	1,881
General administrative expenses		<b>(266,457)</b>	(234,837)
Selling and distribution costs		<b>(60,762)</b>	(52,149)
Finance costs	8	<b>(47,432)</b>	(31,095)
Fair value loss on contingent consideration	26	<b>(20,676)</b>	(5,763)
Fair value gain on derivative financial instruments	29	<b>16,678</b>	8,617
Fair value loss on financial assets at fair value through profit or loss		<b>(56,388)</b>	(68,580)
Gain on disposal of subsidiaries	34	<b>4,329</b>	570
Loss on disposal of equity interests in a joint venture	14	<b>(144)</b>	–
Impairment loss on goodwill	16	<b>(73,588)</b>	(988)
Impairment loss on interests in associates	15	<b>(67,893)</b>	–
Share of results of joint ventures		<b>187</b>	265
Share of results of associates		<b>(30,453)</b>	(1,874)
<b>Loss before tax</b>	8	<b>(356,101)</b>	(162,903)
Income tax expenses	11	<b>(8,353)</b>	(9,817)
<b>Loss for the year</b>		<b>(364,454)</b>	(172,720)
<b>Attributable to:</b>			
Equity holders of the Company		<b>(361,229)</b>	(174,396)
Non-controlling interests		<b>(3,225)</b>	1,676
		<b>(364,454)</b>	(172,720)
<b>Loss per share for loss attributable to equity holders of the Company</b>			
Basic	12	<b>(23.03) HK cents</b>	(12.07) HK cents
Diluted	12	<b>(23.03) HK cents</b>	(12.07) HK cents

# Consolidated Statement of Comprehensive Income

Year ended 31 March 2018



	Note	2018 HK\$'000	2017 HK\$'000
Loss for the year		<b>(364,454)</b>	(172,720)
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale financial assets	19(a)	<b>24,965</b>	–
Share of other comprehensive income (loss) of associates			
– exchange difference on translation		<b>25,963</b>	(2,054)
Share of other comprehensive income (loss) of joint ventures			
– exchange difference on translation		<b>961</b>	(686)
Derecognition of exchange reserve upon disposal of equity interests in a joint venture		<b>64</b>	–
Exchange difference on translation of foreign subsidiaries		<b>127,944</b>	(59,824)
<b>Total comprehensive loss for the year</b>		<b>(184,557)</b>	(235,284)
<b>Total comprehensive (loss) income attributable to:</b>			
Equity holders of the Company		<b>(188,697)</b>	(235,764)
Non-controlling interests		<b>4,140</b>	480
		<b>(184,557)</b>	(235,284)



# Consolidated Statement of Financial Position

At 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Interests in joint ventures	14	8,453	10,433
Interests in associates	15	252,570	29,539
Goodwill	16	633,130	657,814
Property, plant and equipment	17	55,244	49,276
Intangible assets	18	65,503	34,461
Other investments	19	34,425	44,030
Other receivables – deposits on investments	22	91,063	302,921
Deferred tax assets	27	308	–
		<b>1,140,696</b>	1,128,474
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	83,312	139,700
Inventories	21	1,529	3,444
Other investments	19	81	–
Tax recoverable		674	1,869
Trade and other receivables	22	483,064	361,533
Restricted funds	23	434,034	451,560
Cash and bank balances	24	289,223	264,572
		<b>1,291,917</b>	1,222,678
<b>Current liabilities</b>			
Trade and other payables	25	525,222	519,235
Tax payables		13,505	9,327
Contingent consideration	26	37,766	64,313
		<b>576,493</b>	592,875
<b>Net current assets</b>		<b>715,424</b>	629,803
<b>Total assets less current liabilities</b>		<b>1,856,120</b>	1,758,277

# Consolidated Statement of Financial Position

At 31 March 2018



	Note	2018 HK\$'000	2017 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities	27	2,477	4,239
Other long-term liabilities	28	1,936	1,747
Derivative financial instruments	29	1,527	18,205
Bonds payables	29	369,773	368,140
Convertible bonds	29	78,650	70,284
		<b>454,363</b>	462,615
<b>NET ASSETS</b>			
		<b>1,401,757</b>	1,295,662
<b>Capital and reserves</b>			
Share capital	30	16,441	14,611
Reserves		1,306,052	1,220,645
<b>Equity attributable to equity holders of the Company</b>			
		<b>1,322,493</b>	1,235,256
Non-controlling interests		79,264	60,406
<b>TOTAL EQUITY</b>			
		<b>1,401,757</b>	1,295,662

These consolidated financial statements on pages 70 to 167 were approved and authorised for issue by the Board of Directors on 29 June 2018 and signed on its behalf by

**Cao Guoqi**  
Director

**Yan Dinggui**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 March 2018

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Capital redemption reserve	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Note 30)	(Note 31(a))	(Note 31(b))	(Note 31(c))	(Note 31(d))		(Note 32)				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	14,526	1,315,828	6,996	(37,963)	2,545	(27,379)	130,417	(37,709)	1,367,261	22,513	1,389,774
Loss for the year	-	-	-	-	-	-	-	(174,396)	(174,396)	1,676	(172,720)
<b>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	-	-	-	(2,054)	-	-	-	-	(2,054)	-	(2,054)
Share of other comprehensive loss of joint ventures											
- exchange difference on translation (Note 14)	-	-	-	(686)	-	-	-	-	(686)	-	(686)
Exchange difference on translation of foreign subsidiaries	-	-	-	(58,628)	-	-	-	-	(58,628)	(1,196)	(59,824)
Total comprehensive loss for the year	-	-	-	(61,368)	-	-	-	(174,396)	(235,764)	480	(235,284)
<b>Transactions with owners:</b>											
<i>Contributions and distributions</i>											
Recognition of share-based compensation costs	-	-	-	-	-	-	62,330	-	62,330	-	62,330
Cancellation of repurchased shares (Note 30(a))	(166)	(27,213)	-	-	-	27,379	-	-	-	-	-
Consideration shares issued in January 2017 for fulfillment of performance target (Note 30(b))	251	41,191	-	-	-	-	-	-	41,442	-	41,442
Transfer to statutory reserve	-	-	-	-	3,711	-	-	(3,711)	-	-	-
	85	13,978	-	-	3,711	27,379	62,330	(3,711)	103,772	-	103,772
<i>Changes in ownership interests</i>											
Non-controlling interests arising from incorporation of subsidiaries	-	-	-	-	-	-	-	-	-	37,413	37,413
<b>Disposal of subsidiaries</b>	-	-	-	(13)	-	-	-	-	(13)	-	(13)
At 31 March 2017	14,611	1,329,806	6,996	(99,344)	6,256	-	192,747	(215,816)	1,235,256	60,406	1,295,662

# Consolidated Statement of Changes in Equity

Year ended 31 March 2018

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Fair value reserve	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Note 30) HK\$'000	(Note 31(a)) HK\$'000	(Note 31(b)) HK\$'000	(Note 31(c)) HK\$'000	(Note 31(d)) HK\$'000	(Note 31(e)) HK\$'000	(Note 32) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	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 year	-	-	-	-	-	-	-	(361,229)	(361,229)	(3,225)	(364,454)
<b>Other comprehensive income</b>											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Share of other comprehensive income of associates – exchange difference on translation	-	-	-	25,963	-	-	-	-	25,963	-	25,963
Share of other comprehensive income of joint ventures – exchange difference on translation (Note 14)	-	-	-	961	-	-	-	-	961	-	961
Change in fair value of available-for-sale financial assets (Note 19(a))	-	-	-	-	-	24,965	-	-	24,965	-	24,965
Derecognition of exchange reserve upon disposal of a joint venture (Note 14)	-	-	-	64	-	-	-	-	64	-	64
Exchange difference on translation of foreign subsidiaries	-	-	-	120,579	-	-	-	-	120,579	7,365	127,944
Total comprehensive loss for the year	-	-	-	147,567	-	24,965	-	(361,229)	(188,697)	4,140	(184,557)
<b>Transactions with owners:</b>											
<i>Contributions and distributions</i>											
Recognition of share-based compensation costs	-	-	-	-	-	-	44,661	-	44,661	-	44,661
Forfeiture of share options (Note 32(iii))	-	-	-	-	-	-	(2,571)	2,571	-	-	-
Shares issued upon subscription in August 2017 (Note 30(c))	1,500	185,668	-	-	-	-	-	-	187,168	-	187,168
Consideration shares issued in December 2017 for fulfilment of performance target (Note 30(d))	330	46,893	-	-	-	-	-	-	47,223	-	47,223
Transfer to statutory reserve	-	-	-	-	1,080	-	-	(1,080)	-	-	-
	1,830	232,561	-	-	1,080	-	42,090	1,491	279,052	-	279,052
<i>Changes in ownership interests</i>											
Acquisition of non-controlling interests in a subsidiary (Note 19(b))	-	-	-	-	-	-	-	(1,891)	(1,891)	(32,679)	(34,570)
Non-controlling interests arising from acquisition of a subsidiary (Note 35)	-	-	-	-	-	-	-	-	-	47,397	47,397
	-	-	-	-	-	-	-	(1,891)	(1,891)	14,718	12,827
<b>Disposal of subsidiaries (Note 34)</b>	-	-	(1,498)	271	-	-	-	-	(1,227)	-	(1,227)
<b>At 31 March 2018</b>	<b>16,441</b>	<b>1,562,367</b>	<b>5,498</b>	<b>48,494</b>	<b>7,336</b>	<b>24,965</b>	<b>234,837</b>	<b>(577,445)</b>	<b>1,322,493</b>	<b>79,264</b>	<b>1,401,757</b>

# Consolidated Statement of Cash Flows

Year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash used in operations	33(a)	(59,418)	(38,235)
Interest paid		(37,978)	(19,177)
Interest received		2,648	1,179
Income tax paid		(4,962)	(14,997)
<b>Net cash used in operating activities</b>		<b>(99,710)</b>	<b>(71,230)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of a subsidiary	35	7	–
Disposal of subsidiaries	34	(12,304)	(977)
Investment in an associate		(915)	–
Additions in property, plant and equipment	17	(12,822)	(14,634)
Proceeds from disposal of property, plant and equipment		1,079	13
Additions in intangible assets	18	(42,118)	(12,784)
Proceeds from disposal of intangible assets		1,113	–
Purchase of other investments		(81)	(44,030)
Proceeds from disposal of other investments		–	9,019
Deposits on investments paid		(27,500)	(279,753)
Proceeds from disposal of equity interests in a joint venture	14	3,048	–
<b>Net cash used in investing activities</b>		<b>(90,493)</b>	<b>(343,146)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares upon subscription		187,168	–
Repayment of interest-bearing borrowings		–	(18,940)
Capital injection from non-controlling interests for incorporation of a subsidiary		–	3,163
Proceeds from issuance of bonds		–	367,052
Proceeds from issuance of convertible bonds		–	91,763
<b>Net cash from financing activities</b>		<b>187,168</b>	<b>443,038</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(3,035)</b>	<b>28,662</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>264,572</b>	<b>243,063</b>
Effect on exchange rate changes		27,686	(7,153)
<b>Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances</b>		<b>289,223</b>	<b>264,572</b>

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 1. CORPORATE INFORMATION

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

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

## 2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016/2017 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in Note 3 to the consolidated financial statements. The consolidated financial statements are rounded to the nearest thousand, unless otherwise indicated.

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

## 3. PRINCIPAL ACCOUNTING POLICIES

### Adoption of new/revised HKFRSs

#### Amendments to HKAS 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.

The adoption of the amendments did not have any significant impact on the consolidated financial statements for the current reporting period.

#### 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.

The adoption of the amendments did not have any significant impact on the consolidated financial statements for the current reporting period.

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Adoption of new/revised HKFRSs *(continued)***

#### **Annual Improvements 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.

The adoption of the amendments did not have any significant impact on the consolidated financial statements for the current reporting period.

### **Basis of measurement**

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

### **Basis of consolidation**

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

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

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

### **Allocation of total comprehensive income**

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Basis of consolidation** *(continued)*

#### **Changes in ownership interests**

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

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

#### **Subsidiaries**

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

In the Company's statement of financial position which is presented in Note 42 to the consolidated financial statements, an investment in subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### **Associates and joint ventures**

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

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



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Associates and joint ventures** *(continued)*

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

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

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

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

### **Contingent consideration**

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### Goodwill

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

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

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided to write-off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	Over the shorter of unexpired term of lease and their estimated useful life
Leasehold improvements	3 years
Furniture and office equipment	3 – 5 years
Motor vehicles	4 years

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

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Intangible assets

#### Research and development costs

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

#### Licence rights

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

#### Computer software

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

#### Payment network membership

The initial cost of payment network membership is capitalised. Payment network membership with indefinite useful lives is carried at cost less accumulated impairment losses as the Directors consider that there is no foreseeable limit on the period of time over which the payment network membership can be used to generate economic benefits.

### Financial instruments

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

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

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

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### Classification and measurement

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

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

Financial assets or financial liabilities at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, and financial assets or financial liabilities resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

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

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

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

(2) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Classification and measurement (continued)

##### (3) Available-for-sale financial assets

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

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

##### (4) Financial liabilities

The Group's financial liabilities, except for financial liabilities at fair value through profit or loss, are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period respectively. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability respectively, or where appropriate, a shorter period.

#### Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Convertible bonds

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

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

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

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

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

If the convertible bonds are redeemed, the consideration paid and any transaction costs for the repurchase or redemption are allocated to the liability and equity components of the instrument at the date of the transaction.

#### (b) Other convertible bonds

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

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

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

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

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

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **Derivative financial instruments**

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

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

### **Share capital**

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

### **Cash equivalents**

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

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following basis.

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Revenue recognition *(continued)*

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

Merchant acquiring transaction fee income (“MDR Income”) is generally recognised on an accruals basis when the service has been provided, which generally coincides with the time when the transactions are approved and executed.

Foreign exchange rate discount income is recognised when the foreign currency denominated funds are received from the merchant acquiring business partner who offered a favourable exchange rate in settling its outstanding payable to the Group and converted into local currency which is usually on every business day.

Marketing service income is recognised when services are rendered.

### Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Hong Kong Dollars (“HK\$”) is the Company’s functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised as a separate component of equity;
- On the disposal of a foreign operation, which includes a disposal of the Group’s entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Foreign currency translation *(continued)*

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

### Inventories

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

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

### Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets or interests in joint ventures and associates may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit (the "CGU")).

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

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### Provisions

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

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives received are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

### Employee benefits

#### Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

#### Defined contribution plans

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

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

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Share-based payment transactions

#### Equity-settled transactions

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

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

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

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

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

#### Borrowing costs

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Taxation

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

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

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Related parties *(continued)*

- (b) An entity is related to the Group if any of the following conditions applies: *(continued)*
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

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

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Operating segments that meet the quantitative thresholds are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Other operating segments may be aggregated if they share a majority of these criteria.

### Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Critical accounting estimates and judgements *(continued)*

#### (a) Critical judgements made in applying accounting policies

(i) *Subsidiary – Oriental City Group (Thailand) Company Limited (“OCG Thailand”)*

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the “FBA”), OCG Thailand, being a company engaged in merchant acquiring business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the capital and voting rights structure of ordinary shares and preference shares (together the “Preference Shares Structure”) of OCG Thailand as described in Note 13(a) to the consolidated financial statements, majority of OCG Thailand’s issued capital, including ordinary and preference share capital, is owned by Thai citizens. However, the Group is able to exercise more than 50% voting power in any shareholders’ meeting of OCG Thailand.

The Company’s legal advisors have confirmed that the Preference Shares Structure is in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of similar capital structure of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon the management’s judgement on the Preference Shares Structure, the Company accounts for OCG Thailand as a subsidiary on the ground that it is able to control the operations of OCG Thailand by exercising its majority voting power in any shareholders’ meeting of OCG Thailand.

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

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

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

Based upon the management’s judgement on the Shenzhen Yongle Structured Agreements, the Company accounts for Shanghai Yongle and its subsidiaries, 微科睿思在綫(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited\*, “Beijing Weike”) and 開聯通支付服務有限公司 (Open Union Payment Services Limited\*, “Open Union”), as subsidiaries in accordance with HKFRS 10.

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

\* *English translation for identification purpose only.*

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### Critical accounting estimates and judgements (continued)

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

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

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

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

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

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

\* *English translation for identification purpose only.*

#### (b) Key sources of estimation uncertainty

- (i) *Impairment of investments and receivables*

The Group assesses annually if its interests in subsidiaries/associates/joint ventures suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause in the adjustments of their carrying amounts.



## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Critical accounting estimates and judgements *(continued)*

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

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

The management determines the estimated useful lives of the Group's property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(iii) *Impairment of property, plant and equipment and intangible assets*

The management determines whether the Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of the fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iv) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGU to which the goodwill is allocated. Estimating the recoverable amount requires the management to choose a suitable valuation model and make estimation of the key valuation parameter and other relevant business assumptions. Details of the estimates used to calculate the recoverable amount are given in Note 16 to the consolidated financial statements.

(v) *Provision of hotel and catering expenses*

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

(vi) *Derivative financial instruments*

The management uses their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. In determining the fair value of derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Details of the valuation technique adopted and inputs for fair value measurements are given in Note 29 to the consolidated financial statements.



## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### Critical accounting estimates and judgements (continued)

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

##### (vii) Impairment of financial assets

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

##### (viii) Income tax

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

## 4. FUTURE CHANGES IN HKFRSS

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

Annual Improvements HKFRSSs	2014-2016 Cycle: HKFRS 1 and HKAS 28 <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Annual Improvements HKFRSSs	2015-2017 Cycle <sup>2</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKAS 19	Employee benefits <sup>2</sup>
Amendments to HKAS 28	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 17	Insurance Contract <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> The effective date to be determined

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 4. FUTURE CHANGES IN HKFRSS *(continued)*

Except for HKFRS 9, HKFRS 15 and HKFRS 16 as set out below, the directors of the Company (the “Directors”) do not anticipate that the application of these new standards and amendments will have any material impact on the Group’s financial statements in the future.

### HKFRS 9

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment requirements for financial assets. Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading and contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss; and
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies at 31 March 2018, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. The Group’s available-for-sale financial assets, which currently stated at cost less impairment loss will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfilment of the designation criteria). For financial assets at fair value through profit or loss, there will be no material impact after application of HKFRS 9. In addition, the expected credit loss model may result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for classification of the Group’s available-for-sale financial assets and estimation of expected credit losses on its financial assets measured at amortised cost upon the adoption of HKFRS 9.

## 4. FUTURE CHANGES IN HKFRSS *(continued)*

### HKFRS 15

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Group preliminarily considers that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the Group’s existing revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

### HKFRS 16

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 4. FUTURE CHANGES IN HKFRSS *(continued)*

### HKFRS 16 *(continued)*

As set out in Note 37 to the consolidated financial statement, at 31 March 2018, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises amounted to approximately HK\$35,306,000. The Directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated financial statement as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets.

## 5. SEGMENT REPORTING

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

- (i) prepaid cards and internet payment business in the PRC;
- (ii) prestige benefits business in the PRC;
- (iii) internet micro-credit business in the PRC;
- (iv) merchant 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, other gain or loss, finance costs, general administrative expenses incurred by corporate office, share of results of joint ventures and associates and income tax.

Segment assets include property, plant and equipment, intangible assets, goodwill, interests in associates and joint ventures, other investments, deferred tax assets, financial assets at fair value through profit or loss, inventories, tax recoverable, trade and other receivables, restricted funds and cash and bank balances. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include trade and other payables, tax payables, contingent consideration, deferred tax liabilities and other long-term liabilities. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 5. SEGMENT REPORTING (continued)

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

### Year ended 31 March 2018

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Consolidated HK\$'000
Segment revenue						
Major customer A	-	93,343	-	-	-	93,343
Major customer B	-	136,636	-	-	-	136,636
Other customers	110,336	52,959	99,125	106,083	-	368,503
	110,336	282,938	99,125	106,083	-	598,482
Segment results	18,236	(6,221)	(15,222)	1,742	(56,709)	(58,174)
Unallocated other income						11,837
Unallocated finance costs						(47,432)
Unallocated other expenses and losses						(90,772)
Fair value loss on contingent consideration						(20,676)
Fair value gain on derivative financial instruments						16,678
Gain on disposal of subsidiaries						4,329
Loss on disposal of equity interests in a joint venture						(144)
Impairment loss on goodwill						(73,588)
Impairment loss on interests in associates						(67,893)
Share of results of joint ventures						187
Share of results of associates						(30,453)
<b>Loss before tax</b>						<b>(356,101)</b>
Income tax expenses						(8,353)
<b>Loss for the year</b>						<b>(364,454)</b>

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 5. SEGMENT REPORTING (continued)

Year ended 31 March 2017

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Consolidated HK\$'000
Segment revenue						
Major customer A	–	66,892	–	–	–	66,892
Major customer B	–	58,161	–	–	–	58,161
Other customers	119,592	55,217	91,832	97,427	–	364,068
	119,592	180,270	91,832	97,427	–	489,121
Segment results	22,406	28,049	(28,446)	14,341	(68,677)	(32,327)
Unallocated other income						1,881
Unallocated finance costs						(31,095)
Unallocated other expenses and losses						(102,189)
Fair value loss on contingent consideration						(5,763)
Fair value gain on derivative financial instruments						8,617
Gain on disposal of subsidiaries						570
Impairment loss on goodwill						(988)
Share of results of joint ventures						265
Share of results of associates						(1,874)
<b>Loss before tax</b>						(162,903)
Income tax expenses						(9,817)
<b>Loss for the year</b>						(172,720)

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 5. SEGMENT REPORTING (continued)

### Segment assets and liabilities

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

At 31 March 2018

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000 <Note>	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	37,628	1,481	3,820	11,999	-	316	55,244
Intangible assets	22,940	6	41,245	1,312	-	-	65,503
Goodwill	478,075	155,055	-	-	-	-	633,130
Financial assets at fair value through profit or loss	-	-	-	-	83,312	-	83,312
Other assets	864,915	95,629	434,418	72,243	35,449	92,770	1,595,424
<b>Total assets</b>	<b>1,403,558</b>	<b>252,171</b>	<b>479,483</b>	<b>85,554</b>	<b>118,761</b>	<b>93,086</b>	<b>2,432,613</b>
<b>Total liabilities</b>	<b>420,660</b>	<b>72,644</b>	<b>22,414</b>	<b>50,490</b>	<b>1,000</b>	<b>463,648</b>	<b>1,030,856</b>
Additional segment information:							
Amortisation	7,479	71	6,079	221	-	-	13,850
Depreciation	5,486	417	468	2,847	-	315	9,533
Fair value loss on contingent consideration	-	20,676	-	-	-	-	20,676
Fair value loss on financial assets at fair value through profit or loss	-	-	-	-	56,388	-	56,388
Fair value gain on derivative financial instruments	-	-	-	-	-	16,678	16,678
Impairment loss on goodwill	36,226	37,362	-	-	-	-	73,588
Impairment loss on interests in associates	67,893	-	-	-	-	-	67,893
Impairment loss on loan receivables	-	-	24,770	-	-	-	24,770
Share-based compensation costs	-	-	-	-	-	44,661	44,661
Spin-off expenses	-	-	-	9,988	-	-	9,988
Write-off of other receivables and deposits	980	200	5,895	-	-	2,655	9,730
Write-off of loan receivables	-	-	6,989	-	-	-	6,989
Additions in intangible assets	116	-	41,451	551	-	-	42,118
Additions in property, plant and equipment	1,610	1,514	3,843	5,846	-	9	12,822

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 5. SEGMENT REPORTING (continued) Segment assets and liabilities (continued)

At 31 March 2017

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
			<Note>				
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>
Additional segment information:							
Amortisation	6,444	69	336	45	–	–	6,894
Depreciation	5,410	246	66	2,450	–	340	8,512
Fair value loss on contingent consideration	–	–	–	–	–	5,763	5,763
Fair value loss on financial assets at fair value through profit or loss	–	–	–	–	68,580	–	68,580
Fair value gain on derivative financial instruments	–	–	–	–	–	8,617	8,617
Impairment loss on goodwill	–	–	988	–	–	–	988
Impairment loss on intangible assets	–	–	4,160	–	–	–	4,160
Share-based compensation costs	–	–	–	–	–	62,330	62,330
Additions in intangible assets	5,567	–	6,798	419	–	–	12,784
Additions in property, plant and equipment	6,184	613	220	7,531	–	86	14,634

<Note>

At 31 March 2018 and 2017, the Group's specified non-current assets (other than financial instruments and deferred tax assets) under internet micro-credit business segment were physically located in the PRC.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 6. REVENUE

Revenue is analysed by category as follows:

	2018 HK\$'000	2017 HK\$'000
<b>Prepaid cards and internet payment business</b>		
Card issuing service fee income	538	648
Management fee income of prepaid cards	13,800	76,801
Merchant service fee income	80,459	25,051
Interest income from accumulated unutilised float funds	7,611	10,549
Software development income	3,805	1,388
Sales and service fee income of POS machines	4,123	5,155
<b>Prestige benefits business</b>		
Issuance income of prestige benefits cards	199,389	139,294
Hotel booking agency service income	83,549	40,976
<b>Internet micro-credit business</b>		
Sales of goods	20,570	84,308
Loan interest income	75,983	7,524
Trade financing software development income	2,572	–
<b>Merchant acquiring business</b>		
MDR income	81,457	74,688
Foreign exchange rate discount income	24,050	22,739
Marketing service income	576	–
	<b>598,482</b>	<b>489,121</b>

## 7. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Bank interest income from self-owned funds	2,648	1,179
Gain on disposal of property, plant and equipment	–	3
Gain on disposal of intangible assets	65	–
Government grants	1,550	–
Investment income arising from other investments	2,243	412
Exchange gain, net	4,987	10
Sundry income	344	277
	<b>11,837</b>	<b>1,881</b>

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 8. LOSS BEFORE TAX

This is stated after charging:

	2018 HK\$'000	2017 HK\$'000
<b>(a) Finance costs</b>		
Effective interest expense on convertible bonds (Note 29)	12,147	7,245
Finance costs on other long-term liabilities	172	163
Interest on bonds payables	35,113	23,687
	<b>47,432</b>	31,095
<b>(b) Staff costs, including key management remuneration</b>		
Salaries, allowances and other short-term employee benefits	87,647	77,753
Contributions to defined contribution plans	17,251	14,091
Share-based compensation costs	36,701	43,965
	<b>141,599</b>	135,809
<b>(c) Key management remuneration, including directors' remuneration</b>		
Salaries, allowances and other short-term employee benefits	5,960	10,549
Contributions to defined contribution plans	54	90
Share-based compensation costs	14,748	33,225
	<b>20,762</b>	43,864
<b>(d) Other items</b>		
Auditor's remuneration	1,687	1,710
Amortisation of intangible assets (included in "General administrative expenses" and "Selling and distribution costs", as appropriate)	13,850	6,894
Cost of goods sold	19,972	82,342
Depreciation of property, plant and equipment	9,533	8,512
Operating lease charges on premises	17,069	13,980
Impairment loss on intangible assets (included in "General administrative expenses")	-	4,160
Loss on disposal of property, plant and equipment	215	-
Impairment loss on loan receivables (Note 22(b))	24,770	543
Share-based compensation costs to service providers	7,960	18,365
Spin-off expenses (Note i)	9,988	-
Write-down of inventories	676	-
Write-off of intangible assets	-	1,554
Write-off of other receivables and deposits (Note ii)	9,730	1,741
Write-off of loan receivables	6,989	-
Write-off of property, plant and equipment	844	656

Note:

- (i) The amount represents expenses incurred for processing the spin-off and separate listing of the Group's merchant acquiring business in Thailand on GEM (the "Spin-off") as disclosed in Note 41(d) to the consolidated financial statements.
- (ii) During the year, the Group has written-off certain receivables from or deposits to other debtors as management considered that recoverability of these receivables and deposits is uncollectable.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

### (a) Directors' remuneration

The aggregate amounts of remuneration received and receivable by the Directors are as follows:

	Directors' fees HK\$'000	Salaries, allowances and other short-term employee benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Share-based compensation costs HK\$'000	Total HK\$'000
<b>Year ended 31 March 2018</b>						
<b>Executive directors</b>						
Dr. Cao Guoqi	-	240	-	-	3,888	4,128
Mr. Fung Weichang	-	120	-	-	-	120
Mr. Xiong Wensen	-	2,000	-	-	787	2,787
Mr. Song Xiangping	-	300	-	-	787	1,087
Mr. Yan Dinggui <sup>1</sup>	-	131	-	-	-	131
	-	2,791	-	-	5,462	8,253
<b>Non-executive directors</b>						
Mr. Zhang Hauqiao <sup>2</sup>	-	480	-	18	4,699	5,197
Mr. Xie Zhichun <sup>1</sup>	445	-	-	-	-	445
	445	480	-	18	4,699	5,642
<b>Independent non-executive directors</b>						
Mr. Wang Yiming	72	-	-	-	-	72
Mr. Lu Dongcheng	72	-	-	-	-	72
Dr. Yuan Shumin	72	-	-	-	-	72
Dr. Zhou Jinhuan	72	-	-	-	434	506
	288	-	-	-	434	722
	733	3,271	-	18	10,595	14,617

<sup>1</sup> Appointed during the year

<sup>2</sup> Re-designated as non-executive director during the year

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



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

### (a) Directors' remuneration (continued)

	Directors' fees	Salaries, allowances and other short-term employee benefits	Discretionary bonus	Contributions to defined contribution plans	Share-based compensation costs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 March 2017</b>						
<b>Executive directors</b>						
Dr. Cao Guoqi	–	240	–	–	4,627	4,867
Mr. Fung Weichang	–	200	–	–	–	200
Mr. Xiong Wensen	–	2,000	–	–	1,873	3,873
Mr. Song Xiangping	–	1,379	–	–	1,873	3,252
Mr. Zhang Huaqiao	–	480	–	18	8,870	9,368
	–	4,299	–	18	17,243	21,560
<b>Independent non-executive directors</b>						
Mr. Wang Yiming	72	–	–	–	–	72
Mr. Lu Dongcheng	72	–	–	–	–	72
Dr. Yuan Shumin	72	–	–	–	–	72
Dr. Zhou Jinhuang <sup>1</sup>	59	–	–	–	385	444
	275	–	–	–	385	660
	275	4,299	–	18	17,628	22,220

<sup>1</sup> Appointed during the year

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2018 and 2017. In addition, no emoluments were paid by the Group to any of the Directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 March 2018 and 2017.

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

There were no other loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the years ended 31 March 2018 and 2017.

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

After consideration, other than disclosed in Note 25(d), Note 32, Note 36 and Note 41(c) to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company, or an entity connected with the Directors, had a material interest, whether directly or indirectly, subsisted at the year or at any time during the years ended 31 March 2018 and 2017.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2017: three) Directors, Dr. Cao Guoqi, Mr. Xiong Wensen and Mr. Zhang Huaqiao (2017: Dr. Cao Guoqi, Mr. Xiong Wensen and Mr. Zhang Huaqiao), whose remuneration are set out in Note 9 to the consolidated financial statements. Details of the remuneration of the remaining two (2017: two) non-directors, highest paid employees for the year are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and other short-term employee benefits	<b>2,460</b>	2,917
Contributions to defined contribution plans	<b>36</b>	18
Share-based compensation costs	<b>7,254</b>	8,161
	<b>9,750</b>	11,096

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

	<b>Number of employees</b>	
	<b>2018</b>	2017
<b>Band</b>		
HK\$4,000,000 to HK\$4,500,000	<b>1</b>	–
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,500,001 to HK\$6,000,000	<b>1</b>	–
HK\$6,000,001 to HK\$6,500,000	–	1
	<b>2</b>	2

During the years ended 31 March 2018 and 2017, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration for the years ended 31 March 2018 and 2017.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 11. TAXATION

	2018 HK\$'000	2017 HK\$'000
<i>Current tax</i>		
PRC Enterprise Income Tax	7,382	4,490
Thailand Enterprise Income Tax	1,995	2,300
Withholding tax on dividend declared by a foreign subsidiary	1,231	–
	<b>10,608</b>	6,790
<i>Deferred tax (Note 27)</i>		
Recognition of tax losses	(279)	–
(Reversal) Origination of temporary difference	(1,976)	3,027
	<b>(2,255)</b>	3,027
<b>Income tax expenses for the year</b>	<b>8,353</b>	9,817

(i) *Hong Kong Profits Tax*

Hong Kong Profits Tax has not been provided as some Group entities' estimated assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous year, some incurred a loss for taxation purpose, and the others had no assessable profits in Hong Kong for the years ended 31 March 2018 and 2017.

(ii) *Income taxes outside Hong Kong*

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

The Group's operations in the PRC are subject to enterprise income tax ("PRC Enterprise Income Tax") of the PRC at 25% (2017: 25%), except for Open Union and Shanghai Jingyuan (2017: Open Union and Shanghai Jingyuan) which are subject to PRC Enterprise Income Tax at a preferential rate of 15% (2017: 15%) for high and new technology enterprises.

The Group's operations in Thailand are subject to Thailand Enterprise Income Tax at 20% (2017: 20%).

The Group's operation in Singapore is subject to Singapore Income Tax at 17% (2017: 17%).

The Group's operation in Korea is subject to Korea Corporate Income Tax ranged from 10% to 22% (2017: 10% to 22%).

The Group's operations in Cambodia established during the year ended 31 March 2018 are subject to Cambodia Corporate Income Tax at 20%.

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.

Dividends payable by an enterprise in Cambodia to its foreign investors are subject to a 14% withholding tax.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 11. TAXATION (continued)

### Reconciliation of income tax expenses

	2018 HK\$'000	2017 HK\$'000
Loss before tax	<b>(356,101)</b>	(162,903)
Income tax at applicable tax rate	<b>(61,955)</b>	(25,882)
Non-deductible expenses	<b>73,583</b>	35,436
Tax exempt revenue	<b>(2,417)</b>	(890)
Unrecognised tax losses	<b>194</b>	2,421
Utilisation of previously unrecognised tax losses	<b>(723)</b>	(920)
Recognition of previously unrecognised deferred tax assets	<b>(279)</b>	–
Withholding tax on dividends declared by a foreign subsidiary	<b>1,230</b>	–
Others	<b>(1,280)</b>	(348)
Income tax expenses for the year	<b>8,353</b>	9,817

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

## 12. LOSS PER SHARE

Basic loss per share is calculated based on the loss for the year ended 31 March 2018 attributable to the equity holders of the Company of approximately HK\$361,229,000 (2017: HK\$174,396,000) and on the weighted average number of 1,568,783,788 ordinary shares (2017: 1,444,599,384 ordinary shares) in issue during the year ended 31 March 2018.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 March 2018 and 2017.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 13. SUBSIDIARIES

In the opinion of the Directors, a complete list of the particular of all subsidiaries will be of excessive length and therefore the table below lists the principal subsidiaries at the end of the reporting period, which principally affected the result for the year or formed a substantial portion of the net assets of the Group:

Name of the subsidiaries	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Effective ownership interests held by the Company		Principal activities/ place of operation
			2018	2017	
重慶市眾網小額貸款有限公司 Massnet Microcredit Company (Chongqing) Limited ("Massnet Microcredit")	The PRC, 8 August 2016	Paid up capital, Renminbi ("RMB") 300,000,000	100% <Note e>	90.20%	Internet micro-credit business/The PRC
Joy Grand Investment Limited	Hong Kong, 30 March 2016	Ordinary, HK\$1	100%	100%	Securities investment/ Hong Kong
Vantage Network Global Limited	BVI, 18 May 2016	Ordinary, United States Dollars ("US\$") 1	100%	100%	Securities investment/ Hong Kong
Koolcard Technology Limited ("Koolcard")	Hong Kong, 20 January 2016	Ordinary, HK\$25,000,000	100%	100%	Prepaid cards/The PRC
浙江捷盈金融服務外包有限公司 Zhejiang Jie Ying Financial Contracting Service Limited* ("Zhejiang Jie Ying")	The PRC, 16 December 2015	Paid up capital, RMB6,500,000	65%	65%	Leasing of POS machines/The PRC
Union Evernew Investment Limited ("Union Evernew")	Hong Kong, 29 May 2015	Ordinary, HK\$30,000	100%	100%	Investment holding/ Hong Kong
上海啟峻信息科技有限公司 Qijun Information Technology Limited* ("Qijun Information Technology")	The PRC, 11 August 2014	Paid up capital, RMB20,000,000	100%	100%	Prepaid cards and internet payment business/The PRC
深圳市融易付電子商務有限公司 Shenzhen Rongyifu Electronic Business Limited* ("Rongyifu")	The PRC, 29 January 2014	Paid up capital, RMB3,000,000	100%	100%	Internet payment clearing services/The PRC
上海啟峻投資諮詢有限公司 Shanghai Qijun Investments Consultancy Service Limited* ("Qijun Investments Consultancy")	The PRC, 20 December 2013	Paid up capital, RMB44,149,034	100%	100%	Software development and internet payment business/The PRC
Million Promise Limited (formerly known as "Million Promise Travel Limited")	Hong Kong, 9 July 2013	Ordinary, HK\$1	100%	100%	Trade financing/Hong Kong
Shanghai Jingyuan	The PRC, 15 January 2013	Paid up capital, RMB10,000,000	100% <Note d>	100%	Prestige benefits business/The PRC
Open Union	The PRC, 8 November 2010	Paid up capital, RMB100,000,000	90% <Note b> <Note c>	90%	Prepaid cards and internet payment business/The PRC



# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 13. SUBSIDIARIES (continued)

Name of the subsidiaries	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Effective ownership interests held by the Company		Principal activities/ place of operation
			2018	2017	
Shanghai Aole	The PRC, 16 August 2010	Paid up capital, RMB1,000,000	100% <Note d>	100%	Hotel booking agency services/The PRC
上海誠富創業投資有限公司 Shanghai Chengfu Chuangye Investment Limited* ("Chengfu Investment")	The PRC, 24 November 2008	Paid up capital, RMB65,299,200	83.62%	–	Investment holding/The PRC
OCG Thailand	Thailand, 27 September 2004	Ordinary, Thai Baht ("Baht") 7,500,000 Preference, Baht7,650,000 <Note a>	70% –	70% –	Merchant acquiring business/Thailand

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

<Note a>

OCG Thailand's share capital is comprised of ordinary share capital of Baht 7,500,000 (equivalent to approximately HK\$1,561,000) and preference share capital of Baht 7,650,000 (equivalent to approximately HK\$1,936,000). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on any resolution of OCG Thailand.

The holder of preference shares, who is a Thai citizen, has 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 consolidated financial statements in accordance with applicable accounting standards because, although they are not redeemable, the holder of which is entitled to receive 9.5% (per annum) cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

Therefore, the results and financial position of OCG Thailand are included in the Group's consolidated financial statements, after accounting for the paid up value of the preference shares issued and its related cumulative dividend, to the extent of 70% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares indirectly held by the Company.

<Note b>

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 13. SUBSIDIARIES (continued)

<Note b> (continued)

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

<Note c>

On 8 December 2015, Beijing Weike and 開聯信息技術有限公司 (Open Union Message Technology Limited\* "Open Union Message"), a non-controlling shareholder of Open Union, entered into an agreement for Beijing Weike to acquire from Open Union Message the remaining 10% equity interests of Open Union at the aggregate consideration of RMB52 million (equivalent to approximately HK\$65 million). As at 31 March 2018, deposits of RMB52 million (equivalent to approximately HK\$65 million) (2017: RMB30 million (equivalent to approximately HK\$33.8 million)) had been paid and reported as "Deposits on investments" as set out in Note 22(c) to the consolidated financial statements. Such transaction is not yet completed at the date of approving the consolidated financial statements.

<Note d>

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

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

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

<Note e>

On 14 June 2017, Keen Best Investments Limited ("Keen Best"), a 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 Massnet Microcredit (the "Massnet Microcredit Management"), pursuant to which:

- Keen Best should dispose of 74.33% and 6.67% of the issued shares of Union Evernew, an immediate holding company of Massnet Microcredit, to China Minsheng and the Massnet Microcredit Management, at considerations of RMB278,750,000 (equivalent to approximately HK\$321,084,000) and RMB21,600,000 (equivalent to approximately HK\$24,880,000), respectively (together the "Proposed Disposal"); and
- Pursuant to the MOU, as a condition precedent to the completion of final agreement on the Proposed Disposal, Union Evernew should acquire 9.8% equity interests of Massnet Microcredit from Haitong International Financial Solutions Limited ("HIFSL"), 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").

Due to the expiry of the last completion date, the MOU of the Proposed Disposal lapsed while the Share Purchase was completed in July 2017 as stated in Note 19(b) to the consolidation financial statements. Accordingly, Massnet Microcredit was a wholly owned subsidiary of the Company at 31 March 2018.

\* English translation for identification purpose only.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 13. SUBSIDIARIES (continued)

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

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

	Chengfu Investment	OCG Thailand	Open Union	Zhejiang Jie Ying
<b>At 31 March 2018</b>				
Proportion of NCI's ownership interests	16.38%	30%	10%	35%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	1,620	57,832	565,579	10,838
Non-current assets	289,075	13,282	44,097	876
Current liabilities	(323)	(47,064)	(409,320)	(57)
Non-current liabilities	-	(1,936)	-	-
Net assets	290,372	22,114	200,356	11,657
Carrying amount of NCI	47,550	6,634	20,036	4,080
<b>Year ended 31 March 2018 (or since acquisition)</b>				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	-	106,083	89,605	7,517
Expenses	(22,396)	(107,178)	(73,671)	(7,648)
(Loss) Profit	(22,396)	(1,095)	15,934	(131)
Other comprehensive income	23,330	2,519	18,568	1,149
Total comprehensive income	934	1,424	34,502	1,018
(Loss) Profit attributable to NCI	(3,668)	(329)	1,593	(46)
Total comprehensive income attributable to NCI	153	427	3,450	356
Net cash flows (used in) from:				
Operating activities	(173)	11,758	5,772	497
Investing activities	-	(6,836)	(3,934)	-
Financing activities	-	-	9,607	-
Total cash (outflows) inflows	(173)	4,922	11,445	497

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 13. SUBSIDIARIES (continued)

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

	OCG Thailand	Open Union	Zhejiang Jie Ying	Massnet Microcredit
At 31 March 2017				
Proportion of NCI's ownership interests	30%	10%	35%	9.8%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	28,959	571,396	13,777	337,497
Non-current assets	8,772	47,001	1,045	6,665
Current liabilities	(12,110)	(452,543)	(4,184)	(11,920)
Non-current liabilities	(1,747)	–	–	–
<b>Net assets</b>	<b>23,874</b>	<b>165,854</b>	<b>10,638</b>	<b>332,242</b>
Carrying amount of NCI	7,162	16,585	3,723	32,560
Year ended 31 March 2017 (or since incorporation)				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	97,427	103,437	6,158	4,174
Expenses	(89,050)	(79,462)	(6,600)	(19,223)
Profit (Loss)	8,377	23,975	(442)	(15,049)
Other comprehensive income (loss)	601	(9,804)	(730)	(2,199)
<b>Total comprehensive income (loss)</b>	<b>8,978</b>	<b>14,171</b>	<b>(1,172)</b>	<b>(17,248)</b>
Profit (Loss) attributable to NCI	2,513	2,398	(155)	(1,475)
Total comprehensive income (loss) attributable to NCI	2,693	1,417	(410)	(1,690)
Net cash flows from (used in):				
Operating activities	14,049	(44,063)	(4,096)	(140,755)
Investing activities	(7,950)	(3,129)	(148)	(6,865)
Financing activities	–	(28,591)	–	338,218
<b>Total cash inflows (outflows)</b>	<b>6,099</b>	<b>(75,783)</b>	<b>(4,244)</b>	<b>190,598</b>

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 14. INTERESTS IN JOINT VENTURES

	2018 HK\$'000	2017 HK\$'000
Share of net assets	8,453	10,433

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

Name of the joint ventures	Principal place of business and place of incorporation	Registered and paid-up capital	Proportion of value of registered and paid-up capital indirectly held by the Company		Principal activities
			2018	2017	
上海東方網通技術有限公司 Shanghai Eastern Net Communication Technology Company Limited* ("Eastern Net")	The PRC	RMB20,000,000	40%	40%	Promotion of prepaid cards and provision of related customer service
神州融金(北京)信息科技有限公 Shenzhou Rongjin (Beijing) Message Technology Limited* ("Shenzhou Rongjin")	The PRC	RMB6,000,000	–	49%	Smart cards business

\* English translation for identification purpose only.

Eastern Net is accounted for using the equity method in the consolidated financial statements. There are no capital commitment and contingent liabilities in relation to Eastern Net.

In April 2017, the Group disposed of all equity interests in Shenzhou Rongjin to an independent third party at a consideration of approximately RMB2,581,000 (equivalent to approximately HK\$3,048,000). At the date of disposal, the carrying amount of interests in Shenzhou Rongjin was approximately RMB2,649,000 (equivalent to approximately HK\$3,192,000) and a loss on disposal of approximately HK\$144,000, including derecognition of exchange reserve upon disposal of approximately HK\$64,000, was recognised for the current reporting period. The disposal was completed in May 2017. Upon completion of the disposal, Shenzhou Rongjin ceased to be a joint venture of the Group.

### Arrangements with joint venture partners

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

### Relationship with joint ventures

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

### Fair value of investments

Eastern Net is not listed and there is no quoted market price available for the investments.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 14. INTERESTS IN JOINT VENTURES (continued)

### Financial information of individually material joint ventures

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

	Shenzhou Rongjin HK\$'000	Eastern Net HK\$'000
<b>At 31 March 2018</b>		
<i>Gross amounts</i>		
Non-current assets	–	28
Current assets	–	21,429
Current liabilities	–	(324)
Equity	–	21,133
Included in above:		
Cash and cash equivalents	–	19,319
<i>Reconciliation</i>		
Gross amount of equity	–	21,133
Group's ownership interests and voting rights	–	40%
Group's share of equity and carrying amount of interests	–	8,453
<b>Year ended 31 March 2018 (or up to date of disposal)</b>		
<i>Gross amounts</i>		
Revenue	–	2,248
(Loss) Profit	(50)	527
Other comprehensive income	287	2,049
Total comprehensive income	237	2,576
Group's share of:		
(Loss) Profit	(24)	211
Other comprehensive income	141	820
Total comprehensive income	117	1,031
Included in above:		
Interest income	–	633

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 14. INTERESTS IN JOINT VENTURES *(continued)*

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

	Shenzhou Rongjin HK\$'000	Eastern Net HK\$'000
At 31 March 2017		
<i>Gross amounts</i>		
Non-current assets	160	30
Current assets	6,032	18,998
Current liabilities	(49)	(470)
<b>Equity</b>	<b>6,143</b>	<b>18,558</b>
Included in above:		
Cash and cash equivalents	6,032	17,785
<i>Reconciliation</i>		
Gross amount of equity	6,143	18,558
Group's ownership interests and voting rights	49%*	40%
Group's share of equity and carrying amount of interests	3,010	7,423
Year ended 31 March 2017		
	HK\$'000	HK\$'000
<i>Gross amounts</i>		
Revenue	–	4,355
(Loss) Profit	(171)	870
Other comprehensive loss	(418)	(1,203)
<b>Total comprehensive loss</b>	<b>(589)</b>	<b>(333)</b>
Group's share of:		
(Loss) Profit	(83)	348
Other comprehensive loss	(205)	(481)
<b>Total comprehensive loss</b>	<b>(288)</b>	<b>(133)</b>
Included in above:		
Depreciation and amortisation	40	54
Interest income	51	270

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 15. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Share of net assets	89,909	9,316
Goodwill	230,554	20,223
Less: impairment loss	(67,893)	–
	<b>252,570</b>	<b>29,539</b>

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

Name of the associates	Principal place of business and place of incorporation	Registered and paid-up capital	Proportion of value of registered and paid-up capital indirectly held by the Company		Principal activities
			2018	2017	
上海商酷網絡科技有限公司 Shanghai Koolcloud Technology Co. Limited* ("Koolcloud")	The PRC	RMB29,500,000	22.21%	22.21%	Internet payment business
無錫酷銀科技有限公司 Wuxi Kuyin Technology Limited* ("Kuyin")	The PRC	RMB2,000,000	22.21%	22.21%	Manufacturing and sales of POS machines
廈門市民生通電子商務有限公司 Xiamen Minshengtong E-commerce Limited* ("Minshengtong")	The PRC	RMB10,000,000	38%	38%	E-commerce business
啟峻電子支付(武漢)有限公司 Qijun Electronic Payment (Wuhan) Limited* ("Qijun Wuhan")	The PRC	RMB100,000,000	35% <Note a>	35%	Inactive
游娃娃(大連)網絡科技有限公司 Dalian Youwawa Business Service Limited* ("Dalian Youwawa")	The PRC	RMB1,500,000	20% <Note b>	20%	Smart tourism solutions services
游娃娃(上海)網絡科技有限公司 Shanghai Youwawa Business Service Limited* ("Shanghai Youwawa")	The PRC	RMB10,000,000	– <Note b>	20%	Smart tourism solutions services
蘇州百濟文化旅游有限公司 Suzhou Baiji Cultural Travel Limited* ("Suzhou Baiji")	The PRC	RMB2,000,000	– <Note b>	20%	Smart tourism solutions services
北京支碼互聯科技有限公司 Beijing Zhima Hulan Technology Limited* ("Beijing Zhima")	The PRC	RMB15,000,000	38.25%	–	Technology development, promotion and consulting services
上海銀商資訊有限公司 China Union Loyalty Co., Limited* ("CUL")	The PRC	RMB102,128,000	48.88% <Note c>	–	POS machine data processing services
上海銀商電子商務有限公司 China Union Loyalty E-commerce Co., Limited* ("CUL E-commerce")	The PRC	RMB40,000,000	48.88% <Note c>	–	Prepaid cards and value added services
Hong Kong Union Loyalty Co., Limited ("HKUL")	Hong Kong	HK\$10,000	48.88% <Note c>	–	Inactive



## 15. INTERESTS IN ASSOCIATES *(continued)*

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

<Note a>

In March 2017, Qijun Wuhan had filed an application for deregistration to the local authority. All assets of Qijun Wuhan were written-off for the year ended 31 March 2017. Up to date of approving the consolidated financial statements, the deregistration was still under process and not yet completed.

<Note b>

In February 2018, Dailian Youwawa entered into a share transfer agreement with a third party, pursuant to which Dailian Youwawa agreed to transfer its equity interests in its subsidiaries, Shanghai Youwawa and Suzhou Baiji (Dailian Youwawa, Shanghai Youwawa and Suzhou Baiji collectively referred to as the "Youwawa Group"), to the third party at a consideration of approximately RMB1,168,000 (equivalent to approximately HK\$1,449,000). At the date of disposal, the carrying amount of interests in Shanghai Youwawa and Suzhou Baiji amounted to approximately RMB1,144,000 (equivalent to approximately HK\$1,419,000) and a gain on disposal of approximately HK\$30,000 was recognised in profit or loss of Dailian Youwawa for the current reporting period. The disposal was completed in March 2018. Upon completion of the disposal, Shanghai Youwawa and Suzhou Baiji ceased to be associates of the Group.

<Note c>

In June 2017, the Group acquired the equity interests in Chengfu Investment, which in turn holds 48.88% equity interests in CUL and its wholly owned subsidiaries including CUL E-commerce and HKUL (collectively referred to as the "CUL Group"). Details of the acquisition of Chengfu Investment are set out in Note 35 to the consolidated financial statements. Upon completion of the acquisition, the CUL Group became associates of the Group, which belongs to prepaid cards and internet payment business segment, and implicit goodwill of approximately HK\$208,133,000 was recognised.

In light of revenue growth of the CUL Group was lower than management's expectation, the Group carried out an impairment assessment for the interests in the CUL Group as at 31 March 2018, with reference to a value-in-use calculation based on a cash flow projection of the CUL Group. The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Management determined the growth rate based on past performance and the expectation of market development. The pre-tax rate used to discount the forecasted cash flows was 22.7%. Based on the assessment, the recoverable amount of interests in the CUL Group based on the value-in-use calculation was approximately HK\$221,182,000. Accordingly, impairment loss of approximately HK\$67,893,000 was made on interests in associates for the year ended 31 March 2018. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the associates to significantly exceed the aggregate recoverable amount.

\* *English translation for identification purpose only.*

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 15. INTERESTS IN ASSOCIATES *(continued)*

### Relationship with associates

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

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

Qijun Wuhan, which is inactive, is in the process of deregistration during the year.

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

Beijing Zhima, which was incorporated on 29 June 2017, is principally engaged in technology development, promotion and consulting services.

The CUL Group is engaged in the provision of POS machine data processing services, prepaid cards and value added services, which could facilitate the expansion of POS machine data processing services, prepaid cards and value added services offered under the segment of “Prepaid cards and internet payment business” of the Group.

### Fair value of investments

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 15. INTERESTS IN ASSOCIATES *(continued)*

### Financial information of individually material associates

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

	Youwawa Group HK\$'000 (Note (b))	Koolcloud Group HK\$'000	CUL Group HK\$'000 (Note (c))
<b>At 31 March 2018</b>			
<i>Gross amounts</i>			
Non-current assets	838	12,325	18,744
Current assets	10,223	30,185	209,346
Current liabilities	(2,245)	(18,547)	(62,505)
Equity	8,816	23,963	165,585
<i>Reconciliation</i>			
Gross amount of equity	8,816	23,963	165,585
Group's ownership interests and voting rights	20%	22.21%	48.88%
Group's share of equity	1,763	5,322	80,943
Goodwill	5,750	16,671	208,133
Impairment loss on goodwill	–	–	(67,893)
Carrying amount of interests	7,513	21,993	221,183
<b>Year ended 31 March 2018 (or since incorporation or acquisition, or up to disposal)</b>			
<i>Gross amounts</i>			
Revenue	170,235	21,662	164,531
Profit (Loss)	251	(2,888)	(45,817)
Other comprehensive income	853	2,479	14,094
Total comprehensive income (loss)	1,104	(409)	(31,723)
Group's share of:			
Profit (Loss)	50	(641)	(22,396)
Other comprehensive income	171	551	6,890
Total comprehensive income (loss)	221	(90)	(15,506)

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 15. INTERESTS IN ASSOCIATES *(continued)* Financial information of individually material associates *(continued)*

	Youwawa Group HK\$'000 <i>(Note (b))</i>	Koolcloud Group HK\$'000
At 31 March 2017		
<i>Gross amounts</i>		
Non-current assets	2,106	11,481
Current assets	9,192	30,603
Current liabilities	(3,587)	(17,713)
<b>Equity</b>	<b>7,711</b>	<b>24,371</b>
<i>Reconciliation</i>		
Gross amount of equity	7,711	24,371
Group's ownership interests and voting rights	20%	22.21%
Group's share of equity	1,542	5,413
Goodwill	5,187	15,036
<b>Carrying amount of interests</b>	<b>6,729</b>	<b>20,449</b>
Year ended 31 March 2017 (or since incorporation)		
<i>Gross amounts</i>		
Revenue	98,260	19,053
Profit (Loss)	466	(4,176)
Other comprehensive loss	(495)	(1,809)
<b>Total comprehensive loss</b>	<b>(29)</b>	<b>(5,985)</b>
Group's share of:		
Profit (Loss)	93	(927)
Other comprehensive loss	(99)	(402)
<b>Total comprehensive loss</b>	<b>(6)</b>	<b>(1,329)</b>

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 16. GOODWILL

	E-commerce CGU HK\$'000 (Note (a))	Prepaid Cards and Internet Payment CGU HK\$'000 (Note (b))	Prestige Benefits CGU HK\$'000 (Note (c))	Internet Payment Clearing CGU HK\$'000 (Note (d))	Total HK\$'000
<b>Reconciliation of carrying amount</b>					
At 1 April 2016	988	450,939	192,417	45,826	690,170
Impairment loss	(988)	–	–	–	(988)
Exchange realignments	–	(28,497)	–	(2,871)	(31,368)
At 31 March 2017 and 1 April 2017	–	422,442	192,417	42,955	657,814
Impairment loss	–	–	(37,362)	(36,226)	(73,588)
Exchange realignments	–	46,379	–	2,525	48,904
<b>At 31 March 2018</b>	<b>–</b>	<b>468,821</b>	<b>155,055</b>	<b>9,254</b>	<b>633,130</b>
Cost	988	422,442	192,417	42,955	658,802
Accumulated impairment loss	(988)	–	–	–	(988)
At 31 March 2017	–	422,442	192,417	42,955	657,814
Cost	988	468,821	192,417	45,480	707,706
Accumulated impairment loss	(988)	–	(37,362)	(36,226)	(74,576)
<b>At 31 March 2018</b>	<b>–</b>	<b>468,821</b>	<b>155,055</b>	<b>9,254</b>	<b>633,130</b>

### 16(a) E-commerce CGU

Goodwill arising from the e-commerce business (the “E-commerce CGU”) represented the acquisition of 100% equity interests in MCONE (HONG KONG) LIMITED at an aggregate consideration of HK\$2,500,000 in January 2014. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK\$988,000 was recognised as goodwill.

Impairment loss of approximately HK\$988,000 was made on goodwill associated with the E-commerce CGU in prior period.

### 16(b) Prepaid Cards and Internet Payment CGU

On 23 September 2014 and 27 January 2015, Shanghai Yongle acquired 33% and 67% interests in Beijing Weike, respectively, at an aggregate consideration of RMB468 million (equivalent to approximately HK\$588 million). Beijing Weike, through its subsidiary, Open Union, is engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service (the “Prepaid Cards and Internet Payment CGU”). At the time of acquisition, the issuance and acceptance of prepaid cards was the major business of Open Union and the internet payment service was still in development stage. The excess of the consideration transferred and the amount of non-controlling interests over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately RMB375,073,000 (equivalent to approximately HK\$471,429,000) was recognised as goodwill.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 16. GOODWILL (continued)

### 16(b) Prepaid Cards and Internet Payment CGU (continued)

At 31 March 2017, the Group assessed the recoverable amount of the Prepaid Cards and Internet Payment CGU with reference to a business valuation of Open Union determined under a market-based approach based on the multiples of price-to-annual prepaid cards issuing amount.

During the year ended 31 March 2018, the internet payment services also generated substantial revenue in the Prepaid Cards and Internet Payment CGU. Accordingly, the market-based approach was no longer a reliable valuation technique to assess the recoverable amount of the Prepaid Cards and Internet Payment CGU. Therefore, at 31 March 2018, the Group assessed the recoverable amount of the Prepaid Cards and Internet Payment CGU with reference to a value-in-use calculation based on cash flow projection of Beijing Weiki and its subsidiary. The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

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

Key assumptions and inputs used for the value-in-use calculation are as follows:

	2018
Average growth rate	24%
Long-term growth rate	3%
Discount rate	27.8%

Key assumptions and inputs used for the valuation under market-based approach are as follows:

	2017
Estimated annual issuing amount <sup>^</sup>	RMB904,064,000
Price-to annual issuing amount multiple <sup>#</sup>	0.68 – 2.87

<sup>^</sup> Estimated annual issuing amount was estimated by the trailing 12-month issuing amount of Open Union at 31 March 2017.

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

Management determined the budgeted growth rate based on past performance and the expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the Prepaid Cards and Internet Payment CGU.

## 16. GOODWILL (continued)

### 16(c) Prestige Benefits CGU

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

At 31 March 2018, the Group assessed the recoverable amount of the Prestige Benefits CGU with reference to a value-in-use calculation based on cash flow projection of AE Investment and its subsidiaries. The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

In view of the increasing actual redemption rate of the entitlements and decrease in revenue growth of prestige benefits business, the recoverable amount of the Prestige Benefits CGU based on the value-in-use calculation was approximately HK\$165,000,000. Accordingly, impairment loss of approximately HK\$37,362,000 was recognised on goodwill associated with the Prestige Benefits CGU for the current reporting period.

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

	2018	2017
Gross profit margin	<b>28.7%</b>	45.5%
Average growth rate	<b>10.0%</b>	25.0%
Long-term growth rate	<b>3%</b>	3%
Discount rate	<b>20.6%</b>	20.4%

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

### 16(d) Internet Payment Clearing CGU

On 21 August 2015, Qijun Information Technology acquired the entire equity interests in Rongyifu at an aggregate consideration of RMB37,500,000 (equivalent to approximately HK\$45,743,000). Rongyifu is engaged in the provision of internet payment clearing services (the “Internet Payment Clearing CGU”). The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately RMB38,102,000 (equivalent to approximately HK\$46,477,000) was recognised as goodwill.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 16. GOODWILL (continued)

### 16(d) Internet Payment Clearing CGU (continued)

At 31 March 2018, the Group assessed the recoverable amount of the Internet Payment Clearing CGU with reference to a value-in-use calculation based on a cash flow projection of Rongyifu. The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

With continuous diminishing in the customer portfolio maintained by the Internet Payment Clearing CGU, the recoverable amount of the Internet Payment Clearing CGU based on the value-in-use calculation of approximately RMB7,000,000 (equivalent to approximately HK\$8,750,000). Accordingly, impairment loss of approximately HK\$36,226,000 was made on the goodwill associated with the Internet Payment Clearing CGU for the current reporting period.

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

	2018	2017
Average growth rate	13%	44%
Long-term growth rate	3%	3%
Discount rate	22.2%	22.2%

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

### 16(e) Sensitivity of key assumptions

The management identified the following key assumptions in which a reasonably possible change on an individual basis would cause any or additional impairment loss.

Reasonably possible changes that individually cause additional impairment loss:

	Change	Increase of impairment HK\$'000
<b>Prepaid Cards and Internet Payment CGU</b>		
Average growth rate	Decrease 1%	14,284
Discount rate	Increase 1%	44,796
<b>Prestige Benefits CGU</b>		
Gross profit margin	Decrease 1%	8,589
Average growth rate	Decrease 1%	26,792
Discount rate	Increase 1%	15,302
<b>Internet Payment Clearing CGU</b>		
Average growth rate	Decrease 1%	141
Discount rate	Increase 1%	528



# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 April 2016	33,757	2,583	20,040	2,411	58,791
Additions	–	1,748	12,395	491	14,634
Disposal of subsidiaries	–	–	(55)	–	(55)
Disposals	–	–	(11)	–	(11)
Write-off	–	(562)	(346)	(193)	(1,101)
Exchange realignments	(1,798)	(81)	(421)	(162)	(2,462)
At 31 March 2017 and at 1 April 2017	31,959	3,688	31,602	2,547	69,796
Additions	–	3,424	9,201	197	12,822
Disposal of subsidiaries (Note 34)	–	–	(505)	–	(505)
Disposals	–	–	(1,318)	(972)	(2,290)
Write-off	–	(2,136)	(30)	–	(2,166)
Exchange realignments	2,926	395	3,824	219	7,364
<b>At 31 March 2018</b>	<b>34,885</b>	<b>5,371</b>	<b>42,774</b>	<b>1,991</b>	<b>85,021</b>
<b>Accumulated depreciation</b>					
At 1 April 2016	1,941	913	9,178	655	12,687
Charges	1,536	1,038	5,234	704	8,512
Disposal of subsidiaries	–	–	(12)	–	(12)
Disposals	–	–	(1)	–	(1)
Write-off	–	(284)	(94)	(67)	(445)
Exchange realignments	(156)	(43)	33	(55)	(221)
At 31 March 2017 and at 1 April 2017	3,321	1,624	14,338	1,237	20,520
Charges	1,528	1,139	6,279	587	9,533
Disposal of subsidiaries (Note 34)	–	–	(487)	–	(487)
Disposals	–	–	(440)	(556)	(996)
Write-off	–	(1,293)	(29)	–	(1,322)
Exchange realignments	452	113	1,829	135	2,529
<b>At 31 March 2018</b>	<b>5,301</b>	<b>1,583</b>	<b>21,490</b>	<b>1,403</b>	<b>29,777</b>
<b>Net carrying amount</b>					
<b>At 31 March 2018</b>	<b>29,584</b>	<b>3,788</b>	<b>21,284</b>	<b>588</b>	<b>55,244</b>
At 1 April 2017	28,638	2,064	17,264	1,310	49,276

The Group's leasehold land and buildings were situated in the PRC under an original lease term of 50 years and the remaining lease term was 47 years (2017: 48 years) as at 31 March 2018.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 18. INTANGIBLE ASSETS

	<b>Computer software</b> <i>HK\$'000</i>	<b>Licence rights</b> <i>HK\$'000</i>	<b>Payment network membership</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>				
At 1 April 2016	36,513	2,018	–	38,531
Additions	12,784	–	–	12,784
Write-off	–	(1,908)	–	(1,908)
Exchange realignments	(2,520)	(83)	–	(2,603)
At 31 March 2017 and at 1 April 2017	46,777	27	–	46,804
Additions	41,789	–	329	42,118
Write-off	(35)	–	–	(35)
Disposals	(1,113)	–	–	(1,113)
Exchange realignments	5,066	3	–	5,069
<b>At 31 March 2018</b>	<b>92,484</b>	<b>30</b>	<b>329</b>	<b>92,843</b>
<b>Accumulated amortisation and impairment loss</b>				
At 1 April 2016	1,554	374	–	1,928
Charges	6,892	2	–	6,894
Impairment loss	4,160	–	–	4,160
Write-off	–	(354)	–	(354)
Exchange realignments	(270)	(15)	–	(285)
At 31 March 2017 and at 1 April 2017	12,336	7	–	12,343
Charges	13,847	3	–	13,850
Write-off	(35)	–	–	(35)
Disposals	(65)	–	–	(65)
Exchange realignments	1,246	1	–	1,247
<b>At 31 March 2018</b>	<b>27,329</b>	<b>11</b>	<b>–</b>	<b>27,340</b>
<b>Net carrying amount</b>				
<b>At 31 March 2018</b>	<b>65,155</b>	<b>19</b>	<b>329</b>	<b>65,503</b>
At 1 April 2017	34,441	20	–	34,461

### Computer software

Included in the computer software was an operation system newly acquired during the year, which was used to support the internet micro-credit business, with carrying amount of approximately HK\$36,574,000 and remaining amortisation period of approximately 4.5 years as at the end of current reporting period.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 19. OTHER INVESTMENTS

	Note	2018 HK\$'000	2017 HK\$'000
<b>Listed investments, at fair value</b>			
Equity investments listed in Hong Kong	(a)	34,425	–
<b>Unlisted investments, at cost</b>			
Equity securities	(a)	–	9,460
Equity-linked structured note	(b)	–	34,570
Principal unguaranteed funds	(c)	81	–
		<b>81</b>	44,030
		<b>34,506</b>	44,030
<i>Analysed by:</i>			
Current		<b>81</b>	–
Non-current		<b>34,425</b>	44,030
		<b>34,506</b>	44,030

Notes:

- (a) At 31 March 2017, the Group held 15% interests 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, 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 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 interests in Nexion (Stock code: 8420) held by the Group decreased to 11.3%, which represented 67,500,000 ordinary shares held. At 31 March 2018, the fair value of the equity interest in Nexion was approximately HK\$34,425,000 and the fair value increase of approximately HK\$24,965,000 was recognised in other comprehensive income for the year.

Subsequent to the end of the reporting period, in June 2018, the Group disposed of the entire equity interests in Nexion to certain independent third parties. Having realised the accumulated change in fair value of the equity interests in Nexion, the Group recognised a gain of approximately HK\$5 million.

- (b) At 31 March 2017, the investment represents an unlisted investment in equity-linked structured note (the “Structured Note”), with 9.8% equity interests of Massnet Microcredit held by HIFSL as the underlying investment, issued by a subsidiary of HIFSL (the “Issuer”). The Structured Note is interest-free and will mature in a maximum period of 5 years from 2017.

In July 2017, the Group and HIFSL entered into a share transfer agreement, pursuant to which HIFSL agreed to transfer its 9.8% equity interests in Massnet Microcredit to the Group at a consideration approximate to the cost of the Structured Note and deemed as an early redemption of the Structured Note (the “Structured Note Redemption”). The Structured Note Redemption and the Share Purchase were completed in July 2017. As Massnet Microcredit has been already accounted for as a non-wholly owned subsidiary of the Group, the difference between the fair value of the consideration and the amount of the non-controlling interests of Massnet Microcredit prior to the completion of the transaction was recognised directly in equity.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 19. OTHER INVESTMENTS (continued)

Notes: (continued)

- (c) At 31 March 2018, the unlisted investments in principal unguaranteed funds (the "Funds") were placed with banks in the PRC. The Funds can be redeemed from time to time. The Funds are unlisted investment funds which mainly invested in treasury bonds, bank debentures, central bank bills, enterprise/corporate bonds and other investments in the PRC with high credit rating. The Funds bear interest at floating rate with expected return ranging from 3% to 3.5% per annum.
- (d) In the opinion of the Directors, the fair value of above-mentioned unlisted investments cannot be reliably measured because (i) the investments do not have quoted market price in an active market; (ii) the range of reasonable fair value estimates is significant for the investments; and (iii) the probabilities of the various estimates cannot be reasonably assessed and used in estimating the fair value. As such, the investments are measured at cost less any impairment losses.

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

	2018 HK\$'000	2017 HK\$'000
Designated upon initial recognition		
Equity investments listed in Hong Kong	<b>83,312</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.

The details of the listed investments at 31 March 2018 are as follows:

Company name	Stock code	Number of shares held	% of share-holding in equity investment	Cost of acquisition HK\$	Unrealised gain on fair value since acquisition HK\$	Fair value as at 31 March 2018 HK\$	% of net assets of the Group	Principal activities
Zhi Cheng Holdings Limited ("Zhi Cheng")	8130	508,000,000	15.67% <Note>	68,580,000	14,732,000	83,312,000	5.94%	Provision of consultancy services, advertising and media related services, project management services, travel agency and related operation, financial leasing and other financial services.

During the years ended 31 March 2018 and 2017, there was no dividend income received from the above investment.

<Note>

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 21. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Finished goods	1,529	3,444

## 22. TRADE AND OTHER RECEIVABLES

	Note	2018 HK\$'000	2017 HK\$'000
<b>Trade and bills receivables</b>	(a)	122,218	86,763
<b>Loan receivables, net of allowances</b>	(b)	223,604	136,672
<b>Other receivables</b>			
Deposits on investments	(c)	91,063	302,921
Deposits paid to merchants	(d)	20,294	19,921
Deposits, prepayments and other debtors	(e)	105,016	106,903
Due from associates	(f)	11,932	11,274
		<b>228,305</b>	441,019
		<b>574,127</b>	664,454
<i>Analysed by:</i>			
Non-current		91,063	302,921
Current		483,064	361,533
		<b>574,127</b>	664,454

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

	2018 HK\$'000	2017 HK\$'000
RMB	27,697	50,315
US\$	42,311	10,265
	<b>70,008</b>	60,580

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 22. TRADE AND OTHER RECEIVABLES (continued)

### 22(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 and bills receivables by invoice date or bills issuance date is as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Less than 1 month	<b>77,967</b>	61,922
1 month to 3 months	<b>15,759</b>	14,199
3 months to 6 months	<b>19,559</b>	10,186
Over 6 months	<b>8,933</b>	456
	<b>122,218</b>	86,763

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Current	<b>77,623</b>	65,450
Past due:		
Less than 1 month	<b>7,182</b>	6,496
1 month to 3 months	<b>15,262</b>	6,692
3 months to 6 months	<b>13,467</b>	7,713
Over 6 months	<b>8,684</b>	412
	<b>44,595</b>	21,313
	<b>122,218</b>	86,763

The trade and bills receivables (including past due receivables) are assessed not to be impaired as there is no significant change in credit quality and the Directors believe that the amounts are fully recoverable. The Group does not hold any collateral over these balances.

## Notes to the Consolidated Financial Statements

Year ended 31 March 2018

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

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Loan receivables, gross	<b>232,538</b>	137,203
Impairment allowances	<b>(8,934)</b>	(531)
	<b>223,604</b>	136,672

At the end of the reporting period, loan receivables (1) include an aggregate amount of approximately HK\$27,697,000 and HK\$70,077,000 secured by personal guarantee provided by equity holder of the borrowers and corporate guarantee provided by service providers respectively (2017: approximately HK\$59,855,000 secured by personal guarantee provided by equity holder of the borrowers), and the remaining balances are unsecured; (2) include an aggregate amount of approximately HK\$212,135,000 (2017: HK\$122,801,000) which carries interest rates ranging from 8% to 24% per annum (2017: 8% to 18% per annum), and the remaining balances are interest-free; and (3) have contractual loan period between 3 months to 12 months (2017: 3 months to 24 months).

Movements of impairment loss on loan receivables are as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
At the beginning of the reporting period	<b>531</b>	–
Impairment loss	<b>24,770</b>	543
Write-off	<b>(16,892)</b>	–
Exchange realignments	<b>525</b>	(12)
At the end of the reporting period	<b>8,934</b>	531

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the end of reporting period based on objective evidence of impairment.

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>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Less than 1 month	<b>5,642</b>	24,296
1 month to 3 months	<b>34,073</b>	24,119
3 months to 6 months	<b>89,938</b>	9,852
Over 6 months	<b>93,951</b>	78,405
	<b>223,604</b>	136,672

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 22. TRADE AND OTHER RECEIVABLES (continued)

### 22(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 contractual due date is as follows:

	2018 HK\$'000	2017 HK\$'000
Not yet past due	162,465	135,353
Past due:		
Less than 1 month	5,321	752
1 month to 3 months	8,126	564
3 months to 6 months	23,418	3
Over 6 months	24,274	–
	61,139	1,319
	223,604	136,672

Loan receivables that were neither past due nor impaired related to a wide range of borrowers for whom there was no recent history of default.

Loan receivables that were past due but not impaired relate to borrowers that have good track record with the Group. Based on past experience, the Directors are of the opinion that no impairment is necessary in respect of these balances as there has not been significant change in credit quality of the borrowers and the balances are still considered fully recoverable.

### 22(c) Deposits on investments

	Note	2018 HK\$'000	2017 HK\$'000
Deposits on acquisition of the remaining interests in Open Union	13(c)	65,000	33,822
Deposits on potential acquisitions of Chengfu Investment		–	236,899
Deposits on potential investments in equity interests in other entities	41(a)&(b)	22,500	20,307
Deposits on potential investments in equity interests and acquisition of assets from other entities		3,563	5,636
Other deposits on investments		–	6,257
		91,063	302,921



# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

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

### 22(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.

### 22(e) Deposits, prepayments and other debtors

	Note	2018 HK\$'000	2017 HK\$'000
Funds prepaid to merchants	(i)	2,673	7,495
Receivables from a service provider	(ii)	39,649	–
Other deposits, prepayments and other debtors		62,494	57,477
Trade deposits and prepayments		200	41,931
		<b>105,016</b>	106,903

Notes:

- (i) 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.
- (ii) The amounts represented other receivables from a service provider of Massnet Microcredit for guarantee provided on certain loan receivables of the Group as mentioned in Note 22(b) to the consolidated financial statements. The amounts are unsecured, interest-free and repayable on demand.

### 22(f) Due from associates

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 23. RESTRICTED FUNDS

	<i>Note</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Bank deposits in:			
Thailand	<i>(a)</i>	<b>1,963</b>	616
The PRC	<i>(b)</i>	<b>432,071</b>	450,944
		<b>434,034</b>	451,560

### 23(a) Thailand

Pursuant to the agreements signed with a merchant 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 merchant acquiring business and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Baht.

### 23(b) The PRC

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders/internet payment accounts' holders make purchase transactions with respective merchants and are not allowed to be used by the Group for any other purpose. The deposits are denominated in RMB and represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 2.30% to 4.20% (2017: 2.90% to 3.30%) per annum.

## 24. CASH AND BANK BALANCES

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Bank balances and cash are denominated in:		
HK\$	<b>15,987</b>	190,639
RMB	<b>258,858</b>	50,223
Baht	<b>7,549</b>	14,685
Korean Won	<b>5,098</b>	5,221
US\$	<b>1,044</b>	3,484
Singapore Dollar	<b>687</b>	320
	<b>289,223</b>	264,572

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 25. TRADE AND OTHER PAYABLES

	Note	2018 HK\$'000	2017 HK\$'000
<b>Trade payables</b>	(a)	<b>85,888</b>	31,744
<b>Prestige benefits cards – provision of hotel and catering expenses</b>	(b)	<b>13,031</b>	14,215
<b>Unutilised float funds</b>	(c)	<b>361,658</b>	421,389
		<b>460,577</b>	467,348
<b>Other payables</b>			
Accruals and other payables		<b>55,691</b>	46,348
Due to a joint venture	(d)	<b>4,282</b>	4,707
Due to ex-shareholder of a subsidiary	(d)	<b>922</b>	832
Due to a director	(d)	<b>3,750</b>	–
		<b>64,645</b>	51,887
		<b>525,222</b>	519,235

### 25(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:

	2018 HK\$'000	2017 HK\$'000
Less than 1 month	<b>77,198</b>	31,145
1 month to 3 months	<b>4,120</b>	198
Over 3 months	<b>4,570</b>	401
	<b>85,888</b>	31,744

### 25(b) Prestige benefits cards – provision of hotel and catering expenses

	2018 HK\$'000	2017 HK\$'000
At the beginning of the reporting period	<b>14,215</b>	9,659
Additions	<b>96,690</b>	14,215
Utilised	<b>(97,874)</b>	(9,659)
<b>At the end of the reporting period</b>	<b>13,031</b>	14,215

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 25. TRADE AND OTHER PAYABLES (continued)

### 25(c) Unutilised float funds

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

### 25(d) Due to a joint venture/ex-shareholder of a subsidiary/a director

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

## 26. CONTINGENT CONSIDERATION

	2018 HK\$'000	2017 HK\$'000
<b>Reconciliation of carrying amount</b>		
At the beginning of the reporting period	64,313	99,992
Consideration shares issued upon fulfilment of performance target	(47,223)	(41,442)
Fair value changes	20,676	5,763
<b>At the end of the reporting period</b>	<b>37,766</b>	64,313

On 20 April 2015, the Group entered into sale and purchase agreements (the "Agreements") with certain independent third parties (the "Vendors") pursuant to which the Group/the Vendors both agreed to acquire/sell the entire equity interests of AE Investment and its subsidiaries (together the "AE Group") (the "AE Acquisition").

Pursuant to the Agreements, the maximum nominal consideration for the AE Acquisition is HK\$312 million, which comprises of an initial and additional consideration of HK\$175 million and HK\$12 million, respectively, together with a contingent consideration. The contingent consideration of a maximum amount of HK\$125 million is to be settled by the allotment and issue of a maximum of 58,139,534 new ordinary shares of the Company at an issue price of HK\$2.15 per share (the "Issue Price") to the Vendors as follows:

- (i) HK\$54 million to be settled by the allotment of the consideration shares of the Company at a price of HK\$2.15 per share within one month after the issuance of the audited consolidated financial statements of AE Investment for the period from 1 August 2015 to 31 July 2016 (the "Second Tranche Consideration"); and
- (ii) HK\$71 million to be settled by the allotment of the consideration shares of the Company at a price of HK\$2.15 per share within one month after the issuance of the audited consolidated financial statements of AE Investment for the period from 1 August 2016 to 31 July 2017 (the "Third Tranche Consideration").

## 26. CONTINGENT CONSIDERATION *(continued)*

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

- (i) the audited operating profit after tax of the AE Group for the period from 1 August 2015 to 31 July 2016, as adjusted for certain extra-ordinary items to be agreed by the Directors and the Vendors (the “2015 Net Profit”) shall not be less than RMB30,000,000 (equivalent to approximately HK\$36,082,000), (the “2015 Performance Target”); and
- (ii) the audited operating profit after tax of the AE Group for the period from 1 August 2016 to 31 July 2017, as adjusted for certain extra-ordinary items to be agreed by the Directors and the Vendors (the “2016 Net Profit”) shall not be less than RMB40,000,000 (equivalent to approximately HK\$48,109,000), (the “2016 Performance Target”) (together with the 2015 Performance Target, the “Performance Targets”).

In the event that the 2015 Net Profit and the 2016 Net Profit shall be less than the 2015 Performance Target and the 2016 Performance Target, respectively, the above mentioned consideration shares shall be adjusted in accordance with formula as set out in the Agreements. In the event that there is a shortfall between the 2015 Net Profit and the 2015 Performance Target and the Second Tranche Consideration is adjusted in accordance with the terms and conditions of the Agreements and that subsequently, there is a surplus between the 2016 Net Profit and the 2016 Performance Target, the Group shall reimburse the Vendors a sum calculated in accordance with formula as set out in the Agreements.

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

Further details of the AE Acquisition and the Contingent Consideration are set out in the Company’s circular dated 12 June 2015.

At 31 March 2017, the balance represents the Third Tranche Consideration measured at fair value of approximately HK\$51,755,000 and an unsettled balance of approximately HK\$12,558,000 arising from settlement of Second Tranche Consideration.

During the year ended 31 March 2018, based on the guaranteed profit reconciliation statement of the AE Group audited by Mazars CPA Limited (“Mazars”) and the associated report of the 2016 Net Profit issued by Mazars on 5 December 2017, the 2016 Net Profit exceeded the 2016 Performance Target and thus, the Group is required to settle the Third Tranche Consideration in full. The final settlement value of the Third Tranche Consideration of approximately HK\$71,000,000 was determined with reference to an agreed price of the Company’s shares of HK\$2.15 per share as set out in the Agreements and the numbers of new shares confirmed to be allotted and a fair value change of approximately HK\$19,245,000 was recognised in profit or loss for the year. The Third Tranche Consideration was partly settled by issuance of 33,023,255 consideration shares of the Company on 5 December 2017 of approximately HK\$47,223,000, which was measured in accordance with the published share price at the business day prior to the proposed date of issuance of the shares (Note 30(d)) and the remaining balances of approximately HK\$23,777,000, together with the unsettled balance of approximately HK\$12,558,000 arising from settlement of Second Tranche Consideration, was unsettled at 31 March 2018.

In addition, pursuant to the Agreements, in the event that the 2015 Net Profit and the 2016 Net Profit exceeded the 2015 Performance Target and the 2016 Performance Target, respectively, the Group would pay to the senior management of the AE Group a bonus equivalent to (i) 30% of the surplus between the 2015 Net Profits and the 2015 Performance Target (the “2015 Surplus”) and (ii) 30% of the surplus between the 2016 Net Profit and the 2016 Performance Target (the “2016 Surplus”). The 2015 Surplus and the 2016 Surplus amounted to RMB1,145,000 (equivalent to approximately HK\$1,431,000) in aggregate, and were not yet settled at 31 March 2018.

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## 27. DEFERRED TAXATION

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

	Tax losses <i>HK\$'000</i>	Provisions <i>HK\$'000</i>	Undistributed earnings <i>HK\$'000</i>	Fair value adjustments <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	–	1,170	(1,213)	(1,264)	(1,307)
Charge to profit or loss	–	(3,027)	–	–	(3,027)
Exchange realignment	–	95	–	–	95
At 31 March 2017 and at 1 April 2017	–	(1,762)	(1,213)	(1,264)	(4,239)
Credit to profit or loss	279	1,976	–	–	2,255
Exchange realignment	–	(185)	–	–	(185)
<b>At 31 March 2018</b>	<b>279</b>	<b>29</b>	<b>(1,213)</b>	<b>(1,264)</b>	<b>(2,169)</b>

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

	Assets		Liabilities	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Provisions	29	–	–	(1,762)
Tax losses	279	–	–	–
Fair value adjustments	–	–	(1,264)	(1,264)
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	–	–	(1,213)	(1,213)
<b>Deferred tax assets (liabilities)</b>	<b>308</b>	<b>–</b>	<b>(2,477)</b>	<b>(4,239)</b>
<b>Amount expected to be recovered (settled) after more than 12 months</b>	<b>308</b>	<b>–</b>	<b>(2,477)</b>	<b>(4,239)</b>

At the end of the reporting period, deferred tax liabilities of approximately HK\$1,213,000 has been recognised for the future withholding tax implications of the portion of undistributed earnings of OCG Thailand that may be distributed in the foreseeable future. Certain retained earnings of OCG Thailand are kept for financing the continuing operations with reference to the working capital level. After considering the remaining retained earnings available for distribution in the foreseeable future, no provision for additional deferred taxation has been made for the year ended 31 March 2018.

For the retained earnings required for financing the continued operation, such retained earnings would be subject to additional taxation if they are distributed. At 31 March 2018, the estimated withholding tax effect on the distribution of such retained earnings of OCG Thailand was approximately of HK\$722,000 (2017: HK\$900,000).

## 27. DEFERRED TAXATION *(continued)*

### Unrecognised deferred taxation

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Year 2018	–	84
Year 2019	–	105
Year 2020	<b>2,499</b>	3,063
Year 2021	<b>7,729</b>	7,898
Year 2022	<b>1,800</b>	903
Year 2023	<b>577</b>	–
No expiry	<b>4,472</b>	9,673
	<b>17,077</b>	21,726

In addition to OCG Thailand, the accumulated profits of certain subsidiaries in the PRC would be subject to additional taxation if they are distributed. At 31 March 2018, the estimated withholding tax effect on the distribution of accumulated profits of these entities was approximately of HK\$5,952,000 (2017: *approximately HK\$6,076,000*). In the opinion of the Directors, these accumulated profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

## 28. OTHER LONG-TERM LIABILITIES

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

At the end of the reporting period, the Group had an outstanding amount due to a non-controlling shareholder of Baht 7,650,000 (equivalent to approximately HK\$1,936,000) (2017: *Baht 7,650,000 (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, with no accrued dividend payable (2017: *Baht 727,000 (equivalent to approximately HK\$164,000)*).

# Notes to the Consolidated Financial Statements

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## 29. BONDS/CONVERTIBLE BONDS

In July 2016, the Company entered into subscription agreements with three independent third parties to issue:

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

The issuance of the First Bonds and the First Convertible Bonds were completed on 1 August 2016 and 12 August 2016, respectively. Details of the subscription of the First Bonds and the 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 further subscription agreements with an independent third party to issue:

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

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



# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 29. BONDS/CONVERTIBLE BONDS (continued)

The Company may redeem the First Convertible Bonds and/or the 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.

At the date of issue of the Convertible Bonds, the embedded derivative components (i.e. early redemption option by the Company and conversion option by the bonds holders) of the Convertible Bonds (the “Derivative Component”) were recognised at fair value and the excess of proceeds over the Derivative Component is recognised as the liability component. The Group has engaged an independent professional valuer to estimate the fair value of the Derivative Component on the date of issue of the Convertible Bonds.

The Directors also engaged the independent professional valuer to determine the fair value of the Derivative Component at 31 March 2018 on the same basis as above. The independent professional valuer has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

The fair value of the Derivative Component is valued using the Binomial Option Pricing Model, with the following key inputs:

	31 March 2018	31 March 2017
Stock price (HK\$)	0.89	1.41
Exercise price (HK\$)	1.90	1.90
Volatility	43.52%	74.62%
Option life	17 months	29 months
Risk-free interest rate	1.25%	0.95%
Discount rate	11.55%	12.76%

# Notes to the Consolidated Financial Statements

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## 29. BONDS/CONVERTIBLE BONDS (continued)

The movements of the Convertible Bonds were as follows:

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

	Conversion option <i>HK\$'000</i>	Early redemption option <i>HK\$'000</i>	Total <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 and at 1 April 2017	29,001	(10,796)	18,205
Fair value changes	(27,474)	10,796	(16,678)
<b>At 31 March 2018</b>	<b>1,527</b>	<b>-</b>	<b>1,527</b>

### Liability Component, classified as financial liabilities 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 and at 1 April 2017	70,284
Effective interest expenses	12,147
Interest paid	(3,781)
<b>At 31 March 2018</b>	<b>78,650</b>

# Notes to the Consolidated Financial Statements

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## 30. SHARE CAPITAL

	2018		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	<b>1,461,165,438</b>	<b>14,611</b>	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))	<b>150,000,000</b>	<b>1,500</b>	-	-
Allotment of shares in December 2017 (Note (d))	<b>33,023,255</b>	<b>330</b>	-	-
<b>At the end of the reporting period</b>	<b>1,644,188,693</b>	<b>16,441</b>	1,461,165,438	14,611

Note:

- (a) On 7 June 2016, the Company cancelled a total of 16,590,000 shares of the Company which had been repurchased on the Stock Exchange during the year ended 31 March 2016. 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 Second Tranche Consideration for the AE Acquisition (Note 26).
- (c) In August 2017, a total number of 150,000,000 ordinary shares were issued via subscription to Gayang (Hong Kong) Co., Limited, a company ultimately controlled by Mr. Yan Dinggui, an executive director of the Company, 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 potential acquisition, investments and business expansion and settle borrowings (including bonds) and interest expenses incurred by the Company. The expenses of approximately HK\$2,832,000 arising from the subscription were recognised in the share premium account of the Company.
- (d) On 5 December 2017, the Company issued 33,023,255 shares of which approximately HK\$330,000 was credited to share capital and the remaining balance of approximately HK\$46,893,000 was credited to share premium account in relation to the settlement of the Third Tranche Consideration for the AE Acquisition (Note 26).

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 31. RESERVES

### 31(a) Share premium

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

### 31(b) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the registered capital of the companies comprising the Group less consideration paid to acquire the relevant interests, after adjusting the registered capital held by those attributable to the non-controlling interests, and the deemed capital contribution from the former controlling party prior to the listing of the Company's shares on the GEM of the Stock Exchange.

### 31(c) Exchange reserve

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

### 31(d) Statutory reserve

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

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

### 31(e) Fair value reserve

The fair value reserve represents the cumulative net changes in the fair value of the equity investment listed in Hong Kong classified as available-for-sales financial assets held at the end of the reporting period.

### 31(f) Dividend

The Directors do not recommend the payment of a dividend for both years.

## 32. 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 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 total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme and any other Scheme of the Company or its subsidiaries under the limit was refreshed as shall not exceed 30% of the issued share capital of the Company (the “Refreshment”). The Refreshment was proposed and passed by shareholders in AGM. The total number of the shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 493,256,608 shares, representing 30% of the issued share capital of the Company as at the date of the AGM approving the Refreshment. No further refreshment was proposed and passed up to the date of the consolidated financial statements.

At the end of the reporting period, options of 493,256,608 (2017: 50,204,915) of the Company, represent 30% (2017: 3.5%) of its issued share capital, are available for issue.

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## 32. SHARE OPTION SCHEME (continued)

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

	Note	Number of options	
		2018	2017
At the beginning of the reporting period	(i)	329,080,000	235,680,000
Granted during the year	(ii)	–	93,400,000
Forfeited during the year	(iii)	(6,000,000)	–
<b>At the end of the reporting period</b>		<b>323,080,000</b>	<b>329,080,000</b>
<b>Weighted average exercise price</b>			
At the beginning of the reporting period		HK\$1.80	HK\$1.85
<b>At the end of the reporting period</b>		<b>HK\$1.82</b>	<b>HK\$1.80</b>
Exercisable		HK\$1.82	HK\$1.80
<b>Weighted average remaining contractual life</b>		<b>2.08 years</b>	<b>3.04 years</b>
<b>Exercisable option at the end of the reporting period</b>		<b>226,253,333</b>	<b>166,560,000</b>
<b>Range of exercise price for option outstanding</b>		<b>HK\$1.55-HK\$2.22</b>	<b>HK\$0.84-HK\$2.22</b>

Note:

(i) On 7 September 2012, options of 6,000,000 shares were granted to Mr. Zhang Huaqiao, a non-executive director of the Company, under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK\$0.84 per share. The validity period of the share options is five years from 7 September 2012, subject to the following vesting conditions:

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

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

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

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## 32. SHARE OPTION SCHEME (continued)

Note:

(i) (continued)

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

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

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

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

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

(ii) On 1 September 2016, options of 93,400,000 shares were granted to certain eligible persons, of which options of 15,000,000 and 1,400,000 shares were granted to executive directors and an independent non-executive director of the Company, respectively, under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK\$1.68 per share. Details of number of share options granted to the directors are set out below:

Name of executive directors/independent non-executive director	Number of share options granted
Mr. Zhang Huaqiao	5,000,000
Dr. Cao Guoqi	10,000,000
Dr. Zhou Jinhunag	1,400,000

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

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

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

# Notes to the Consolidated Financial Statements

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## 32. SHARE OPTION SCHEME (continued)

<Remark>

The fair values of (i) share options granted on 19 November 2013, 22 September 2014, 21 April 2015 and 1 September 2016 and (ii) the fulfillment of the performance conditions on 22 September 2014, 27 January 2015 and 21 April 2015 are calculated using the Binomial Option Pricing Model, with the following key inputs:

	Date of grant				Date of performance conditions fulfilled		
	19 November 2013	22 September 2014	21 April 2015	1 September 2016	22 September 2014	27 January 2015	21 April 2015
Fair value	HK\$0.56- HK\$0.83	HK\$0.4736- HK\$0.6959	HK\$0.96- HK\$1.31	HK\$0.86- HK\$0.93	HK\$0.4736	HK\$0.375	HK\$0.96- HK\$1.24
Share price immediately before the grant/ fulfillment date	HK\$1.64	HK\$1.40	HK\$1.99	HK\$1.68	HK\$1.40	HK\$1.13	HK\$1.99
Share price at grant/fulfillment date	HK\$1.64	HK\$1.40	HK\$2.20	HK\$1.68	HK\$1.40	HK\$1.13	HK\$2.20
Exercise price	HK\$1.66	HK\$1.55	HK\$2.22	HK\$1.68	HK\$1.55	HK\$1.66	HK\$2.22
Expected volatility	70.00%	78.34%	77.17%	67.40%	78.34%	58.09%	77.17%
Risk-free interest rate	1.087%	0.642%	1.021%	0.631%	0.642%	0.893%	1.021%
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Voluntary exercise boundary multiple	1.60-2.47	1.60-2.47	1.60-2.47	2.47	1.60	1.00	1.60

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

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

During the year ended 31 March 2018, with reference to the fair value of the share options at grant date, the Group recognised approximately HK\$44,661,000 (2017: approximately HK\$62,330,000) as the share-based compensation costs.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 33. OTHER CASH FLOW INFORMATION

### 33(a) Cash used in operations

	Note	2018 HK\$'000	2017 HK\$'000
Loss before tax		(356,101)	(162,903)
Share of results of joint ventures	14	(187)	(265)
Share of results of associates		30,453	1,874
Amortisation	18	13,850	6,894
Depreciation	17	9,533	8,512
Loss (Gain) on disposal of property, plant and equipment		215	(3)
Gain on disposal of intangible assets		(65)	–
Write-off of property, plant and equipment		844	656
Write-off of intangible assets		–	1,554
Write-off of loan receivables		6,989	–
Write-off of other receivables and deposits		9,730	1,741
Impairment loss on intangible assets		–	4,160
Impairment loss on goodwill	16	73,588	988
Impairment loss on interests in associates	15	67,893	–
Impairment loss on loan receivables	22(b)	24,770	543
Fair value gain on derivative financial instruments	29	(16,678)	(8,617)
Fair value loss on financial assets at fair value through profit or loss		56,388	68,580
Fair value loss on contingent consideration	26	20,676	5,763
Gain on disposal of subsidiaries	34	(4,329)	(570)
Loss on disposal of equity interests in a joint venture	14	144	–
Foreign exchange differences		10,522	(4,192)
Finance costs		47,432	31,095
Interest income		(2,648)	(1,179)
Share-based compensation costs		44,661	62,330
Changes in working capital:			
Inventories		2,256	5,896
Restricted funds		66,633	70,639
Trade and other receivables		42,570	(150,015)
Trade and other payables		(208,557)	18,284
<b>Cash used in operations</b>		<b>(59,418)</b>	<b>(38,235)</b>

### 33(b) Major non-cash transactions

During the year ended 31 March 2018, the Group had entered the following major non-cash transactions:

- The issuance of 33,023,255 shares of the Company of approximately HK\$47,223,000 (2017: approximately HK\$ 41,442,000) was settled against the Third Tranche Consideration (Note 26).
- Capital injection for acquisition of an associate of approximately HK\$6,257,000 was settled against the other receivables – deposits on investments (Note 22 (c)).
- Capital injection for acquisition of a subsidiary of approximately HK\$236,899,000 was settled against the other receivables – deposits on investments (Note 22 (c)).

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 34. DISPOSAL OF SUBSIDIARIES

On 1 January 2018, the Group entered into a sales and purchase agreement pursuant to which the Group agreed to transfer its 100% equity interests in Oriental City Group China Limited (“OCG China BVI”) and its wholly owned subsidiary, Oriental City Group (Hainan) Services Limited (“OCG Hainan”), at a consideration of HK\$500,000 to an independent third party. The principal activities of OCG China BVI and OCG Hainan are investment holding and inactive, respectively. The disposal transaction was completed on 1 January 2018.

The following summarises the consideration and the carrying amount of the assets and liabilities at the date of disposal:

	<i>HK\$'000</i>
<b>Net liabilities disposed of</b>	
Property, plant and equipment	18
Other receivables	360
Bank balances and cash	12,804
Other payables	(15,784)
	<hr/>
	(2,602)
Derecognition of reserves upon disposal of subsidiaries	(1,227)
Gain on disposal of subsidiaries	4,329
	<hr/>
	500
<b>Net cash flow on disposal of subsidiaries</b>	
Cash consideration	500
Cash and cash equivalents disposed of	(12,804)
	<hr/>
<b>Net outflow of cash and cash equivalents</b>	(12,304)

## 35. ACQUISITION OF A SUBSIDIARY

On 5 July 2016, 上海啟峻投資有限公司 (Shanghai Qijun Investment Limited\*, “Qijun Investment”), a wholly owned subsidiary of the Company 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. Both Previous Loan A and Previous Loan B bore an interest rate of 12.5% per annum and had a term of one year from the date of drawdown.

Prior to entering into the Previous Loan Agreements, on 15 May 2016, Chengfu Investment entered into share transfer agreements with (i) 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 interests in the CUL Group, 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 the CUL Group had been increased from 8.0% to 48.88%.

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. Both Loan A and Loan B bore an interest rate of 12.5% per annum and had 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 interests 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.

\* *English translation for identification purpose only.*

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 35. 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 HK\$242 million) of the Total Loan had been capitalised. 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 HK\$179.1 million) was recognised as the capital reserve of 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 during the year.

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

	<i>HK\$'000</i>
<b>Consideration</b>	
Deposit paid in prior year	242,042
<hr/>	
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Interests in associates	288,242
Bank balances and cash	7
Trade and other receivables	1,487
Trade and other payables	(297)
<hr/>	
Total identifiable net assets	289,439
Non-controlling interests recognised	(47,397)
<hr/>	
	242,042
<hr/>	
<b>Net cash flow of acquisition of a subsidiary</b>	
Net cash acquired from the subsidiary	7
<hr/>	
Net inflow of cash and cash equivalents for the year	7
<hr/>	

Since acquisition and up to 31 March 2018, Chengfu Investment has not contributed any revenue to the Group and incurred a loss of approximately HK\$22,396,000. If the acquisition of Chengfu Investment had taken place at 1 April 2017, the consolidated revenue and loss of the Group would have been approximately HK\$598,482,000 and approximately HK\$362,901,000 respectively.

## Notes to the Consolidated Financial Statements

Year ended 31 March 2018

### 36. CONNECTED AND RELATED PARTY TRANSACTIONS

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

<b>Related party relationship</b>	<b>Nature of transaction</b>	<b>2018 HK\$'000</b>	<b>2017 HK\$'000</b>
Associates	Cost of services	342	17
	Sales of POS machines	326	824
	Service fee income of POS machines	1,235	452
	Purchase of POS machines	494	1,830
Joint venture	Management fee expenses	–	4,355
A related company controlled by a director, Mr. Yan Dinggui	Service fee income of internet payment	1,471	–

### 37. COMMITMENTS

#### Commitments under operating leases

The Group leases a number of office premises under operating leases, which typically run for a period of 1 to 5 years. None of the leases includes contingent rentals.

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

	<b>2018 HK\$'000</b>	<b>2017 HK\$'000</b>
Within one year	14,960	11,333
In the second to fifth years inclusive	20,346	10,910
	<b>35,306</b>	<b>22,243</b>

#### Capital expenditure commitments

	<b>2018 HK\$'000</b>	<b>2017 HK\$'000</b>
Contracted but not provided for, net of deposits paid:		
– Acquisition of equity interests in subsidiaries/associates	15,000	38,331

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 38. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, restricted funds, other investments, cash and bank balances, other long-term liabilities, contingent consideration, derivative financial instruments, bonds payables and convertible bonds. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are (i) foreign currency risk, (ii) interest rate risk, (iii) credit risk, (iv) liquidity risk and (v) price risk. The executive directors meet regularly and co-operate closely with key management to identify and evaluate risks and generally adopt conservative strategies on the risk management and limit the Group's exposure to these risks to a minimum as follows:

### (i) Foreign currency risk

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

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

<b>Financial assets</b>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
RMB	<b>27,697</b>	50,315
US\$	<b>42,311</b>	10,265

The Group's trade receivables arising from the operation of the merchant acquiring business in Thailand are mainly denominated in US\$. The Directors and the management monitor the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the Directors, the Group would only enter into foreign currency forward contracts should needs arise. At 31 March 2018, the Group had outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$6,000,000 (equivalent to approximately HK\$47,090,000) (2017: US\$3,600,000 (equivalent to approximately HK\$27,974,000)). Considered the short contract period, no material fair value gain or loss has been recognised for the unrealised foreign currency forward contracts.

The Group had loan receivables of approximately HK\$27,697,000 (2017: HK\$50,315,000) denominated in RMB. The Group currently does not have a formal currency hedging policy in relation to such foreign currency risk. The management monitors the related foreign currency risk exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 38. FINANCIAL INSTRUMENTS *(continued)*

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

#### (i) Foreign currency risk *(continued)*

In addition, as detailed in Note 23 and Note 24 to the consolidated financial statements, part of the restricted and unrestricted bank balances and cash are denominated either in RMB or Baht. The conversion of RMB and Baht into foreign currencies, including HK\$, is subject to the rules and regulations of foreign exchange control promulgated by the PRC and Thailand government, respectively.

At the end of the reporting period, the following table indicates the approximate change in the Group's loss before tax if exchange rate of US\$ and RMB had changed against the functional currencies of the respective group entities by 5% (2017: 5%) and all other variables were held constant:

	2018 HK\$'000	2017 HK\$'000
RMB	1,385	2,516
US\$	2,116	513

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

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

#### (ii) Interest rate risk

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

At the end of the reporting period, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the year would have been approximately HK\$3,599,000 (2017: approximately HK\$3,890,000) lower/higher.

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 38. FINANCIAL INSTRUMENTS *(continued)*

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

#### (iii) Credit risk

Credit risk mainly arises from certain other investments, trade and other receivables, restricted funds and cash and bank balances. The Group limits its exposure to credit risk by rigorously selecting the counterparties with reference to their past credit history and/or market reputation. The Group's exposure to the maximum credit risk is summarised as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Other investments	<b>81</b>	34,570
Trade and other receivables	<b>574,127</b>	664,454
Restricted funds	<b>434,034</b>	451,560
Cash and bank balances	<b>289,223</b>	264,572

The credit risk on other investments, restricted funds and cash and bank balances is limited because the counterparties are financial institutions with high credit ratings or recognised and creditworthy third parties and the transactions with them, and any significant transactions with other parties, are approved by the Directors. Management does not expect any counterparty to fail to meet its obligation.

For trade and other receivables, the Group reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

For loan receivables, the Group's loan receivables by geographical location are concentrated to debtors in the PRC and are influenced mainly by the individual characteristic of each customer. The Group has set up internal policies in determination of credit limits, credit approvals and other monitoring procedures to ensure that the follow-up action is taken to recover the overdue loan.

At the end of the reporting period, the Group had a concentration of credit risk as 12% (2017: 23%) and 38% (2017: 45%) of the total trade and loan receivables were made up by the Group's largest trade receivables and the five largest trade receivables respectively.

Except for certain loan receivables as mentioned in Note 22(b), none of the Group's financial assets are securitised by collateral or other credit enhancements at the end of the reporting period.



# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 38. FINANCIAL INSTRUMENTS (continued)

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

#### (iv) Liquidity risk

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment and intangible assets. The Group finances its working capital requirements mainly by the funds generated from operations, public fund raisings and inception of interest-bearing borrowings (if any).

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

	Within one year or on demand HK\$'000	After one year but within two years HK\$'000	After two year but within five years HK\$'000	Upon winding up of OCG Thailand HK\$'000 <Remark 1>	Total HK\$'000
<b>At 31 March 2018</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	525,222	-	-	-	525,222
Bonds payables	33,480	383,811	-	-	417,291
Convertible bonds	3,720	94,426	-	-	98,146
Other long-term liabilities <Remark 2>	-	-	-	1,936	1,936
Contingent consideration	37,766	-	-	-	37,766
	<b>600,188</b>	<b>478,237</b>	<b>-</b>	<b>1,936</b>	<b>1,080,361</b>
<b>Derivative financial instruments</b>	<b>1,527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,527</b>
	<b>601,715</b>	<b>478,237</b>	<b>-</b>	<b>1,936</b>	<b>1,081,888</b>
<b>At 31 March 2017</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	519,235	-	-	-	519,235
Bonds payables	33,480	33,480	383,811	-	450,771
Convertible bonds	3,720	3,720	94,426	-	101,866
Other long-term liabilities <Remark 2>	-	-	-	1,747	1,747
Contingent consideration	64,313	-	-	-	64,313
	<b>620,748</b>	<b>37,200</b>	<b>478,237</b>	<b>1,747</b>	<b>1,137,932</b>
<b>Derivative financial instruments</b>	<b>18,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,205</b>
	<b>638,953</b>	<b>37,200</b>	<b>478,237</b>	<b>1,747</b>	<b>1,156,137</b>

<Remark 1>

In case of the winding up of OCG Thailand, the holder of preference shares has the right to the distribution of the residual assets of OCG Thailand prior to the ordinary shares, but limited to the paid up amount of the preference shares.

<Remark 2>

The estimated annual finance cost of other long-term liabilities approximates to Baht 726,750 (equivalent to approximately HK\$172,000) (2017: Baht 726,750 (equivalent to approximately HK\$163,000)), which is not included in the above summary.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 38. FINANCIAL INSTRUMENTS (continued)

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

#### (v) Price risk

The Group is exposed to price risk arising from listed equity investments classified as financial assets at fair value through profit or loss and available-for-sales financial assets in the consolidated financial statements.

The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the market price had been 8% (2017: 5%) higher/lower while all other variables were held constant, the Group's loss before tax and other comprehensive income would decrease/increase and increase/decrease by HK\$6,665,000 and HK\$2,754,000 respectively (2017: HK\$6,985,000 and HK\$Nil), due to change in the fair value of the listed equity investments.

The stated changes represent management's assessment of reasonably possible changes in relevant market price over the year until the end of the next reporting period.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent price risk because the exposure at the end of the reporting period does not reflect the exposure during the years ended 31 March 2018 and 2017.

### (b) Categories of financial instruments

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

	2018 HK\$'000	2017 HK\$'000
Loans and receivables:		
Trade and other receivables	574,127	664,454
Restricted funds	434,034	451,560
Cash and bank balances	289,223	264,572
	<b>1,297,384</b>	1,380,586
Available-for-sales financial assets measured at cost less impairment loss:		
Equity securities	–	9,460
Equity-linked structured note	–	34,570
Principal unguaranteed funds	81	–
	<b>81</b>	44,030

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 38. FINANCIAL INSTRUMENTS *(continued)*

### (b) Categories of financial instruments *(continued)*

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

	2018 HK\$'000	2017 HK\$'000
Available-for-sales financial assets measured at fair value through other comprehensive income:		
Equity investments listed in Hong Kong	34,425	–
Financial assets at fair value through profit or loss:		
Equity investments listed in Hong Kong	83,312	139,700
Financial liabilities measured at amortised costs:		
Trade and other payables	525,222	519,235
Bonds payables	369,773	368,140
Convertible bonds	78,650	70,284
Other long-term liabilities	1,936	1,747
	975,581	959,406
Financial liabilities at fair value through profit or loss:		
Contingent consideration	–	64,313
Derivative financial instruments	1,527	18,205
	1,527	82,518

## 39. FAIR VALUE MEASUREMENTS

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 39. FAIR VALUE MEASUREMENTS (continued)

### (i) Assets and liabilities measured at fair value

	<b>Level 1</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Available-for-sale financial assets at fair value through other comprehensive income</b>		
– Equity investments listed in Hong Kong (Note 19)	<b>34,425</b>	–
<b>Financial assets at fair value through profit or loss</b>		
– Equity investments listed in Hong Kong (Note 20)	<b>83,312</b>	139,700
	<b>117,737</b>	139,700
	<b>Level 2</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Financial liabilities measured at fair value</b>		
Derivative financial instruments (Note 29)	<b>1,527</b>	18,205
	<b>Level 3</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Financial liabilities measured at fair value</b>		
Contingent consideration (Note 26)	<b>–</b>	64,313

During the years ended 31 March 2018 and 2017, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfers into and 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.

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

Except for other investments which fair value cannot be reliably measured, the above financial assets and financial liabilities not measured at fair value are carried at amounts not materially different from their fair values at 31 March 2018 and 2017.

## 40. CAPITAL MANAGEMENT

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2018 and 2017.

## 41. OTHER AND SUBSEQUENT EVENTS

The Group has had the following other and subsequent events:

- (a) On 23 November 2016, Qijun Information Technology entered into a subscription agreement with 廣州盈通電子科技有限公司 (Guangzhou Yingtong Electronic Technology Limited\*, "Yingtong Electronic Technology") a company registered in the PRC and an independent third party, pursuant to which Qijun Information Technology agreed to subscribe 23.08% of the enlarged issued share capital of 廣州盈通信息科技有限公司 (Guangzhou Yingtong Information Technology Limited\*, "Yingtong Information Technology"), a wholly owned subsidiary of Yingtong Electronic Technology, for a consideration of RMB15 million (equivalent to approximately HK\$18.8 million). The principal activity of Yingtong Information Technology is provision of system development services. At 31 March 2018, a deposit of RMB3 million (equivalent to approximately HK\$3.8 million) (2017: RMB3 million (equivalent to approximately HK\$3.4 million)) had been paid and was included in "Deposits on investments" as set out in Note 22(c) to the consolidated financial statements. Upon completion of the transaction, the Group will hold 23.08% equity interests in Yingtong Information Technology. Yingtong Information Technology will become an associate of the Group. The transaction is not yet completed at the date of approving the consolidated financial statements.
- (b) On 30 August 2016, Shanghai Yongle entered into a term sheet with an independent third party, pursuant to which Shanghai Yongle intends to acquire non-controlling stake of a company established in the PRC (the "PRC Entity"), for a consideration of RMB15 million (equivalent to approximately HK\$18.7 million) (2017: RMB15 million (equivalent to approximately HK\$16.9 million)). The PRC Entity is principally engaged in financial technology business in the PRC. At 31 March 2018 and 2017, such consideration had been fully paid and was included in "Deposits on investments" as set out in Note 22(c) to the consolidated financial statements. Upon completion of the transaction, the PRC Entity will become an associate of the Group. The transaction is not yet completed at the date of approving the consolidated financial statements.

\* English translation for identification purpose only.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 41. OTHER AND SUBSEQUENT EVENTS *(continued)*

- (c) 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 of the Zhi Cheng’s shares, at a 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. On 8 February 2018, a supplemental agreement was entered into to extend the final completion date to 8 May 2018. On 8 May 2018, another supplemental agreement was entered into to further extend the final completion date to 26 June 2018. Further on 26 June 2018, a third supplementary agreement was entered into to further extend the final completion date to 10 September 2018. Upon completion of the Zhi Cheng Disposal, the Group’s entire interests in Zhi Cheng will be derecognised. At 31 March 2018, a deposit of HK\$1 million had been received and reported as “Accruals and other payables”. Details of the transaction are set out in the Company’s announcements dated 28 September 2017, 8 February 2018, 8 May 2018 and 27 June 2018. These transactions are not yet completed at the date of approving the consolidated financial statements.
- (d) On 1 December 2017, the Stock Exchange agreed that the Group may process the spin-off and separate listing of the Group’s merchant acquiring business in Thailand on GEM (the “Spin-off”). On 14 February 2018, the listing applications had been submitted to the Stock Exchange for the Spin-off and the review process is underway up to the date of approving the consolidated financial statements. The Directors expect that the Spin-off, if materialises, will constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules.

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018

## 42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries		1,866,467	1,686,311
Property, plant and equipment		116	328
		<b>1,866,583</b>	1,686,639
<b>Current assets</b>			
Other receivables		2,647	2,431
Cash and bank balances		599	6,017
		<b>3,246</b>	8,448
<b>Current liabilities</b>			
Other payables		9,118	10,537
<b>Net current liabilities</b>			
		<b>(5,872)</b>	(2,089)
<b>Non-current liabilities</b>			
Derivative financial instruments		1,527	18,205
Bonds payables		369,773	368,140
Convertible bonds		78,650	70,284
		<b>449,950</b>	456,629
<b>NET ASSETS</b>			
		<b>1,410,761</b>	1,227,921
<b>Capital and reserves</b>			
Share capital	30	16,441	14,611
Reserves	42(a)	1,394,320	1,213,310
<b>TOTAL EQUITY</b>			
		<b>1,410,761</b>	1,227,921

The statement of financial position was approved and authorised for issue by the Board of Directors 29 June 2018 and signed on its behalf by

**Cao Guoqi**  
Director

**Yan Dinggui**  
Director

# Notes to the Consolidated Financial Statements

Year ended 31 March 2018



## 42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

### (a) Movements of the reserves

	Note	Share premium HK\$'000 (Note 31(a))	Share option reserve HK\$'000 (Note 32)	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016		1,315,828	130,417	(181,325)	1,264,920
Loss for the year and total comprehensive loss for the year		–	–	(127,918)	(127,918)
Transactions with owners:					
<i>Contribution and distribution</i>					
Recognition of share-based					
compensation costs		–	62,330	–	62,330
Cancellation of repurchased shares	30(a)	(27,213)	–	–	(27,213)
Consideration shares issued in January 2017 for fulfillment of performance target	30(b)	41,191	–	–	41,191
Total transactions with owners		13,978	62,330	–	76,308
At 31 March 2017		1,329,806	192,747	(309,243)	1,213,310
<b>At 1 April 2017</b>		<b>1,329,806</b>	<b>192,747</b>	<b>(309,243)</b>	<b>1,213,310</b>
<b>Loss for the year and total comprehensive loss for the year</b>		<b>–</b>	<b>–</b>	<b>(96,212)</b>	<b>(96,212)</b>
<b>Transactions with owners:</b>					
<i>Contribution and distribution</i>					
Recognition of share-based					
compensation costs	32	–	44,661	–	44,661
Forfeiture of share options	32(iii)	–	(2,571)	2,571	–
Shares issued upon subscription in August 2017	30(c)	185,668	–	–	185,668
Consideration shares issued in December 2017 for fulfillment of performance target	30(d)	46,893	–	–	46,893
Total transactions with owners		232,561	42,090	2,571	277,222
<b>At 31 March 2018</b>		<b>1,562,367</b>	<b>234,837</b>	<b>(402,884)</b>	<b>1,394,320</b>

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



## Financial Summary

A summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 March 2018, 2017, 2016, 2015 and 2014, as extracted from the published audited financial statements for the year ended 31 March 2018, 31 March 2017, 31 March 2016, 31 March 2015 and 31 March 2014, is set out below. The amounts as set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>RESULTS</b>					
<b>Revenue</b>	<b>598,482</b>	489,121	598,300	333,388	148,475
Cost of services rendered and cost of goods sold	<b>(363,821)</b>	(268,071)	(394,074)	(270,289)	(112,536)
Gross profit	<b>234,661</b>	221,050	204,226	63,099	35,939
Other income	<b>11,837</b>	1,881	2,553	858	128
General administrative expenses	<b>(266,457)</b>	(234,837)	(176,810)	(113,972)	(34,428)
Selling and distribution costs	<b>(60,762)</b>	(52,149)	(38,129)	(7,522)	(2,900)
Finance costs	<b>(47,432)</b>	(31,095)	(10,601)	(2,534)	(37)
Fair value loss on contingent consideration	<b>(20,676)</b>	(5,763)	(32,187)	–	–
Fair value gain on derivative financial instruments	<b>16,678</b>	8,617	–	–	–
Fair value (loss) gain on financial assets at fair value through profit or loss	<b>(56,388)</b>	(68,580)	139,700	–	–
Gain on disposal of subsidiaries	<b>4,329</b>	570	–	–	–
Loss on disposal of equity interests in a joint venture	<b>(144)</b>	–	–	–	–
Gain on disposal of equity interests in an associate	–	–	48	–	–
Impairment loss on goodwill	<b>(73,588)</b>	(988)	–	–	–
Impairment loss on interests in associates	<b>(67,893)</b>	–	–	–	–
Share of results of joint ventures	<b>187</b>	265	6	(1,167)	–
Share of results of associates	<b>(30,453)</b>	(1,874)	(991)	(1,519)	–
<b>(Loss) Profit before taxation</b>	<b>(356,101)</b>	(162,903)	87,815	(62,757)	(1,298)
Income tax expenses	<b>(8,353)</b>	(9,817)	(17,384)	(7,740)	(6,403)
<b>(Loss) Profit for the year</b>	<b>(364,454)</b>	(172,720)	70,431	(70,497)	(7,701)
<b>Attributable to:</b>					
Equity holders of the Company	<b>(361,229)</b>	(174,396)	63,820	(78,232)	(17,762)
Non-controlling interests	<b>(3,225)</b>	1,676	6,611	7,735	10,061
	<b>(364,454)</b>	(172,720)	70,431	(70,497)	(7,701)
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>2,432,613</b>	2,351,152	2,183,472	1,483,749	184,116
Total liabilities	<b>(1,030,856)</b>	(1,055,490)	(793,698)	(889,381)	(41,525)
Net assets	<b>1,401,757</b>	1,295,662	1,389,774	584,368	142,591