

# EFT Solutions Holdings Limited

## 俊盟國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8062



# 2018

First Quarterly Report

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



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lo Chun Kit Andrew  
(Chairman and Chief Executive Officer)  
Mr. Chan Lung Ming  
(Vice Chairman and Chief Strategy Officer)  
Mr. Lo Chun Wa

### Non-executive Directors

Ms. Lam Ching Man  
Mr. Lui Hin Weng Samuel

### Independent Non-executive Directors

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

## COMPLIANCE OFFICER

Mr. Lo Chun Wa

## COMPANY SECRETARY

Mr. Luk Pok Yin

## AUTHORISED REPRESENTATIVES

Mr. Lo Chun Kit Andrew  
Mr. Luk Pok Yin

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPLIANCE ADVISER

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

## HONG KONG LEGAL ADVISER

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

## AUDITOR

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

## PRINCIPAL BANK

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

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

8062

## COMPANY WEBSITE

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

## FINANCIAL HIGHLIGHTS

	For the three months ended 30 June		+/(–)
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	
Revenue	<b>31,472</b>	11,962	+162.5%
Gross profit	<b>18,586</b>	4,952	+272.0%
Operating profit	<b>12,146</b>	2,369	+404.2%
Profit before tax	<b>11,074</b>	2,368	+362.5%
Profit for the period	<b>8,997</b>	1,924	+373.7%
Profit attributable to the owners of the Company	<b>7,760</b>	1,924	+310.5%
Share-based payment expenses (included in administrative expenses)	<b>(1,372)</b>	–	N/A
Operating profit (excluding share-based payment expenses)	<b>13,518</b>	2,369	+462.5%
Profit before tax (excluding share-based payment expenses)	<b>12,446</b>	2,368	+416.7%
Profit for the period (excluding share-based payment expenses)	<b>10,369</b>	1,924	+447.4%
Profit attributable to the owners of the Company (excluding share-based payment expenses)	<b>9,132</b>	1,924	+378.9%

## EARNINGS PER SHARE

	2018	2017	+/(–)
	HK cents (unaudited)	HK cents (unaudited)	
Earnings per share			
– Basic	<b>1.62</b>	0.40	+305.0%
– Diluted	<b>1.60</b>	0.40	+300.0%

## FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months ended 30 June 2018 (the “**Reporting Period**”), together with the comparative unaudited figures for the corresponding period in 2017, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2018

	Notes	For the three months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>31,472</b>	11,962
Cost of goods sold and services		<b>(12,886)</b>	(7,010)
<b>Gross profit</b>		<b>18,586</b>	4,952
Other income		<b>47</b>	66
Other losses		<b>(131)</b>	(23)
Administrative expenses		<b>(6,356)</b>	(2,626)
<b>Operating profit</b>		<b>12,146</b>	2,369
Finance costs		<b>(651)</b>	(1)
Share of results of an associate		<b>(421)</b>	–
<b>Profit before tax</b>		<b>11,074</b>	2,368
Income tax expense	5	<b>(2,077)</b>	(444)
<b>Profit for the period</b>		<b>8,997</b>	1,924
<b>Profit attributable to:</b>			
– Owners of the Company		<b>7,760</b>	1,924
– Non-controlling interests		<b>1,237</b>	–
		<b>8,997</b>	1,924
<b>Earnings per share for the profit attributable to the owners of the Company:</b>			
– Basic (HK cents)	6	<b>1.62</b>	0.40
– Diluted (HK cents)	6	<b>1.60</b>	0.40

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	For the three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Profit for the period</b>	<b>8,997</b>	1,924
<b>Other comprehensive income, net of tax</b> <i>Items that may be subsequently reclassified to profit or loss:</i> Exchange differences arising on translation of the financial statements of foreign subsidiaries	<b>44</b>	–
<b>Total comprehensive income for the period</b>	<b>9,041</b>	1,924
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>7,791</b>	1,924
– Non-controlling interests	<b>1,250</b>	–
	<b>9,041</b>	1,924

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to the owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Share options reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 April 2018 (audited)</b>	4,800	53,545	(10,228)	5,851	-	32,096	86,064	-	86,064
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	7,760	7,760	1,237	8,997
<b>Other comprehensive income</b>									
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	31	-	31	13	44
Total comprehensive income	-	-	-	-	31	7,760	7,791	1,250	9,041
<b>Transactions with owners</b>									
Equity-settled share-based payment transactions	-	-	-	1,372	-	-	1,372	-	1,372
Non-controlling interests arising on business combinations	-	-	-	-	-	-	-	4,568	4,568
Total transactions with owners	-	-	-	1,372	-	-	1,372	4,568	5,940
<b>As at 30 June 2018 (unaudited)</b>	4,800	53,545	(10,228)	7,223	31	39,856	95,227	5,818	101,045
<b>As at 1 April 2017 (audited)</b>	4,800	53,545	(10,228)	-	-	9,990	58,107	-	58,107
Profit and total comprehensive income for the period	-	-	-	-	-	1,924	1,924	-	1,924
<b>As at 30 June 2017 (unaudited)</b>	4,800	53,545	(10,228)	-	-	11,914	60,031	-	60,031

Note: Special reserve represents the difference between the entire issued shares of EFT Solutions Limited ("EFT") acquired by the Group amounting to HK\$100 and the consideration for acquiring EFT by EFT Solutions International Limited, a wholly-owned subsidiary of the Group, amounting to approximately HK\$10,228,000 pursuant to the reorganisation, the details of which are set out in the prospectus of the Company dated 5 December 2016.



# NOTES TO THE QUARTERLY FINANCIAL INFORMATION

For the three months ended 30 June 2018

## 1. GENERAL

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

The Company's shares (the "**Shares**") were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 December 2016.

The Company is an investment holding company and its subsidiaries are principally engaged in sourcing of electronic fund transfer at point-of-sale ("**EFT-POS**") terminals and peripheral devices and provision of EFT-POS system support services and software solution services in the past. During the Reporting Period, the Group commenced the provision of point-of-sale ("**POS**") software solution services in Hong Kong and the People's Republic of China (the "**PRC**") through the acquisition of 70% of the entire issued share capital of Earn World Development Limited ("**Earn World Development**", together with its subsidiaries, "**Earn World Group**") on 31 May 2018 and the provision of embedded system solution services in Australia through the subscription of 75% of the entire issued share capital of Newport Tek Pty Ltd ("**Newport**") on 5 April 2018. The Company's parent and ultimate holding company is LCK Group Limited ("**LCK**", a private company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling party is Mr. Lo Chun Kit, Andrew ("**Mr. Lo**").

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

# Notes to the Quarterly Financial Information

For the three months ended 30 June 2018

## 2. BASIS OF PRESENTATION OF QUARTERLY FINANCIAL INFORMATION

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

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

The quarterly financial information should be read in conjunction with the consolidated financial statements of the Group incorporated in the annual report for the year ended 31 March 2018 (the “**2018 Annual Report**”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2018 Annual Report.

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

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

During the Reporting Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the Reporting Period and prior periods.

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

## Notes to the Quarterly Financial Information

For the three months ended 30 June 2018

### 4. REVENUE

An analysis of the Group's revenue is as follows:

	For the three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sourcing of EFT-POS terminals and peripheral devices	12,146	3,622
EFT-POS system support services	10,045	7,902
EFT-POS software solution services	2,576	438
POS software solution services	5,345	–
Embedded system solution services	1,360	–
	<b>31,472</b>	11,962

### 5. INCOME TAX EXPENSE

	For the three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong profits tax	2,244	444
– Overseas income tax	54	–
Total current income tax	<b>2,298</b>	444
Deferred income tax	(221)	–
Total tax charge for the period	<b>2,077</b>	444

## Notes to the Quarterly Financial Information

For the three months ended 30 June 2018

### 5. INCOME TAX EXPENSE (CONTINUED)

Hong Kong profits tax has been provided for at the rate of 16.5% (for the three months ended 30 June 2017: 16.5%) on the estimated assessable profits for the Reporting Period.

Tax on overseas profits in Australia has been calculated at the prevailing tax rate based on existing legislation, interpretations and practices in respect thereof.

No provision for the PRC corporate income tax has been made as the Group did not generate any taxable profits in the PRC during the Reporting Period. The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

### 6. EARNINGS PER SHARE

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

	For the three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	7,760	1,924
	'000 (unaudited)	'000 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	480,000	480,000
Effect of dilutive potential ordinary shares on share options	4,914	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	484,914	480,000

# Notes to the Quarterly Financial Information

For the three months ended 30 June 2018

## 7. RELATED PARTY TRANSACTIONS

During the three months ended 30 June 2017 and 2018, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	For the three months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
EFT Payments (Asia) Limited	Sourcing of EFT-POS terminals and peripheral devices	65	–
	Provision of EFT-POS system support services	878	315
	Management fee income received	–	15
	Rental income received	–	16
Mr. Lo	Rental expense paid	243	243
Ms. Lam Ching Man (Note a)	Rental expense paid	81	81
Mr. Lo Chun Wa (Note b)	Rental expense paid	45	45
Hung Wai Holdings Limited (Note c)	Purchasing cost of peripheral devices	–	2
Hung Wai Innovation Limited (Note c)	Purchasing cost of peripheral devices	1,320	92

Notes:

- (a) Ms. Lam Ching Man ("**Ms. Lam**") is a non-executive Director and the spouse of Mr. Lo.
- (b) Mr. Lo Chun Wa is an executive Director of the Company and the brother of Mr. Lo.
- (c) Hung Wai Holdings Limited ("**Hung Wai**"), of which Mr. Lo holds 25%, became a related company of the Group since April 2017. Hung Wai Innovation Limited is the wholly-owned subsidiary of Hung Wai Electronics (Huizhou) Limited, which is owned by Hung Wai as to 92.12% of its shareholdings. Accordingly, it is also a related company of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Overview

During the Reporting Period, the Group recorded revenue of approximately HK\$31.5 million which represented a significant increase of approximately 162.5% as compared with approximately HK\$12.0 million in the corresponding period in 2017.

The Group recorded profit for the period of approximately HK\$9.0 million and HK\$1.9 million for the three months ended 30 June 2017 and 2018, respectively, mainly due to the increase in the sourcing of EFT-POS terminals and peripheral devices and the Group's entrance into the market of POS software solution starting from June 2018 through the acquisition of Earn World Group.

### Revenue

The Group's revenue principally represented income derived from sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services ("**EFT-POS Solution Business**") in the past. During the Reporting Period, the Group commenced the provision of POS software solution services ("**POS Software Solution Business**") in Hong Kong and the PRC through the acquisition of Earn World Group and the provision of embedded system solution services ("**Embedded System Solution Business**") in Australia through the subscription of shares in Newport. Revenue of approximately HK\$12.0 million and HK\$31.5 million were recognised for the three months ended 30 June 2017 and 2018, respectively, which represented a significant increase of approximately 162.5%. This was mainly due to an increase in the sourcing of EFT-POS terminals and peripheral devices and the Group's entrance into the market of POS software solution starting from June 2018.

For sourcing of EFT-POS terminals and peripheral devices, revenue of approximately HK\$3.6 million and HK\$12.1 million were recognised for the three months ended 30 June 2017 and 2018, respectively, which represented a significant increase of approximately 236.1% due to increase in the number of EFT-POS terminals sold.

For provision of EFT-POS system support services, revenue of approximately HK\$7.9 million and HK\$10.0 million were recognised for the three months ended 30 June 2017 and 2018, respectively, which represented an increase of approximately 26.6% due to the increase in the number of EFT-POS terminals covered by our system support services.

For provision of EFT-POS software solution services, revenue of approximately HK\$0.4 million and HK\$2.6 million were recognised for the three months ended 30 June 2017 and 2018, respectively, which represented a significant increase of approximately 550.0% due to the increase in the number of software solution projects in relation to mobile payment methods and ongoing new payment technologies completed during the current period at a higher contract values as compared with that in corresponding period in 2017.

## Management Discussion and Analysis

For provision of POS software solution services, revenue of approximately HK\$5.3 million was recognised for the three months ended 30 June 2018 due to the Group's entrance into the market of POS software solution starting from June 2018 through the acquisition of Earn World Group.

For provision of embedded system solution services, revenue of approximately HK\$1.4 million was recognised for the three months ended 30 June 2018 due to the Group's entrance into the market of embedded system solution starting from April 2018 through the subscription of shares in Newport.

### Costs of Goods Sold and Services

Costs of goods sold and services primarily consisted of costs of inventories recognised as expense, cost of independent service providers, tools and consumables, salaries and benefits, freight and transportation, rent, local travelling and telephone and utilities expense. Costs of goods sold and services were approximately HK\$7.0 million and HK\$12.9 million for the three months ended 30 June 2017 and 2018, respectively, which represented an increase of approximately 84.3% mainly due to the increase in costs of inventories sold in accordance with the increase in revenue from sourcing of EFT-POS terminals and peripheral devices.

### Gross Profit and Gross Profit Margin

The overall gross profit were approximately HK\$5.0 million and HK\$18.6 million for the three months ended 30 June 2017 and 2018, respectively, which represented an increase of approximately 272.0%. And the overall gross profit margin for the three months ended 30 June 2017 and 2018 were approximately 41.7% and 59.1%, respectively, which represented a significant increase of approximately 17.4%. The reason for the increase was that the Group sourced more EFT-POS terminals and peripheral devices to customers which generated relatively higher profit margin in the Reporting Period as compared to that in the corresponding period and the Group entered into the market of POS software solution which generated a higher profit margin than that generated from the EFT-POS business.

### Other Income

Other income mainly represented income from delivery cost recharged to customers. Other income were approximately HK\$0.1 million and HK\$0.1 million for the three months ended 30 June 2017 and 2018, respectively, which were relatively stable over the corresponding periods.

### Other Losses

Other losses mainly represented the loss on written off of property, plant and equipment due to renovation of headquarters in Hong Kong during the Reporting Period and exchange difference arising from operating activities. Other losses were approximately HK\$0.1 million and HK\$0.1 million for the three months ended 30 June 2017 and 2018, respectively, which were relatively stable over the corresponding periods.

# Management Discussion and Analysis

## Staff Costs

Staff costs of approximately HK\$4.0 million and HK\$6.4 million were recorded for the three months ended 30 June 2017 and 2018, respectively, which represented an increase of approximately 60.0% due to the increase in the headcounts arising from the acquisition of Earn World Group as well as the increase in equity-settled share-based payment expenses of approximately HK\$1.4 million.

## Other Administrative Expenses

Other administrative expenses (excluding staff costs) are comprised mainly of auditor's remuneration, amortisation of intangible assets, depreciation, legal and professional fees and office expenses.

Other administrative expenses for the three months ended 30 June 2017 and 2018 were approximately HK\$1.4 million and HK\$3.1 million, respectively, which represents a significant increase of approximately 121.4% mainly due to the increase in the amortization of intangible assets arising from the acquisition of Earn World Group.

## Share of results of an Associate

The Group had 21.97% of shareholdings of Open Sparkz Pty Limited ("**Open Sparkz**") as at 30 June 2018. Share of results of an associate represented operating losses arising from principal business activities of the associate. The Group's share of results of an associate of approximately HK\$0.4 million was recorded for the three months ended 30 June 2018.

## Finance Costs

Finance costs represented imputed interest expenses on promissory note and interest expenses on bank borrowings. Finance costs of approximately HK\$1,000 and HK\$0.7 million were recorded for the three months ended 30 June 2017 and 2018, respectively. On 31 May 2018, the Group issued promissory notes of approximately HK\$194.0 million which bear interest at 4% per annum as part of the consideration of acquisition of Earn World Group.

## Income Tax Expense

Income tax expense represented provision of Hong Kong profits tax at the rate of 16.5% and provision of Australian corporate tax at the prevailing rate for the estimated assessable profits for the three months ended 30 June 2017 and 2018.

No provision for the PRC corporate income tax has been made as the Group did not generate any taxable profits in the PRC during the Reporting Period.

## Profit for the Period

The Group recorded profit for the period of approximately HK\$1.9 million and HK\$9.0 million for the three months ended 30 June 2017 and 2018, respectively. This was mainly due to the increase in the sourcing of EFT-POS terminals and peripheral devices and the Group's entrance into the market of POS software solution starting from June 2018 through the acquisition of Earn World Group.



# Management Discussion and Analysis

## FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. The Group has remained at a sound financial resource level. As at 30 June 2018, the Group had net current assets of approximately HK\$85.3 million (as at 30 June 2017: approximately HK\$57.7 million) including cash and cash equivalents of approximately HK\$25.1 million as at 30 June 2018 (as at 30 June 2017: approximately HK\$43.6 million).

As at 30 June 2018, the Group's total debts (including total liabilities less tax payables and deferred tax liabilities) amounted to approximately HK\$227.2 million (as at 30 June 2017: approximately HK\$3.6 million), of which approximately HK\$212.3 million (as at 30 June 2017: nil) was related to bank borrowings and payment obligation together with the promissory notes issued for the acquisition of Earn World Group. Bank balances and cash amounted to approximately HK\$25.1 million (as at 30 June 2017: approximately HK\$43.6 million). Net debt amounted to approximately HK\$202.1 million (as at 30 June 2017: nil). As at 30 June 2018, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK\$297.3 million (as at 30 June 2017: approximately HK\$60.0 million), was 68.0% (as at 30 June 2017: nil).

## PLEDGE OF ASSETS

As at 30 June 2018, the Group did not have any pledged assets (as at 30 June 2017: nil).

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2018, the Group had contracted capital commitment for the acquisition of a subsidiary, Earn World Development, of approximately HK\$210.0 million and capital injection in an associate, Open Sparkz, of approximately HK\$0.9 million. Up to the date of this report, the Group has paid approximately HK\$3.2 million for the acquisition of a subsidiary and approximately HK\$0.9 million for the capital injection in an associate. Please refer to sub-heading "Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets" for further details. Save as disclosed above, the Group did not have any significant capital commitments (as at 30 June 2017: nil).

As at 30 June 2018, the Group did not have any significant capital expenditures (as at 30 June 2017: nil).

As at 30 June 2018, the Group did not have any significant contingent liabilities (as at 30 June 2017: nil).

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND CAPITAL ASSETS

On 22 November 2017, the Group entered into a subscription agreement with Open Sparkz to subscribe for the subscription shares, which represents 25% of the enlarged issued share capital of Open Sparkz at the consideration of AUD1.0 million by five installments. Open Sparkz is incorporated in Australia and is principally specialising in highly automated offers and rewards solutions using front of wallet credit, debit and prepaid cards. The Group considers that the subscription could provide an opportunity to the Group to enter into the electronic payment business. As at 30 June 2018, the Group has already paid AUD850,000 to Open Sparkz to subscribe 304,921 shares up to the fourth installments. Up to the date of this report, the Group had paid AUD150,000 to Open Sparkz to subscribe for a further 56,034 shares pursuant to the fifth installment, and the Group has subscribed for 360,955 shares in aggregate representing 25.0% interests of Open Sparkz.

On 19 January 2018, the Group entered into the sale and purchase agreement with Earn World Enterprises Limited ("**Earn World Enterprises**"), pursuant to which Earn World Enterprises has conditionally agreed to sell and the Group has conditionally agreed to purchase the sale shares, which represented 70% of the entire issued share capital of Earn World Development. The consideration for the acquisition is HK\$210.0 million which shall be payable by the Group as to HK\$16.0 million by cash and HK\$194.0 million by issuance of promissory notes. Completion is subject to fulfillment of the terms and conditions precedent set out in the sale and purchase agreement. Earn World Development and its subsidiaries has been in the information technology industry for more than ten years. It is principally engaged in the provision of software solution in retail, distribution and accounting sectors including point of sales system, ordering and inventory system and accounting system, with the objective of providing commercial software applications and retail and distribution solutions which are suitable for global operation. The Group considers that the acquisition could provide an opportunity to the Group to enlarge the market share of the software solutions business and to explore more business opportunities in payment solutions so as to strengthen the Company's financial position and maintain its growth in Hong Kong. Please refer to the Company's announcement dated 19 January 2018 for further details. The acquisition has been approved by the Shareholders of the Company (the "**Shareholders**") in its extraordinary general meeting held on 31 May 2018. All the terms and conditions for completion have been fulfilled and the acquisition was completed on 31 May 2018. Please refer to the Company's announcement dated 31 May 2018 for further details. Up to the date of this report, the Group had paid HK\$3.2 million to Earn World Enterprises for this acquisition.

## Management Discussion and Analysis

On 2 March 2018, the Group entered into the subscription agreement with Newport to subscribe for the subscription shares, which represents 75% of the entire issued share capital of Newport at the consideration of approximately AUD360.0. Completion is subjected to fulfillment of the terms and conditions precedent set out in the subscription agreement. Newport is incorporated in Australia and is principally engaged in guiding the clients through the maze of embedded systems technology to achieve an effective price/performance ratio for their products. The Group considers that the subscription could provide an opportunity to the Group to enter into the overseas software solutions business. All the terms and conditions for completion have been fulfilled and the acquisition was completed on 5 April 2018. As at 30 June 2018, a loan was made to Newport of approximately AUD0.1 million which was unsecured, carried fixed interest at 2% per annum and repayable in May 2021.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the three months ended 30 June 2018 and up to the date of this report.

### PLANS FOR MATERIAL INVESTMENTS AND ACQUISITIONS

As of the date of this report, the Group has entered into the Memorandum of Understanding (“**MOU**”) in respect of the following proposed material investments and acquisitions:

The Group has conditionally proposed to invest in Hung Wai for a majority stake by way of subscription of new shares or acquisition of shares. Hung Wai is incorporated in Hong Kong and is principally engaged in investment holding and the trading of electronic technological products, and vending machines used in conjunction with EFT-POS products and peripheral devices. The Group considers that the proposed investment could provide an opportunity to the Group to expand our market share through provision of customised EFT-POS products and devices to meet the specific customer needs and to meet global trend of smart city development and will further enhance the investment portfolio and future earnings of the Group. Please refer to the Company’s announcement dated 25 October 2017 for further details. The exclusivity period of the MOU has been extended to six months since the expiry date of MOU. Up to the date of this report, the process of due diligence on Hung Wai is still ongoing.

Save as disclosed above, the Group did not have any plans for material investments and acquisitions as at 30 June 2018 and up to the date of this report.

### DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (for the three months ended 30 June 2017: nil).

# Management Discussion and Analysis

## BUSINESS REVIEW

During the Reporting Period, the Group has continued to take a leading position as an innovative EFT-POS solution provider focusing on sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services in Hong Kong.

Completion of acquisition of 70% of the entire issued share capital of Earn World Group on 31 May 2018 allowed the Group to capture the opportunities in the market of POS software solution. Completion of subscription of 75% of the entire issued share capital of Newport allowed the Group to grasp the overseas expansion opportunity to the market of embedded system solution in Australia.

Due to the growth in the EFT-POS solution business and the expansion into POS software solution business and embedded system solution business during the Reporting Period, the revenue of the Group in the Reporting Period increased significantly.

### **EFT-POS Solution Business**

The Group is confident in well-positioning itself to continue on consolidating as the link between EFT-POS terminal manufacturers and acquirers (i.e. acquiring bank or payment processor that processes credit or debit card payments on behalf of a merchant) to provide total EFT-POS solutions including sourcing of EFT-POS terminals and peripheral devices services, together with developing software that comply with electronic payment standards acceptance certification, installation and ongoing maintenance and repair services of EFT-POS terminals and other related services. The Group also provides customised project-based software solution services so as to further capture ongoing growth opportunities and expand local market share in the EFT-POS terminal market and strengthen our payment solution technology and software solution services. The Group provides sourcing of EFT-POS terminals and peripheral devices services to acquirers as well as merchants. Leveraging our experience in the electronic payment industry and our well-established business relationships with EFT-POS terminal and peripheral device manufacturers, the Group is able to recommend suitable EFT-POS solutions to meet the requirements of our customers.

During the Reporting Period, the Group recorded revenue of approximately HK\$24.7 million for the EFT-POS Solution Business.

The implementation of the stored value facilities scheme by the Hong Kong Monetary Authority in late 2016 and the upcoming launch of faster payment system in September 2018 have accelerated the development of electronic payment in Hong Kong. It is anticipated that the electronic payment industry will be booming and electronic payment will become more popular with various ways of usage.

# Management Discussion and Analysis

## **POS Software Solution Business**

The Group entered into the market of POS software solution starting from June 2018 through the acquisition of Earn World Group.

The Earn World Group is principally engaged in the provision of software solution in retail, distribution and accounting sectors, with the objective of providing commercial software applications and retail and distribution solutions which are suitable for global operation.

The Earn World Group positions itself as the link between software solution providers and the merchants to provide full software solutions including provision of software solution in retail, distribution and accounting sectors including point of sales system, ordering and inventory system, accounting system and ongoing maintenance services. The Earn World Group also provides customized project-based software solution services to meet different needs from customers.

During the Reporting Period, the Group recorded revenue of approximately HK\$5.3 million for the POS Software Solution Business.

Many companies are starting to emphasize the importance of big data assets obtained by a one-stop centralized POS system with up-to-date financial analysis and various in-app lifestyle features to support business decision making. The Group's POS software solution services can provide tailor-made solutions to obtain real time payment status, inventory and accounting information to customers and provide up-to-date system enhancement to meet customer's specific needs and keep abreast of the latest technological development. It is anticipated that the POS system software solution services will become more popular due to fierce competition in business sectors especially retail sectors which would lead to an increase in demand for software solution services providing competitive edge.

## **Embedded System Solution Business**

The Group entered into the market of embedded system solution starting from April 2018 through the subscription of shares in Newport. Newport is principally engaged in the provision of embedded hardware and software solution services in sectors of finance, transportation and manufacturing to fulfill customer's specific needs and requirements.

During the Reporting Period, the Group recorded revenue of approximately HK\$1.4 million for the Embedded System Solution Business.

It is anticipated that the trend of smart city development is growing in Hong Kong and developed countries in overseas. Newport's embedded system technology can be used to provide solutions to improve the payment system in the parking system and provide tailor-made hardware and software solutions which can upgrade the lifestyles in a smart living way. The market of embedded system solution is expected to grow under the global trend of smart city development.

# Management Discussion and Analysis

## Overall

The Group will strive its best effort to achieve business growth. The Group aims to further expand our market share and strengthen our market position in electronic payment and POS software solution and embedded system solution industries by increasing its capabilities and offering diverse and high quality one-stop integrated services.

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

## USE OF PROCEEDS

The total net proceeds from the listing on GEM of the Stock Exchange on 15 December 2016 after deducting all related expenses was approximately HK\$35.1 million, which are intended to be applied in the following manner:

- approximately HK\$8.9 million, will be used to expand our information technology workforce for total EFT-POS solutions;
- approximately HK\$5.4 million, will be used to expand our information technology workforce for acquiring host software services;
- approximately HK\$5.4 million, will be used to expand our business development workforce;
- approximately HK\$0.6 million, will be used to enhance our information technology and network system;
- approximately HK\$2.0 million, will be used for property improvements to accommodate new headcount;
- approximately HK\$10.0 million, will be used for potential future strategic acquisitions or arrangements to expand our product portfolio or increase our market share; and
- the remaining amount of approximately HK\$2.8 million will be used to provide funding for our working capital and other general corporate purposes.

## Management Discussion and Analysis

Upon receipt of the proceeds, the actual use of the proceeds by the Group as at 30 June 2018 was as follows:

- approximately HK\$3.7 million has been used to expand our information technology workforce for total EFT-POS solutions;
- approximately HK\$2.0 million has been used to expand our information technology workforce for acquiring host software services;
- approximately HK\$1.8 million has been used to expand our business development workforce;
- approximately HK\$0.6 million has been used to enhance our information technology and network system;
- approximately HK\$1.6 million has been used for property improvements to accommodate new headcount;
- approximately HK\$10.0 million has been used for potential future strategic acquisitions or arrangements to expand our product portfolio or increase our market share;
- approximately HK\$2.8 million has been used for our working capital and other general corporate purposes; and
- the remaining balance of approximately HK\$12.6 million is placed with a licensed bank in Hong Kong.

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

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

#### Interests in the Shares of the Company

Name	Capacity	Notes	Long position			Percentage of total number of issued Shares
			Total interests in ordinary Shares	Total interests in underlying Shares	Total interests	
Mr. Lo	Interest in a controlled corporation, interest of spouse and beneficial owner	1	345,600,000	9,600,000	355,200,000	74%
Ms. Lam	Interest of spouse and beneficial owner	2	350,400,000	4,800,000	355,200,000	74%
Mr. Chan Lung Ming	Beneficial owner	3	-	24,000,000	24,000,000	5%
Mr. Lo Chun Wa	Beneficial owner	4	-	4,800,000	4,800,000	1%



## Disclosure of Interests and Other Information

### Notes:

1. Mr. Lo is interested in the entire issued share capital of LCK and is the spouse of Ms. Lam and he is therefore deemed to be interested in the 345,600,000 Shares held by LCK and 4,800,000 underlying Shares of Ms. Lam by virtue of the SFO. The interest of Mr. Lo in 4,800,000 underlying Shares represents the interest in the share options granted by the Company to him on 9 January 2018 under Share Option Scheme. The consideration paid by Mr. Lo on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$0.530 per share and the exercisable period is between 9 April 2018 and 8 January 2028.
2. Ms. Lam is the spouse of Mr. Lo and she is therefore deemed to be interested in the Shares held by Mr. Lo by virtue of the SFO (comprising 345,600,000 Shares held by LCK and 4,800,000 share options granted to Mr. Lo by the Company on 9 January 2018). The interest of Ms. Lam in 4,800,000 underlying Shares represents the interest in the share options granted by the Company to her on 9 January 2018 under the Share Option Scheme. The consideration paid by Ms. Lam on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$0.530 per share and the exercisable period is between 9 April 2018 and 8 January 2028.
3. The interest of Mr. Chan Lung Ming ("**Mr. Chan**") in 24,000,000 underlying Shares represents the interest in the share options granted by the Company to him on 18 September 2017 under the Share Option Scheme. The consideration paid by Mr. Chan on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$0.320 per share and the exercise period is between 18 September 2017 and 17 September 2027.
4. The interest of Mr. Lo Chun Wa in 4,800,000 underlying Shares represents the interest in the share options granted by the Company to him on 9 January 2018 under the Share Option Scheme. The consideration paid by Mr. Lo Chun Wa on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$0.530 per share and the exercisable period is between 9 April 2018 and 8 January 2028.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executives of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Disclosure of Interests and Other Information

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

As at 30 June 2018, to the knowledge of the Directors, Shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Note	Long position	
			Number of ordinary Shares	Percentage of total number of issued Shares
LCK	Beneficial owner	1	345,600,000	72%

Note:

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

Save as disclosed above and in the section "Share Option Scheme" of this report, as at 30 June 2018, to the knowledge of the Directors, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Save as disclosed above and in the section "Share Option Scheme" of this report, at no time during the Reporting Period and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

## Disclosure of Interests and Other Information

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

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

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

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

### **CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS**

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

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEME

A share option scheme was adopted and approved by the Shareholders on 23 November 2016 (the “**Share Option Scheme**”).

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

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

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
  - (a) contribution to the development and performance of the Group;
  - (b) quality of work performed for the Group;
  - (c) initiative and commitment in performing his/her duties; and
  - (d) length of service or contribution to the Group.

## Disclosure of Interests and Other Information

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

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

Upon acceptance of an Option to subscribe for Shares granted pursuant to the scheme, the eligible participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options;
- (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

## Disclosure of Interests and Other Information

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

Category	Date of grant	Exercise period	Exercise price	Number of share options				Balance as at 30 June 2018
				Balance as at 1 April 2018	Granted	Exercised	Cancelled/ lapsed	
<b>Executive Directors</b>								
Mr. Lo	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	-	4,800,000
Mr. Chan	18 September 2017	Note 2	0.320 (Note 3)	24,000,000	-	-	-	24,000,000
Mr. Lo Chun Wa	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	-	4,800,000
<b>Non-executive Director</b>								
Ms. Lam	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	-	4,800,000
				38,400,000	-	-	-	38,400,000

Notes:

- 50% of the Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable after three months from the date of grant. The remaining Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable on or after the first anniversary of the date of grant.
- 40% of the Options granted to Mr. Chan shall become exercisable immediately upon approval by the Shareholders of the Company; 30% of the Options granted to Mr. Chan shall become exercisable on or after completion of one year of service on 1 September 2018 and the remaining Options granted to Mr. Chan shall become exercisable on or after completion of two years of service on 1 September 2019. Options granted to Mr. Chan have been approved by the Shareholders in its extraordinary general meeting held on 10 November 2017.
- The closing price of shares on the date of grant was HK\$0.320. The average closing price was HK\$0.2744 per share for the five business days immediately preceding the date of grant.
- The closing price of shares on the date of grant was HK\$0.530. The average closing price was HK\$0.520 per share for the five business days immediately preceding the date of grant.

# Disclosure of Interests and Other Information

## COMPLIANCE ADVISER'S INTERESTS

As notified by Lego Corporate Finance Limited (“**Lego**”), compliance adviser of the Company, neither Lego nor any of its close associates and none of the directors or employees of Lego had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2018.

## COMPLIANCE WITH DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions (the “**Model Code**”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding the directors' securities transactions for the Reporting Period.

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

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

The Board continues to monitor and review the Company's corporate governance and makes necessary changes at appropriate time.

## Disclosure of Interests and Other Information

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

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

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

### AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 23 November 2016 in compliance with Rule 5.28 of the GEM Listing Rules. As at 30 June 2018, the Audit Committee comprised three independent non-executive Directors, namely Ms. Yang Eugenia, Mr. Lam Keung and Mr. Ng Ming Fai. Ms. Yang Eugenia is the chairman of the Audit Committee.

None of the members of the Audit Committee is a former partner of the Company’s existing external auditor.

The primary duties of the Audit Committee include, but are not limited to, (a) monitoring the integrity of the Company’s financial statements, (b) reviewing the Company’s financial controls, internal control and risk management systems, and (c) reviewing the Group’s financial and accounting policies and practices. The unaudited condensed consolidated quarterly results of the Group for the Reporting Period have not been audited.



## Disclosure of Interests and Other Information

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

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

During the Reporting Period and up to the date of this report, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

By order of the Board

#### **EFT Solutions Holdings Limited**

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

*Chairman and Chief Executive Officer*

8 August 2018

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

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