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China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

2018

First Quarterly Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK$132.54 million for the three months ended 30 June 2018. The Group's gross profit amounted to approximately HK$52.81 million, which represented an increase of approximately 1.48% as compared with the Group's gross profit recorded in the corresponding period in 2017.

- The Group reported a loss amounted to approximately HK$56.36 million for the three months ended 30 June 2018 as compared with a loss of approximately HK$56.84 million recorded in the corresponding period in 2017. The Group reported a loss attributable to equity holders of the Company for the period ended 30 June 2018 which amounted to approximately HK$57.71 million (2017: approximately HK$58.26 million).

- Loss per share for the loss attributable to equity holders of the Company for the three months ended 30 June 2018 was approximately 3.51 HK cents (2017: approximately 3.99 HK cents).

- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2018 (2017: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors of the Company (the "**Board**") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2018

		Unaudited Three months ended 30 June	
	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	2	**132,535**	124,255
Cost of services rendered and cost of goods sold		**(79,726)**	(72,214)
Gross profit		**52,809**	52,041
Other income		**3,158**	2,495
General administrative expenses		**(60,546)**	(58,012)
Selling and distribution costs		**(10,528)**	(8,742)
Finance costs	4	**(12,246)**	(11,936)
Fair value loss on contingent consideration		**—**	(1,995)
Fair value gain on derivative financial instruments	9	**163**	7,975
Fair value loss on financial assets at fair value through profit or loss		**(22,352)**	(36,576)
Loss on disposal of a subsidiary	10	**(6,484)**	(10)
Loss on disposal of equity interest in a joint venture		**(298)**	(78)
Share of results of joint ventures		**—**	(74)
Share of results of associates		**5,621**	(754)
Loss before tax	4	**(50,703)**	(55,666)
Income tax expenses	5	**(5,653)**	(1,178)
Loss for the period		**(56,356)**	(56,844)

		Unaudited Three months ended 30 June	
	Note	**2018** ***HK$'000***	2017 *HK$'000*
Attributable to:			
Equity holders of the Company		**(57,708)**	(58,255)
Non-controlling interests		**1,352**	1,411
		(56,356)	(56,844)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted	*7*	**(3.51) HK cents**	(3.99) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	Unaudited Three months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period	**(56,356)**	(56,844)
Other comprehensive income (loss)		
Item that will not be reclassified to profit or loss:		
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(10,463)**	—
Items that may be reclassified subsequently to profit or loss:		
Increase in fair value on available-for-sale financial assets (recycling)	**–**	24,290
Share of other comprehensive (loss) income of associates – exchange difference on translation	**(13,917)**	630
Share of other comprehensive income of joint ventures – exchange difference on translation	**–**	181
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	**389**	—
Exchange difference on translation of foreign subsidiaries	**54,010**	26,531
Total comprehensive loss for the period	**(26,337)**	(5,212)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(23,300)**	(7,527)
Non-controlling interests	**(3,037)**	2,315
	(26,337)	(5,212)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the three months ended 30 June 2018

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

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

Basis of preparation

The unaudited condensed first quarterly financial statements of the Company for the three months ended 30 June 2018 (the "**First Quarterly Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

The preparation of the First Quarterly Financial Statements requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the financial performances of the Group since 31 March 2018, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2018 (the "**2017/2018 Annual Financial Statements**").

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

Basis of preparation *(Continued)*

The First Quarterly Financial Statements have been prepared on the historical costs basis except for certain financial instruments which were stated at fair value.

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in preparing the 2017/2018 Annual Financial Statements except for the adoption of the new/revised HKFRSs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 April 2018.

Except for HKFRS 9 and HKFRS 15, the adoption of other new/revised HKFRSs did not result in material impact on the Group's consolidated financial statements for current and prior periods.

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

HKFRS 9 "Financial Instruments"

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.

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

HKFRS 9 "Financial Instruments" *(Continued)*

At 1 April 2018, the Directors assessed which business model should be applied to the financial assets and liabilities held by the Group on the initial application of HKFRS 9. The Group made the irrevocable election to continue to present available-for-sale equity investment at fair value through other comprehensive income (non-recycling). Accordingly, the accumulated fair value reserve of approximately HK$24,965,000 at 1 April 2018 relevant to this investment will not be reclassified to profit or loss in future period. For the classification of other financial assets, there was no material impact after application of HKFRS 9. In addition, the expected credit loss model was resulted in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. Impairment based on expected credit loss model on these financial assets has no significant financial impact to the Group's consolidated financial statements.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which 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, the 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

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

HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

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 considered that the performance obligations that identified under HKFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under HKAS18 and therefore, the adoption of HKFRS 15 in the future do not have any significant impact on recognition of revenue.

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 30 June	
	2018 ***HK$'000***	2017 *HK$'000*
Prepaid cards and internet payment business		
Card issuing service fee income	**98**	70
Management fee income of prepaid cards	**768**	7,113
Merchant service fee income	**21,686**	18,792
Interest income from accumulated unutilised float funds	**554**	1,762
Software development income	**—**	1,045
Sales and service fee income of POS machines	**567**	1,520
Prestige benefits business		
Issuance income of prestige benefits cards	**38,793**	43,607
Hotel booking agency service income	**27,560**	17,555
Internet micro-credit business		
Sales of goods	**—**	6,259
Loan interest income	**10,416**	10,612
Merchant acquiring business		
Merchant acquiring transaction fee income	**24,912**	11,714
Foreign exchange rate discount income	**7,181**	3,630
Marketing service income	**—**	576
	132,535	124,255

3. SEGMENT REPORTING

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

(i) prepaid cards and internet payment business in the People's Republic of China (the "**PRC**");

(ii) prestige benefits business in the PRC;

(iii) 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 associates and income tax.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided. The geographical segment information is reflected within operating segment information as the Group's five distinctive business activities are provided in three different locations.

3. SEGMENT REPORTING *(Continued)*

Three months ended 30 June 2018 (unaudited)

	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	**23,673**	**66,353**	**10,416**	**32,093**	**–**	**132,535**
Segment results	**(273)**	**4,212**	**2,890**	**2,432**	**(22,352)**	**(13,091)**
Unallocated other income						**3,158**
Unallocated finance costs						**(12,246)**
Unallocated other expenses and losses						**(27,526)**
Fair value gain on derivative financial instruments						**163**
Loss on disposal of a subsidiary						**(6,484)**
Loss on disposal of equity interest in a joint venture						**(298)**
Share of results of associates						**5,621**
Loss before tax						**(50,703)**
Income tax expenses						**(5,653)**
Loss for the period						**(56,356)**

3. SEGMENT REPORTING *(Continued)*

Three months ended 30 June 2017 (unaudited)

	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	30,302	61,162	16,871	15,920	—	124,255
Segment results	5,775	5,187	(3,626)	2,287	(36,610)	(26,987)
Unallocated other income						2,495
Unallocated finance costs						(11,936)
Unallocated other expenses and losses						(24,302)
Fair value loss on contingent consideration						(1,995)
Fair value gain on derivative financial instruments						7,975
Loss on disposal of subsidiaries						(10)
Loss on disposal of equity interest in a joint venture						(78)
Share of results of joint ventures						(74)
Share of results of associates						(754)
Loss before tax						(55,666)
Income tax expenses						(1,178)
Loss for the period						(56,844)

4. LOSS BEFORE TAX

	Unaudited Three months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
This is stated after charging:		
Finance costs		
Effective interest expense on convertible bonds	**3,343**	3,036
Finance costs on other long-term liabilities	**45**	41
Interest on bonds payables	**8,858**	8,859
	12,246	11,936
Other items		
Amortisation of intangible assets	**3,994**	1,995
Cost of goods sold	**—**	6,076
Depreciation of property, plant and equipment	**2,481**	2,282
Operating lease charges on premises	**3,185**	2,842
Impairment loss on loan receivables	**1,317**	—
Staff costs, including directors' emoluments and share-based compensation cost	**31,812**	38,139
Share-based compensation cost to service providers	**425**	2,418
Spin-off expense *(Note)*	**998**	—

Note: The amount represents expenses incurred for processing the spin-off and separate listing of the Group's merchant acquiring business in Thailand on GEM.

5. TAXATION

	Unaudited Three months ended 30 June	
	2018 ***HK$'000***	2017 *HK$'000*
Current tax		
PRC Enterprise Income Tax	**1,710**	2,230
Thailand Enterprise Income Tax	**589**	272
	2,299	2,502
Deferred tax		
Utilisation of tax losses	**26**	—
Origination (Reversal) of temporary difference	**3,328**	(1,324)
Income tax expenses for the period	**5,653**	1,178

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as certain Group entities' estimated assessable profits for the period were absorbed by unrelieved tax losses brought forward from previous year and certain Group Entities' incurred losses for taxation purposes for the periods ended 30 June 2018 and 2017.

(ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in the British Virgin Islands 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 開聯通支付服務有限公司 (Open Union Payment Services Limited*, "**Open Union**") and 上海靜元信息技術有限公司 (Shanghai Jingyuan Message Technology Limited*, "**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.

* *English translation for identification purpose only.*

5. TAXATION *(Continued)*

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

The Group's operation in Thailand is 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 operation in Cambodia is 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.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2018 (2017: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 30 June 2018 is calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK$57,708,000 (2017: approximately HK$58,255,000) and on the weighted average number of 1,644,188,693 ordinary shares (2017: 1,461,165,438 ordinary shares) in issue during the period.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the periods ended 30 June 2018 and 2017 respectively.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve <Remark 1>	Share option reserve	Fair value reserve <Remark 2>	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the three months ended 30 June 2018											
At 1 April 2018 (audited)	16,441	1,562,367	5,498	48,494	7,336	234,837	24,965	(577,445)	1,322,493	79,264	1,401,757
Loss for the period	–	–	–	–	–	–	–	(57,708)	(57,708)	1,352	(56,356)
Total other comprehensive loss											
Item that will not be reclassified to profit or loss:											
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	–	–	–	–	–	–	(10,463)	–	(10,463)	–	(10,463)
Items that may be reclassified subsequently to profit or loss:											
Share of other comprehensive income of associates – exchange difference on translation	–	–	–	(13,917)	–	–	–	–	(13,917)	–	(13,917)
Derecognition of exchange reserve upon disposal of equity interest in a joint venture	–	–	–	389	–	–	–	–	389	–	389
Exchange difference on translation of foreign subsidiaries	–	–	–	58,399	–	–	–	–	58,399	(4,389)	54,010
Total comprehensive loss for the period	–	–	–	44,871	–	–	(10,463)	(57,708)	(23,300)	(3,037)	(26,337)
Realisation of fair value reserve upon disposal of a subsidiary	–	–	–	–	–	–	(14,502)	14,502	–	–	–
Transaction with owners											
Contribution and distributions											
Recognition of share-based compensation cost	–	–	–	–	–	5,233	–	–	5,233	–	5,233
Transfer to capital reserve	–	–	150	–	–	–	–	(150)	–	–	–
Transfer to statutory reserve	–	–	–	–	1,328	–	–	(1,328)	–	–	–
	–	–	150	–	1,328	5,233	–	(1,478)	5,233	–	5,233
At 30 June 2018 (unaudited)	16,441	1,562,367	5,648	93,365	8,664	240,070	–	(622,129)	1,304,426	76,227	1,380,653

8. MOVEMENT OF EQUITY *(Continued)*

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Statutory reserve <Remark 1> HK$'000	Share option reserve HK$'000	Fair value reserve <Remark 2> HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
For the three months ended 30 June 2017											
At 1 April 2017 (audited)	14,611	1,329,806	6,996	(99,344)	6,256	192,747	–	(215,816)	1,235,256	60,406	1,295,662
Loss for the period	–	–	–	–	–	–	–	(58,255)	(58,255)	1,411	(56,844)
Total other comprehensive loss											
Items that may be reclassified subsequently to profit or loss:											
Increase in fair value on available-for-sale financial assets (recycling)	–	–	–	–	–	–	24,290	–	24,290	–	24,290
Share of other comprehensive income of associates											
– exchange difference on translation	–	–	–	630	–	–	–	–	630	–	630
Share of other comprehensive income of joint ventures											
– exchange difference on translation	–	–	–	181	–	–	–	–	181	–	181
Exchange difference on translation of foreign subsidiaries	–	–	–	25,627	–	–	–	–	25,627	904	26,531
Total comprehensive loss for the period	–	–	–	26,438	–	–	24,290	(58,255)	(7,527)	2,315	(5,212)
Transaction with owners											
Contribution and distributions											
Recognition of share-based compensation cost	–	–	–	–	–	15,874	–	–	15,874	–	15,874
Changes in ownership interests											
Non-controlling interests arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	47,397	47,397
At 30 June 2017 (unaudited)	14,611	1,329,806	6,996	(72,906)	6,256	208,621	24,290	(274,071)	1,243,603	110,118	1,353,721

8. MOVEMENT OF EQUITY *(Continued)*

<Remark 1>

In accordance with the relevant laws and regulations in Thailand, Oriental City Group (Thailand) Company Limited 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.

<Remark 2>

At 31 March 2018, the Group held 11.3% interest in the ordinary share capital of Nexion Technologies Limited ("**Nexion**"), a company incorporated in the Cayman Islands with its principal subsidiaries engaged in the business of provisions of cyber infrastructure solutions, research and development and cyber security solutions services.

At 1 April 2018, upon the initial application of HKFRS 9, the accumulated fair value reserve of equity investment at fair value through other comprehensive income (non-recycling) of approximately HK$24,965,000 will not be reclassified to profit or loss in future period.

9. CONVERTIBLE BONDS

The carrying amounts of the convertible bonds recognised are calculated as follow:

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

	Conversion option	Early redemption option	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	29,001	(10,796)	18,205
Fair value changes	(27,474)	10,796	(16,678)
At 31 March 2018 (Audited)	1,527	—	1,527
Fair value changes	(163)	—	(163)
At 30 June 2018 (Unaudited)	1,364	—	1,364

Liability Component, classified as financial liability at amortised costs

	HK$'000
At 1 April 2017	70,284
Effective interest expenses	12,147
Interest paid	(3,781)
At 31 March 2018 (Audited)	78,650
Effective interest expenses *(Note 4)*	3,343
At 30 June 2018 (Unaudited)	**81,993**

10. DISPOSAL OF A SUBSIDIARY

In June 2018, the Group entered into a sales and purchase agreement pursuant to which the Group agreed to transfer its 100% equity interests in Vantage Network Global Limited ("**Vantage Network**") which held equity investment, Nexion (HKEX Code: 8420), at a consideration of HK$5,000,000 to certain independent third parties. The disposal was completed on 4 June 2018.

The following summarises the consideration and the carrying amount of the assets and liabilities at the date of disposal:

	HK$'000
Net assets disposed of	
Equity investment at fair value through other comprehensive income	23,963
Other receivables	4,406
Other payables	(16,885)
	11,484
Loss on disposal of a subsidiary *(Note)*	(6,484)
	5,000
Net cash flow on disposal of a subsidiary	
Cash consideration	5,000
Net inflow of cash and cash equivalents	5,000

Note:

Having considered the realisation of the accumulated change in fair value of equity investment of approximately HK$14,502,000, the total realised gain on disposal of a subsidiary of approximately HK$8,018,000 was resulted.

11. OTHER AND SUBSEQUENT EVENTS

(a) 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 First Quarter Financial Statements. The Directors expect that the Spin-off, if materialises, will constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules.

(b) On 28 September 2017, Joy Grand Investment Limited, an indirectly wholly owned subsidiary of the Company, entered into a share disposal agreement with Mr. Wu Xiaoming ("**Mr. Wu**"), the executive director and the chief executive officer of Zhi Cheng Holdings Limited ("**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 26 June 2018, a supplementary agreement was entered into to 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. 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 First Quarter Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been engaged in the following businesses during the three months ended 30 June 2018 (the "**Review Period**"):

The Group offers a wide range of value-added and internet payment services to its customers and controls one of the only six payment service licences for nationwide prepaid cards and internet payment services in the 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. The prepaid cards business recorded a rapid growth, with the value of cards issued growing by 50% from 2017. The number and sector of merchants accepting prepaid cards further expanded. Meanwhile, the prepaid card development in certain industries began to produce results. 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.

BUSINESS REVIEW *(Continued)*

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 Review Period amounted to Baht 7,580 million, representing a significant increase of approximately 96% when comparing with the corresponding period last year. It was mainly attributable to the increased merchant discount rate charged to the merchants in last year due to the significant raise of issuer reimbursement fee on certain types of payment cards by Unionpay International. After launching marketing promotion and incentive campaigns to the key merchants, the Group managed to recover the transaction value in the Review Period.

For securities investment business, the Group ceased to hold any securities of Nexion due to the disposal of a wholly-owned subsidiary by the Group.

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.

BUSINESS OUTLOOK *(Continued)*

To minimise 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 Review Period. Total revenue of the Group for the Review Period amounted to approximately HK$133 million, of which approximately HK$11 million was attributed to the internet micro-credit business; approximately HK$24 million was attributed to the prepaid cards and internet payment business; approximately HK$32 million was attributed to the merchant acquiring business in Thailand; and approximately HK$66 million was attributed to the prestige benefits business respectively.

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

The Group's revenue for the Review Period was approximately HK$133 million, representing an increase of approximately 6.66% as compared to the corresponding period of last year because of the 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, there is a significant increase in revenue by approximately 101.59% as compared with last year. It was mainly due to the significant increase in transaction value handled by the Group during the Review Period.

Cost of Goods Sold/Cost of Services Rendered

Total cost of goods sold and cost of services rendered was amounted to approximately HK$80 million, represented a decrease of approximately 10.4% as compared to the corresponding period of 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 Review Period were approximately HK$61 million, representing an increase of approximately 4.37% as compared to the corresponding period 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 Review Period amounted to approximately HK$11 million, representing an increase of approximately 20.43% as compared to the corresponding period of 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.

FINANCIAL REVIEW *(Continued)*

Finance Costs

The finance costs for the Review Period amounted to approximately HK$12.25 million, representing an increase of approximately 2.60% as compared to the corresponding period of last year. The increase was mainly due to the increase in interest expense on convertible bonds.

Loss for the Year

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK$57.71 million. Basic loss per share was approximately 3.51 HK cents as compared with approximately 3.99 HK cents recorded in the corresponding period of last year.

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

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

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Yan Dinggui ("**Mr. Yan**")	Interest in controlled corporations *(Note 1)*	490,019,430	29.80%
Dr. Cao Guoqi ("**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%

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

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Fung Weichang ("**Mr. Fung**")	Beneficial owner *(Note 3)*	2,000,000	0.12%
Mr. Zhang Huaqiao ("**Mr. Zhang**")	Beneficial owner *(Note 3)*	25,000,000	1.52%
Mr. Xiong Wensen ("**Mr. Xiong**")	Beneficial owner *(Note 3)*	13,600,000	0.83%
Mr. Song Xiangping ("**Mr. Song**")	Beneficial owner *(Note 3)*	5,000,000	0.30%
Dr. Zhou Jinhuang ("**Mr. Zhou**")	Beneficial owner *(Note 3)*	1,400,000	0.09%

Notes:

1. 103,908,918 Shares were held by Jiayin Finance Holding Group Co., Limited ("**Jiayin**") and 386,110,512 Shares were held by Gayang (Hong Kong) Co., Limited ("**Gayang**"). As Mr. Yan, an executive Director, is the ultimate controlling shareholder of Jiayin and Gayang, he is deemed to be interested in those 490,019,430 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.

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

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

Notes: (Continued)

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

4. These 1,370,000 Shares were held by Ms. Zheng Lu who is the wife of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu pursuant to Part XV of the SFO.

(b) Associated corporations

Save as disclosed above, as at 30 June 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, as at 30 June 2018, at no time during the Review Period, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES *(Continued)*

Save as disclosed above and in the share option scheme of the Company, as at 30 June 2018, at no time during the Review Period was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

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

As at 30 June 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 *(Note 1)*	170,000,000	10.34%
	Beneficial owner *(Note 1)*	93,090,000	5.66%
Sino Starlet Limited ("**Sino Starlet**")	Beneficial owner *(Note 1)*	170,000,000	10.34%
上海嘉捷資產管理有限公司	Interest in a controlled corporation *(Note 2)*	386,110,512	23.48%
Gayang	Beneficial owner *(Note 2)*	386,110,512	23.48%
Jiayin	Beneficial owner *(Note 2)*	103,908,918	6.32%
LJF Payment Company Limited	Beneficial owner	114,210,000	6.95%

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

The Company *(Continued)*

Long positions in Shares (Continued)

Save as disclosed above, as at 30 June 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:

1. Of 263,090,000 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.

2. 103,908,918 Shares were held by Jiayin and 386,110,512 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 490,019,430 Shares held by Jiayin and Gayang pursuant to Part XV of the SFO.

COMPETING INTERESTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Company not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2018 to 30 June 2018.

AUDIT COMMITTEE

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

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

The Group's unaudited quarterly results for the three months ended 30 June 2018 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Yan Dinggui
Executive Deputy Chairman

Hong Kong, 14 August 2018

As at the date of this report, the Board comprises (i) four executive Directors, namely, Mr. Yan Dinggui, Dr. Cao Guoqi, Mr. Fung Weichang and Mr. Song Xiangping; (ii) two non-executive Directors, namely, Mr. Zhang Huaqiao and Mr. Xie Zhichun; and (iii) four independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.