



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)



2018

Interim Report



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FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$285.33 million for the six months ended 30 September 2018. The Group's gross profit amounted to approximately HK\$87.51 million, which represented a decrease of approximately 26% as compared with the Group's gross profit recorded in the corresponding period in 2017.
- The Group reported a loss amounted to approximately HK\$85.82 million for the six months ended 30 September 2018 as compared with a loss of approximately HK\$91.60 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 September 2018 which amounted to approximately HK\$87.32 million (2017: approximately HK\$94.16 million).
- Loss per share for the loss attributable to equity holders of the Company for the six months ended 30 September 2018 was approximately 5.31 HK cents (2017: approximately 6.25 HK cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).



CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2018

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2	152,795	179,839	285,330	304,094
Cost of services rendered and cost of goods sold		(118,092)	(114,080)	(197,818)	(186,293)
Gross profit		34,703	65,759	87,512	117,801
Other income		10,761	2,156	13,919	4,650
General administrative expenses		(60,715)	(55,274)	(121,261)	(113,285)
Selling and distribution costs		(6,416)	(19,997)	(16,944)	(28,739)
Finance costs	4	(12,388)	(12,084)	(24,634)	(24,020)
Fair value loss on contingent consideration — consideration shares	14	—	(18,594)	—	(20,589)
Fair value gain on derivative financial instruments	15	860	7,657	1,023	15,632
Fair value gain (loss) on financial assets at fair value through profit or loss		3,048	(4,064)	(19,304)	(40,640)
Loss on disposal of subsidiaries		(3,000)	—	(9,484)	(10)
Gain (loss) on disposal of equity interests in joint ventures		269	—	(29)	(78)
Share of results of joint ventures		—	206	—	131
Share of results of associates		2,184	2,144	7,805	1,390



	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss before tax	4	(30,694)	(32,091)	(81,397)	(87,757)
Income tax credit (expenses)	5	1,234	(2,669)	(4,419)	(3,847)
Loss for the period		(29,460)	(34,760)	(85,816)	(91,604)
Attributable to:					
Equity holders of the Company		(29,609)	(35,906)	(87,317)	(94,161)
Non-controlling interests		149	1,146	1,501	2,557
		(29,460)	(34,760)	(85,816)	(91,604)
Loss per share for loss attributable to equity holders of the Company					
Basic and diluted	6	(1.80)HK cents	(2.32)HK cents	(5.31)HK cents	(6.25)HK cents



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2018

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss for the period	(29,460)	(34,760)	(85,816)	(91,604)
Other comprehensive (loss) income				
<i>Item that will not be reclassified to profit or loss:</i>				
Equity investment designated at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)	—	—	(10,463)	—
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Increase in fair value on available-for-sale financial assets (recycling)	—	2,025	—	26,315
Share of other comprehensive (loss) income of associates — exchange difference on translation	(3,269)	6,125	(17,186)	6,755
Share of other comprehensive (loss) income of joint ventures — exchange difference on translation	(459)	248	(459)	429
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	(269)	—	120	—
Exchange difference on translation of foreign subsidiaries	(73,921)	22,674	(19,911)	49,205
Total comprehensive loss for the period	(107,378)	(3,688)	(133,715)	(8,900)
Total comprehensive (loss) income attributable to:				
Equity holders of the Company	(105,159)	(6,719)	(128,460)	(14,246)
Non-controlling interests	(2,219)	3,031	(5,255)	5,346
	(107,378)	(3,688)	(133,715)	(8,900)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Note	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Non-current assets			
Interests in joint ventures		—	8,453
Interests in associates		243,189	252,570
Goodwill	7	590,125	633,130
Property, plant and equipment	8	49,847	55,244
Intangible assets	8	54,530	65,503
Other investments	9	—	34,425
Other receivables — deposits on investments	11	79,936	91,063
Deferred tax assets		233	308
		1,017,860	1,140,696
Current assets			
Financial assets at fair value through profit or loss	10	177,858	83,312
Inventories		1,257	1,529
Other investment	10	—	81
Tax recoverable		959	674
Trade and other receivables	11	463,145	483,064
Restricted funds	12	342,288	434,034
Cash and bank balances		185,253	289,223
		1,170,760	1,291,917
Current liabilities			
Trade and other payables	13	401,960	525,222
Tax payables		9,792	13,505
Contingent consideration	14	37,766	37,766
Derivative financial instruments	15	504	—
Bonds payables		370,614	—
Convertible bonds	15	83,448	—
		904,084	576,493



	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
<i>Note</i>		
Net current assets	266,676	715,424
Total assets less current liabilities	1,284,536	1,856,120
Non-current liabilities		
Deferred tax liabilities	7,443	2,477
Other long-term liabilities	16 1,861	1,936
Derivative financial instruments	15 —	1,527
Bonds payables	—	369,773
Convertible bonds	15 —	78,650
	9,304	454,363
NET ASSETS	1,275,232	1,401,757
Capital and reserves		
Share capital	17 16,441	16,441
Reserves	1,187,212	1,306,052
Equity attributable to equity holders of the Company	1,203,653	1,322,493
Non-controlling interests	71,579	79,264
TOTAL EQUITY	1,275,232	1,401,757

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to equity holders of the Company							Total equity HK\$'000			
	Share capital premium (Note 17) HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve (Note 18) HK\$'000	Fair value reserve (non-recycling) (Note 9) HK\$'000		Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000
For the six months ended											
30 September 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
Impact on initial application of HKFRS 9 (Note 1)	-	-	-	-	-	-	(24,965)	-	-	-	-
At 1 April 2018 (Adjusted)	16,441	1,562,367	5,498	48,494	7,336	234,837	-	(577,445)	1,322,493	79,264	1,401,757
Loss for the period	-	-	-	-	-	-	-	(87,317)	(87,317)	1,501	(85,816)
Other comprehensive (loss) income:											
Item that will not be reclassified to profit or loss	-	-	-	-	-	-	(10,463)	-	(10,463)	-	(10,463)
Fair value change on financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Item that may be reclassified subsequently to profit or loss	-	-	-	(17,186)	-	-	-	-	(17,186)	-	(17,186)
Share of other comprehensive loss of associates	-	-	-	(459)	-	-	-	-	(459)	-	(459)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	-	-	-	120	-	-	-	-	120	-	120
Exchange difference on translation of foreign subsidiaries	-	-	-	(13,155)	-	-	-	-	(13,155)	(6,756)	(19,911)
Total comprehensive loss for the period	-	-	-	(30,680)	-	-	(10,463)	(87,317)	(128,460)	(5,255)	(133,715)

Attributable to equity holders of the Company

	Share capital (Note 17) HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve (Note 18) HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) (Note 9) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Realisation of fair value reserve upon disposal of a subsidiary	-	-	-	-	-	-	-	(14,502)	14,502	-	-	-
Transaction with owners:												
Contributions and distributions												
Recognition of share-based compensation cost	-	-	-	-	-	9,620	-	-	-	9,620	-	9,620
Forfeiture of share options (Note 18(a))	-	-	-	-	-	(10,516)	-	-	10,516	-	-	-
Transfer to capital reserve	-	-	150	-	-	-	-	-	(150)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	-	-	-	-	1,328	-	-	-	(1,328)	-	-	-
	-	-	-	-	-	-	-	-	-	-	(2,430)	(2,430)
	-	-	150	-	1,328	(896)	-	-	9,038	9,620	(2,430)	7,190
At 30 September 2016 (Unaudited)	16,441	1,562,367	5,648	17,814	8,664	233,941	-	-	(64,122)	1,203,853	71,579	1,275,232

	Attributable to equity holders of the Company							Non-controlling interests	Total equity		
	Share capital (Note 17)	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share options reserve	Fair value reserve (recycling)			Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
For the six months ended 30 September 2017											
At 1 April 2017 (Audited)	14,611	1,329,806	6,996	(99,944)	6,256	192,747	—	(215,616)	1,235,256	60,406	1,295,662
Loss for the period	—	—	—	—	—	—	—	—	(94,161)	2,557	(91,604)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss											
Increase in fair value on available-for-sale financial assets	—	—	—	—	—	—	26,315	—	26,315	—	26,315
Share of other comprehensive income of associates—exchange difference on translation	—	—	—	6,755	—	—	—	—	6,755	—	6,755
Share of other comprehensive income of joint ventures—exchange difference on translation	—	—	—	429	—	—	—	—	429	—	429
Exchange difference on translation of foreign subsidiaries	—	—	—	46,416	—	—	—	—	46,416	2,789	49,205
Total comprehensive loss for the period	—	—	—	53,600	—	—	26,315	(94,161)	(14,246)	5,346	(8,900)
Transaction with owners: Contributions and distributions											
Recognition of share-based compensation cost	—	—	—	—	—	28,618	—	—	28,618	—	28,618
Shares issued upon subscription in August 2017	1,500	185,747	—	—	—	—	—	—	187,247	—	187,247
Lapse of share options	—	—	—	—	—	(2,571)	—	2,571	—	—	—
Changes in ownership interests	1,500	185,747	—	—	—	26,047	—	2,571	215,865	—	215,865
Non-controlling interests arising from incorporation of subsidiaries	—	—	—	—	—	—	—	—	—	47,397	47,397
At 30 September 2017 (Unaudited)	16,111	1,515,553	6,996	(45,744)	6,256	219,794	26,315	(307,406)	1,436,875	113,149	1,550,024



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

		Unaudited	
		Six months ended	
		30 September	
	<i>Note</i>	2018	2017
		HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations		20,577	(131,274)
Interest received		1,069	1,050
Interest paid		(1,976)	(13,306)
Income tax (paid) refunded		(2,059)	50
Net cash from (used in) operating activities		17,611	(143,480)
INVESTING ACTIVITIES			
Acquisition of a subsidiary		—	7
Disposal of subsidiaries	19	5,000	—
Additions in property, plant and equipment	8	(4,523)	(4,769)
Proceeds from disposal of property, plant and equipment		1,086	189
Additions in intangible assets	8	(342)	(44,174)
Proceeds from disposal of intangible assets		—	2,866
Purchase of principal unguaranteed funds		(113,850)	—
Proceeds from disposal of principal unguaranteed funds		74	—
Deposits on investment refunded (paid)		3,003	(11,021)
Dividend income from an associate		5,942	—
Proceeds from disposal of equity interests in a joint venture		8,082	2,929
Net cash used in investing activities		(95,528)	(53,973)



	Unaudited Six months ended 30 September	
Note	2018 HK\$'000	2017 HK\$'000
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	(2,430)	—
Proceeds from issuance of shares upon subscription, net	—	187,247
Net cash (used in) from financing activities	(2,430)	187,247
Net decrease in cash and cash equivalents	(80,347)	(10,206)
Cash and cash equivalents at the beginning of the reporting period	289,223	264,572
Effect on exchange rate changes	(23,623)	9,740
Cash and cash equivalents at the end of the reporting period	185,253	264,106
<i>Analysis of the balances of cash and cash equivalents:</i>		
Cash at bank and in hand	185,253	174,531
Non-pledged time deposits with original maturity of 3 months or less when acquired	—	89,575
	185,253	264,106



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 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 shares of the Company were listed on GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2018 (the “**Interim Financial Statements**”) are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 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, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2018 (the “**Annual Report**”).



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

Basis of preparation *(Continued)*

The Interim Financial Statements have been prepared on the historical costs basis, except for financial assets at fair value through profit or loss (“**FVPL**”), financial assets designated at fair value through other comprehensive income (“**FVOCI**”), contingent consideration — consideration shares and derivative financial instruments, which were measured at fair value.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report except for the adoption of the 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 as set out below, 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 FVOCI. 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 to HKFRS 9. The Group made the irrecoverable election to continue to present available-for-sale equity investment at FVOCI (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 would not have 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 considers 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 HKAS 18 and therefore, the adoption of HKFRS 15 would not have any significant impact on recognition of revenue.

Future changes in HKFRSs

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

Annual Improvements to HKFRSs	<i>2015—2017 Cycle¹</i>
HKFRS 16	<i>Leases¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments¹</i>
Amendments to HKAS 19	<i>Employee benefits¹</i>
Amendments to HKAS 28	<i>Investments in Associates and Joint Ventures¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation¹</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ The effective date to be determined

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

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Prepaid cards and internet payment business				
Merchant service fee income and management fee income	74,240	27,459	96,792	53,434
Interest income from accumulated unutilised float funds	676	2,083	1,230	3,845
Software development income	—	819	—	1,864
Sales and services fee income of point of sales machines	4	944	571	2,464
Prestige benefits business				
Issuance income of prestige benefits cards	36,282	74,618	75,075	118,225
Hotel booking agency service income	8,062	14,119	35,622	31,674
Internet micro-credit business				
Sales of goods	—	12,913	—	19,172
Loan interest income	7,671	20,768	18,087	31,380
Merchant acquiring business				
Merchant discount rate income	20,233	20,077	45,145	31,791
Foreign exchange rate discount income	5,594	6,039	12,775	9,669
Marketing service income	33	—	33	576
	152,795	179,839	285,330	304,094



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, gain or loss, finance costs, general administrative expenses incurred by corporate office, share of results of joint ventures and associates and income tax.

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

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

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 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
Major customer A	—	55,533	—	—	—	55,533
Major customer B	—	36,649	—	—	—	36,649
Other customers	98,593	18,515	18,087	57,953	—	193,148
Segment revenue	98,593	110,697	18,087	57,953	—	285,330
Segment results	1,426	(7,833)	1,298	5,926	(19,304)	(18,487)
Unallocated other income						13,919
Unallocated finance costs						(24,634)
Unallocated other expenses and losses						(51,510)
Fair value gain on derivative financial instruments						1,023
Loss on disposal of a subsidiary						(9,484)
Loss on disposal of equity interest in a joint venture						(29)
Share of results of associates						7,805
Loss before tax						(81,397)
Income tax expenses						(4,419)
Loss for the period						(85,816)



3. SEGMENT REPORTING (Continued)

Six months ended 30 September 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
Major customer A	—	45,585	—	—	—	45,585
Major customer B	—	41,815	—	—	—	41,815
Other customers	61,607	62,499	50,552	42,036	—	216,694
Segment revenue	61,607	149,899	50,552	42,036	—	304,094
Segment results	4,407	19,438	(3,510)	4,868	(40,688)	(15,485)
Unallocated other income						4,650
Unallocated finance costs						(24,020)
Unallocated other expenses and losses						(49,378)
Fair value loss on contingent consideration — consideration shares						(20,589)
Fair value gain on derivative financial instruments						15,632
Loss on disposal of subsidiaries						(10)
Loss on disposal of equity interest in a joint venture						(78)
Share of results of joint ventures						131
Share of results of associates						1,390
Loss before tax						(87,757)
Income tax expenses						(3,847)
Loss for the period						(91,604)

3. SEGMENT REPORTING (Continued)

Segment assets and liabilities

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

At 30 September 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	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	32,310	1,179	2,915	12,259	—	1,184	49,847
Intangible assets	17,135	—	36,035	1,360	—	—	54,530
Goodwill	435,070	155,055	—	—	—	—	590,125
Financial assets at fair value through profit or loss	—	—	113,850	—	64,008	—	177,858
Other assets	698,001	106,127	271,853	61,973	5,666	172,640	1,316,260
Total assets	1,182,516	262,361	424,653	75,592	69,674	173,824	2,188,620
Total liabilities	344,012	70,807	13,916	47,342	2,000	435,311	913,388

At 31 March 2018 (Audited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	37,628	1,481	3,820	11,999	—	316	55,244
Intangible assets	22,940	6	41,245	1,312	—	—	65,503
Goodwill	478,075	155,055	—	—	—	—	633,130
Financial assets at fair value through profit or loss	—	—	—	—	83,312	—	83,312
Other assets	864,915	95,629	434,418	72,243	35,449	92,770	1,595,424
Total assets	1,403,558	252,171	479,483	85,554	118,761	93,086	2,432,613
Total liabilities	420,660	72,644	22,414	50,490	1,000	463,648	1,030,856



4. LOSS BEFORE TAX

This is stated after charging:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Finance costs				
Effective interest on convertible bonds (Note 15)	3,343	3,038	6,686	6,074
Finance costs on other long-term liabilities	44	45	88	86
Interest on bonds	9,001	9,001	17,860	17,860
	12,388	12,084	24,634	24,020
Other items				
Amortisation of intangible assets (included in "General administrative expenses" and "Selling and distribution costs")	4,238	4,282	8,232	6,277
Cost of goods sold	—	12,537	—	18,613
Depreciation of property, plant and equipment	2,776	2,213	5,257	4,495
Operating lease charges on premises	3,387	4,174	6,572	7,016
Loss on disposal of property, plant and equipment	113	—	113	—
Impairment loss on loan receivables	22,932	—	24,249	—
Staff costs, including directors' emoluments and share-based compensation cost	30,713	26,611	62,525	64,750
Share-based compensation cost to service providers	411	1,861	836	4,279
Spin-off expenses (Note)	5,226	—	6,224	—

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 September		Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current tax				
PRC Enterprise Income Tax	(3,586)	2,179	(1,876)	4,409
Thailand Enterprise Income Tax	440	449	1,029	721
Withholding tax on dividend declared by a foreign subsidiary	—	655	—	655
	(3,146)	3,283	(847)	5,785
Deferred tax				
Utilisation of tax losses previously recognised	29	—	55	—
Origination and reversal of temporary difference	1,883	(614)	5,211	(1,938)
	1,912	(614)	5,266	(1,938)
Income tax (credit) expenses for the period	(1,234)	2,669	4,419	3,847

(i) Hong Kong Profits Tax

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



5. TAXATION *(Continued)*

(ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in the Cayman Islands and the British Virgin Islands (“**BVI**”) are exempted from the payment of income tax in the Cayman Islands and the BVI respectively.

The Group’s operations in the PRC are subject to enterprise income tax of the PRC (“**PRC Enterprise Income Tax**”) 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 上海靜元信息科技有限公司 (Shanghai Jingyuan Message Technology Limited*, “**Shanghai Jingyuan**”) (2017: Open Union and Shanghai Jingyuan), which is subject to PRC Enterprise Income Tax at a preferential rate of 15% for high and new technology enterprises.

The Group’s operation in Thailand is subject to Thailand income tax at 20% (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 corporation tax ranged from 10% to 22% (2017: 10% to 22%).

Dividends payable by a foreign invested enterprise in the PRC or Thailand to its foreign investors are subject to a 10% withholding tax, unless any foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC or Thailand that provides for a different withholding arrangement.

* *English translation for identification purpose only.*

6. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2018 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$29,609,000 and approximately HK\$87,317,000 respectively (2017: approximately HK\$35,906,000 and approximately HK\$94,161,000 respectively), and on the weighted average number of 1,644,188,693 ordinary shares (2017: 1,549,752,395 and 1,505,700,956 ordinary shares) in issue respectively.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and six months ended 30 September 2018 and 2017.

7. GOODWILL

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	633,130	657,814
Impairment loss	—	(73,588)
Exchange realignments	(43,005)	48,904
At the end of the reporting period	590,125	633,130
Cost	663,425	707,706
Accumulated impairment losses	(73,300)	(74,576)
	590,125	633,130



8. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the six months ended 30 September 2018, the Group had:

- (i) spent approximately HK\$4,523,000 (2017: approximately HK\$4,769,000) and approximately HK\$342,000 (2017: approximately HK\$44,174,000) on additions to property, plant and equipment and intangible assets, respectively;
- (ii) disposed approximately HK\$1,450,000 (2017: approximately HK\$397,000) and Nil (2017: approximately HK\$2,869,000) of the property, plant and equipment and intangible assets, respectively; and
- (iii) not written off any of the intangible assets (2017: approximately HK\$35,000).

9. OTHER INVESTMENTS — NON-CURRENT

	Unaudited 30 September 2018	Unaudited 1 April 2018 <i>(Note (b))</i>	Audited 31 March 2018
<i>Note</i>	HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets designated at FVOCI			
<i>(a)</i>			
Equity investments listed in Hong Kong	—	34,425	—
Available-for-sale financial assets at fair value			
<i>(a)</i>			
Equity investments listed in Hong Kong	—	—	34,425
<i>(c)</i>	—	34,425	34,425



9. OTHER INVESTMENTS – NON-CURRENT *(Continued)*

Notes:

- (a) At 31 March 2018, the Group held 11.3% interests in the ordinary share capital of Nexion Technologies Limited (“**Nexion**”) (Stock code: 8420), a company listed on GEM of the Stock Exchange. Nexion and its subsidiaries principally engage in the business of provision of cyber infrastructure solutions and research and development and provision of cyber security solutions services. At 31 March 2018, the fair value of the equity interests in Nexion was approximately HK\$34,425,000 and the fair value increase of approximately HK\$24,965,000 was recognised in other comprehensive income for the year ended 31 March 2018.
- (b) Available-for-sale financial assets were reclassified to financial assets designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 April 2018. Accordingly, the accumulated fair value reserve of equity investment at FVOCI (non-recycling) of approximately HK\$24,965,000 will not be reclassified to profit and loss in future period. No dividends were received on these investments during the six months ended 30 September 2018 (2017: Nil).
- (c) During the six months ended 30 September 2018, the fair value decrease of approximately HK\$10,463,000 was recognised in other comprehensive income. In June 2018, the Group disposed of its 100% equity interests in Vantage Network Global Limited (“**Vantage Network**”) which including the equity investment, Nexion, to certain independent third parties as disclosed in Note 20. 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\$5,018,000 was resulted.



10. OTHER INVESTMENTS — CURRENT/FINANCIAL ASSETS AT FVPL

	Unaudited 30 September 2018	Unaudited 1 April 2018 <i>(Note (b))</i>	Audited 31 March 2018
<i>Note</i>	HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at FVPL			
Equity investments listed in Hong Kong	<i>(a)</i> 64,008	83,312	83,312
Principal unguaranteed funds	<i>(c)</i> 113,850	81	—
	177,858	83,393	83,312
Available-for-sale financial assets at cost			
Principal unguaranteed funds	—	—	81



10. OTHER INVESTMENTS – CURRENT/FINANCIAL ASSETS AT FVPL

(Continued)

Notes:

- (a) The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period.

At 30 September 2018, the listed investments represent 15.67% (31 March 2018: 15.67%) interests in the ordinary share capital of Zhi Cheng Holdings Limited (“**Zhi Cheng**”) (the “**Zhi Cheng Shares**”) (Stock code: 8130), a company listed on GEM of the Stock Exchange. In the opinion of the Directors, the Group has no significant influence on the investee because the Group does not appoint any representative in the board of directors of Zhi Cheng and the Zhi Cheng Shares are accounted for as financial assets at FVPL.

- (b) The principal unguaranteed funds (the “**Funds**”) were reclassified from available-for-sale financial assets to financial assets at FVPL upon the initial application of HKFRS 9 at 1 April 2018.

- (c) At 30 September 2018, the Funds were placed with banks in the PRC. The Funds can be redeemed from time to time. The Funds are unlisted investment funds which mainly invested in treasury bonds, bank debentures, central bank bills, enterprise/corporate bonds and other investments in the PRC with high credit rating. The Funds bear interest at floating rate with expected return ranging from 3% to 3.5% per annum (31 March 2018: 3% to 3.5% per annum).



11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Trade and bills receivables	<i>(a)</i>	129,035	122,218
Loan receivables, net of allowances	<i>(b)</i>	154,047	223,604
Other receivables			
Deposits on investments	<i>(c)</i>	79,936	91,063
Deposits paid to merchants	<i>(d)</i>	19,479	20,294
Deposits, prepayments and other debtors	<i>(e)</i>	148,857	105,016
Due from an associate	<i>(f)</i>	11,727	11,932
		259,999	228,305
		543,081	574,127
<i>Analysed by:</i>			
Non-current		79,936	91,063
Current		463,145	483,064
		543,081	574,127

11. TRADE AND OTHER RECEIVABLES (Continued)

11(a) Trade and bills receivables

The Group allows a credit period up to 90 days to its trade debtors. At the end of the reporting period, the ageing analysis of the trade receivables by invoice date or bills issuance date is as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Less than 1 month	82,270	77,967
1 month to 3 months	5,228	15,759
3 months to 6 months	31,153	19,559
Over 6 months	10,384	8,933
	129,035	122,218

11(b) Loan receivables, net of allowances

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Loan receivables, gross	185,326	232,538
Impairment allowances	(31,279)	(8,934)
	154,047	223,604



11. TRADE AND OTHER RECEIVABLES *(Continued)*

11(b) Loan receivables, net of allowances *(Continued)*

At 30 September 2018, loan receivables (1) include an aggregate amount of approximately HK\$16,855,000 and HK\$70,058,000 secured by personal guarantee provided by equity holder of the borrowers and corporate guarantee provided by service providers respectively (31 March 2018: approximately HK\$27,697,000 and HK\$70,077,000 secured by personal guarantee provided by equity holder of the borrowers and corporate guarantee provided by service providers respectively), and the remaining balances are unsecured; (2) include an aggregate amount of approximately HK\$166,595,000 (31 March 2018: HK\$212,135,000) which carries interest rates ranging from 3% to 25% per annum (31 March 2018: 8% to 24% per annum), and the remaining balances are interest-free; and (3) have contractual loan period between 3 months to 12 months (31 March 2018: 3 months to 12 months).

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

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Less than 1 month	12,280	5,642
1 month to 3 months	18,132	34,073
3 months to 6 months	45,387	89,938
Over 6 months	78,248	93,951
	154,047	223,604



11. TRADE AND OTHER RECEIVABLES (Continued)

11(c) Deposits on investments

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Deposits on acquisition of the remaining interest in Open Union	59,202	65,000
Deposits on potential investments in equity interest in other entities	20,493	22,500
Deposits on potential investments in equity interest and acquisition of assets from other entities	241	3,563
	79,936	91,063

11(d) Deposits paid to merchants

The amounts represented deposits paid to merchants as guarantees for the settlement of the spending made by prepaid cards' holders and internet payment accounts' holders.



11. TRADE AND OTHER RECEIVABLES *(Continued)*

11(e) Deposits, prepayments and other debtors

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Funds prepaid to merchants <i>(Note)</i>	293	2,673
Other deposits, prepayments and other debtors	148,564	102,343
	148,857	105,016

Note:

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

11(f) Due from an associate

The amount due is unsecured, interest-free and has no fixed repayment term.

12. RESTRICTED FUNDS

		Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
	<i>Note</i>		
Bank deposits:			
Thailand	<i>(a)</i>	1,559	1,963
The PRC	<i>(b)</i>	340,729	432,071
		342,288	434,034

12(a) Thailand

Pursuant to the agreements signed with a third party card acquiring business partner, the amounts represent bank balances in banks in Thailand maintained solely for the purpose of settlement of outstanding trade payables for the third party card acquiring business and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Thai Bhat (“**Baht**”).

12(b) The PRC

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders/internet payment accounts’ holders make purchase transactions with respective merchants and are not allowed to be used by the Group for any other purpose. The deposits are denominated in RMB and represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 2.3% to 2.5% (31 March 2018: 2.3% to 4.2%) per annum.



13. TRADE AND OTHER PAYABLES

	<i>Note</i>	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Trade payables	<i>(a)</i>	43,875	85,888
Prestige benefits cards – provision of hotel and catering expenses		16,331	13,031
Unutilised float funds	<i>(b)</i>	306,025	361,658
		366,231	460,577
Other payables			
Accruals and other payables		35,729	55,691
Due to a joint venture	<i>(c)</i>	—	4,282
Due to ex-shareholder of a subsidiary	<i>(c)</i>	—	922
Due to a director	<i>(c)</i>	—	3,750
		35,729	64,645
		401,960	525,222

13. TRADE AND OTHER PAYABLES (Continued)

13(a) Trade payables

The credit periods of trade payables ranged from 30 to 60 days. At the end of the reporting period, the ageing analysis of the trade payables by invoice date is as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Less than 1 month	40,609	77,198
1 month to 3 months	51	4,120
Over 3 months	3,215	4,570
	43,875	85,888

13(b) Unutilised float funds

The balances represented amounts prepaid by the prepaid cards' holders and internet payment accounts' holders to the Group and unutilised at the end of the reporting period. The Group is required to pay to the merchants from these funds when the prepaid cards' holders and internet payment accounts' holders make purchase transactions with respective merchants. The settlement terms with merchants vary and are dependent on the negotiation between the Group and individual merchants and number of purchase transactions.

13(c) Due to a joint venture/ex-shareholders of a subsidiary/a director

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



14. CONTINGENT CONSIDERATION

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	37,766	64,313
Consideration shares issued upon fulfilment of performance target	—	(47,223)
Fair value changes	—	20,676
At the end of the reporting period	37,766	37,766

15. CONVERTIBLE BONDS

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

Derivative Component, classified as financial liabilities at FVPL

	Conversion option	Early redemption option	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(1,023)	—	(1,023)
At 30 September 2018 (Unaudited)	504	—	504

Liability Component, classified as financial liability at amortised costs

	<i>HK\$'000</i>
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)	6,686
Interest paid for the period	(1,888)
At 30 September 2018 (Unaudited)	83,448



16. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent the preference shares issued by Oriental City Group (Thailand) Company Limited ("**OCG Thailand**"). The holders of such preference shares have the following rights:

- one vote for every ten shares held on any resolution of OCG Thailand;
- the right to receive cumulative dividend declared by OCG Thailand at the rate of 9.5% per annum on paid up value of the shares issued, prior to the ordinary shares; and
- the right to receive the distribution of the share capital, in the case of the winding up of the OCG Thailand, prior to the ordinary shares, but limited to the paid up amount of the preference shares.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in the Group's unaudited condensed consolidated statement of financial position in accordance with applicable accounting standards because, although they are not redeemable, the holders of which are entitled to receive 9.5% per annum cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

At 30 September 2018, the Group had an outstanding amount due to a non-controlling shareholder of Baht7,650,000 (equivalent to approximately HK\$1,861,000) (31 March 2018: Baht7,650,000 (equivalent to approximately HK\$1,936,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum (31 March 2018: 9.5% per annum), with an accrued dividend payable of approximately Baht364,000 (equivalent to approximately HK\$88,000) (31 March 2018: Nil) as included in "Accruals and other payables".

17. SHARE CAPITAL

	Unaudited At 30 September 2018		Audited At 31 March 2018	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid				
At the beginning of the reporting period	1,644,188,693	16,441	1,461,165,438	14,611
Shares issued upon subscription in August 2017	—	—	150,000,000	1,500
Consideration shares issued in December 2017 for fulfilment of performance target	—	—	33,023,255	330
At the end of the reporting period	1,644,188,693	16,441	1,644,188,693	16,441



18. SHARE OPTION SCHEME

On 14 August 2009, the Company adopted a share option scheme (the “**Scheme**”) for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries and invested entities.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not exceed 10% of the shares in issue at the date of adoption of the Scheme (the “**10% Limit**”) or the date of any shareholders’ meeting in refreshing the 10% Limit, if applicable. The total number of the shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

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

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



18. SHARE OPTION SCHEME *(Continued)*

Pursuant to an ordinary resolution passed in Annual General Meeting (“AGM”) on 28 September 2018, the refreshment of the 30% Limit (the “Refreshment”) was proposed and passed by shareholders. The total number of the shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 493,256,608 shares, representing 30% of the issued share capital of the Company at the date of the AGM approving the Refreshment.

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

	Number of share options
At 31 March 2018	323,080,000
Forfeited during the period <i>(Note (a))</i>	(13,600,000)
	<hr/>
At 30 September 2018	309,480,000

Note:

- (a) Upon the resignation of Xiong Wensen, an executive director, on 5 July 2018, options of 13,600,000 shares granted to Xiong Wensen to subscribe the Company’s ordinary shares at an exercise price ranging from HK\$1.55 to HK\$2.22 were forfeited.

During the six months ended 30 September 2018, with reference to the fair value of the share options granted, the Group recognised approximately HK\$9,620,000 (2017: approximately HK\$28,618,000) as the share-based compensation cost.



19. DISPOSAL OF SUBSIDIARIES

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 at a consideration of HK\$5,000,000 to certain independent third parties. The principal activities of Vantage Network are investment holding. The disposal transaction 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:

	<i>HK\$'000</i>
Net assets disposed of	
Financial assets designated at FVOCI	23,962
Other receivables	4,406
Other payables	(13,884)
	<hr/> 14,484
Loss on disposal of a subsidiary (<i>Note</i>)	(9,484)
	<hr/> 5,000
Net cash flow on disposal of a subsidiary	
Cash consideration received	5,000
	<hr/> 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\$5,018,000 was resulted.

20. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Interim Financial Statements on a recurring basis at 30 September 2018 across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

a) Assets and liabilities measured at fair value

	Level 1	
	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Available-for-sale financial assets at FVOCI		
Equity investments listed in Hong Kong (Note 9)	—	34,425
Financial assets at FVPL		
Equity investment listed in Hong Kong (Note 10)	64,008	83,312
Principal unguaranteed funds (Note 10)	113,850	—
	177,858	83,312
	177,858	117,737



20. FAIR VALUE MEASUREMENT *(Continued)*

a) **Assets and liabilities measured at fair value** *(Continued)*

	Level 2	
	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Financial liabilities at FVPL		
Derivative financial instruments <i>(Note 15)</i>	504	1,527

During the six months ended 30 September 2018 and 2017, there were neither transfers from Level 1 to Level 2 fair value measurement, nor transfers into or out of Level 3 fair value measurements.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of derivative financial instruments in Level 2 is calculated using binomial option pricing model. The fair value is determined based on main inputs of the quoted market price, observable dividend yields and volatility of the underlying listed equities investments and in consideration of contract terms, including the exercise price and maturity date.

b) **Assets and liabilities with fair value disclosure, but not measured at fair value**

The carrying amounts of financial assets and liabilities that are carried at cost or amortised cost are not materially different from their fair value at 30 September 2018 and 2017.

21. COMMITMENTS

Commitments under operating leases

At the end of the reporting period, the Group had total future aggregate minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Within one year	12,618	14,960
In the second to fifth years inclusive	13,897	20,346
	26,515	35,306

Capital expenditure commitments

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Contracted but not provided for, net of deposits paid:		
— Acquisition of equity interests in associates	13,662	15,000



22. OTHER AND SUBSEQUENT EVENTS

- (a) On 28 September 2017, Joy Grand Investment Limited, an indirectly wholly owned subsidiary of the Company, entered into a share disposal agreement with Mr. Wu Xiaoming (“**Mr. Wu**”), the executive director and the chief executive officer of Zhi Cheng and a connected person to the Company, to dispose of the Zhi Cheng’s shares, at a price of HK\$0.16 per share (the “**Zhi Cheng Disposal**”) to Mr. Wu. The total consideration of the Zhi Cheng Disposal is HK\$81,280,000. On 9 November 2018, a supplementary agreement was entered into to extend the final completion date to 15 February 2019. Upon completion of the Zhi Cheng Disposal, the Group’s entire interests in Zhi Cheng will be derecognised. At 30 September 2018, a deposit of HK\$2 million (31 March 2018: HK\$1 million) had been received and was included in “Accruals and other payables”. Details of the transaction are set out in the Company’s announcements dated 28 September 2017, 8 February 2018, 8 May 2018, 27 June 2018, 10 September 2018 and 9 November 2018. These transactions are not yet completed at the date of approving the Interim Financial Statements.
- (b) On 16 October 2018, the shares of Oriental Payment Group Holdings Limited (“**OPG**”), a non-wholly owned subsidiary of the Company, were listed on GEM of the Stock Exchange by way of share offer. 250,000,000 new ordinary shares of OPG of HK\$0.01 each were issued at HK\$0.22 per share (the “**OPG Share Offer**”). On the same date, 749,999,800 ordinary shares of OPG of HK\$0.01 each were issued to its existing shareholders through capitalisation of HK\$7,499,998 standing to the credit of share premium account of OPG (the “**Capitalisation Issue**”). Immediately following completion of the Capitalisation Issue and the OPG Share Offer, the Company’s effective equity interests in OPG (Stock code: 8613) decreased from 70% to 52.50%. OPG would remain as non-wholly owned subsidiary of the Company. The details of the OPG Share Offer was set out in the prospectus issued by OPG dated 27 September 2018.



22. OTHER AND SUBSEQUENT EVENTS *(Continued)*

- (c) On 21 September 2018, the Group entered into the share transfer agreement with an independent third party to dispose of 34.12% equity interests in 浙江捷盈金融服務外包有限公司 (Zhejiang Jie Ying Financial Contracting Service Limited*, “**Zhejiang Jie Ying**”), which is incorporated in the PRC, at a consideration of RMB3 million (equivalent to approximately HK\$3.4 million) (the “**Zhejiang Jie Ying Disposal**”). The principal activity of Zhejiang Jie Ying is leasing of point of sales machines. At 30 September 2018, such consideration had been fully received and was included in “Accruals and other payables”. Upon completion of the Zhejiang Jie Ying Disposal, the equity interests in Zhejiang Jie Ying owned by the Group will decrease from 65% to 30.88% and Zhejiang Jie Ying will become an associate of the Group. The transaction is not yet completed at the date of approving the Interim Financial Statements.

* *English translation for identification purpose only.*

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 14 November 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been engaged in the following businesses during the six months ended 30 September 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 PRC. It has always been the Company’s intention to provide its users with a one-stop solution combining payment, benefits and credit services. The Group operated in a steady and compliant manner and received recognition and commendation from regulatory authorities.

For internet payment business, the Group focuses on areas with rapid growth potentials and strives to establish partnerships with various parties to provide secure and convenient internet payment services for different financial institutions and bulk commodity trading platforms on the one hand, and provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand.

As one of the limited national prepaid card enterprises, we 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, with the increased market demands and business cooperation needs, we launch the new official website and additional online sales channels to roll-out prestige benefits products directly to end customers in a gradual pace.

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.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

For merchant acquiring business in Thailand, the transaction value handled by the Group during the Review Period amounted to approximately Baht 13,910 million, representing a significant increase of approximately 35.80% when comparing with the corresponding period last year. It was mainly attributable to the increased merchant discount rate charged to the merchants 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 during 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.

Spin-off of merchant acquiring business

Purpose of the Spin-Off

The principal purpose of the spin-off (the “**Spin-Off**”) and the listing (the “**Listing**”) of OPG is to create separate listing platform on the Stock Exchange for the merchant acquiring business and the business activities engaged by the Group following completion of the Spin-off and the Listing (the “**Remaining Group**”), namely (i) the prepaid cards and internet payment business; (ii) the prestige benefits business; (iii) the internet micro-credit business; and (iv) the securities investment business (collectively known as the “**Remaining Businesses**”) so that these business activities may raise equity and debt financing independently according to their respective business needs. The market positions and the valuation of the merchant acquiring business and the Remaining Businesses are distinctively different. Prior to the Spin-Off and the Listing, directors of the Group received from time to time feedbacks from shareholders and prospective investors that the positioning of the Group is unclear and that it would be difficult to appraise the value of the Group as a whole with such diverse business activities. Investors who have interest in the merchant acquiring business as one of the well-recognised merchant acquiring businesses in this sector may not at the same time have interest in the Remaining Businesses. The situation limited the efforts of the Group in broadening its investor base. By implementing the Spin-Off and the Listing, the value of each of the merchant acquiring business and the Remaining Businesses would not rely on each other and can be fully reflected in the respective trading prices of their shares.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Benefits of the Spin-Off

The Spin-Off and the Listing are beneficial to the Company for the following reasons:

- (a) the Spin-Off will create an investment opportunity which would enable investors to have a better understanding of the business of the Remaining Group rather than a conglomerate of diversified business activities. The Remaining Businesses can then be valued on a standalone basis, which can release its true intrinsic value;
- (b) the Spin-Off and the Listing will allow the Company to target its shareholder base more effectively, which would in turn improve capital raising on a competitive basis and have better capital allocation to enhance growth within the Remaining Group;
- (c) the Spin-Off and the Listing will lead to a more direct alignment of the responsibilities and accountability of the management of the Remaining Businesses with its operating and financial performance;
- (d) the Spin-Off and the Listing will enable each of the Company and OPG to have its own fund raising platform to directly and independently access both the debt and equity capital markets; and
- (e) the Spin-Off and the Listing will deliver greater shareholder value to the Company on its merits and increase operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the Remaining Businesses.

Based on the above backgrounds and benefits, the Board had decided to spin-off the Merchant Acquiring Business under separately listed company, OPG submitted application to the Stock Exchange in February 2018. The spin-off exercise was completed on 16 October 2018 and OPG became a separately listed company on the Stock Exchange with stock code 8613.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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, the Group faced the risks of uncertainties in Thailand's economic outlook and its relationship with China, which would affect Chinese tourists' spending sentiments in Thailand. The management would closely monitor the market conditions and adjust the Group's business strategies to cope with the fluctuation in transaction value derived from its merchant network.

By implementing the Spin-Off and the Listing, funding was raised by way of share offer and we expect to use in various investments including i) continuously improving the availability and enhancing functions of our stock of smart point-of-sale terminals; ii) developing our acquiring host system; iii) strengthening and broadening our marketing initiatives; iv) recruiting new talents; v) extending our payment processing services to cover other payment network associations; and vi) expanding to Cambodia.

For securities 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 discount rate 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\$285.33 million, of which approximately HK\$18.09 million was attributed to the internet microcredit business; approximately HK\$98.59 million was attributed to the prepaid cards and internet payment business; approximately HK\$57.95 million was attributed to the merchant acquiring business in Thailand; and approximately HK\$110.70 million was attributed to the prestige benefits business respectively.

For merchant acquiring business in Thailand, there is a significant increase in revenue by approximately 37.87% as compared to the corresponding period of 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\$197.82 million, represented an increase of approximately 6.19% 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\$121.26 million, representing an increase of approximately 7.04% as compared to the corresponding period of last year. The increase was primarily attributable to an increase in expenses for the spin-off project and an impairment loss on loan receivables.



FINANCIAL REVIEW *(Continued)*

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs for the Review Period amounted to approximately HK\$16.94 million, representing an decrease of approximately 41.04% as compared to the corresponding period of last year. The decrease was mainly due to the Group reduced the promotion expenses on the internet micro-credit business.

FINANCE COSTS

The finance costs for the Review Period amounted to approximately HK\$24.63 million, representing an increase of approximately 2.56% 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 PERIOD

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$87.32 million. Basic loss per share was approximately 5.31 HK cents as compared with approximately 6.25 HK cents recorded in the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows, public fund raising and other borrowings.

On 29 July 2016, the Company entered into a subscription agreement with the subscribers to (i) subscribe for the bonds in the aggregate principal amount of US\$32,000,000 (equivalent to approximately HK\$248,000,000) which are due on 1 August 2019 (the bonds bear interest at a rate of 9% per annum); and (ii) subscribe for the convertible bonds in the aggregate principal amount of US\$8,000,000 (equivalent to approximately HK\$62,000,000) which are due on 1 August 2019 and could convert into a maximum of 32,631,578 ordinary shares. The convertible bonds bear interest at a rate of 4% per annum. The conversion price at which the Company shall issue ordinary shares to the holder of convertible bonds upon conversion will initially be HK\$1.90 per share but will be subject to adjustment in the circumstances, among others. The subscription of the bonds and convertible bonds was completed on 1 August 2016 and 12 August 2016, respectively. Details of the subscription including the major terms are set out in the announcement of the Company dated 31 July 2016.



FINANCIAL REVIEW *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

On 2 August 2016, the Company entered into a further subscription agreement with the subscribers to (i) subscribe for the further bonds in the aggregate principal amount of US\$16,000,000 (equivalent to approximately HK\$124,000,000) which are due on 4 August 2019 (the further bonds bear interest at a rate of 9% per annum); and (ii) subscribe for the further convertible bonds in the aggregate principal amount of US\$4,000,000 (equivalent to approximately HK\$31,000,000) which are due on 12 August 2019 and could convert into a maximum 16,315,789 ordinary shares. The further convertible bonds bear interest at a rate of 4% per annum. The conversion price at which the Company shall issue ordinary shares to the holder of convertible bonds upon conversion will initially be HK\$1.90 per Share but will be subject to adjustment in the circumstances, among others. The subscriptions of the further bonds and further convertible bonds were completed on 4 August 2016 and 12 August 2016, respectively. Details of the subscriptions including the major terms are set out in the announcements of the Company dated 31 July 2016, 2 August 2016 and 12 August 2016.

On 30 September 2018, the Group's other long-term borrowings amounted to approximately Baht7,650,000 (equivalent to approximately HK\$1,861,000) (31 March 2018: approximately Baht7,650,000 (equivalent to approximately HK\$1,936,000)) due to a non-controlling shareholder, represented the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum and such dividend was recorded as finance costs.

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for the period/year ended 30 September 2018 and 31 March 2018 were approximately 20.8% and 18.5% respectively.

As at 30 September 2018, the Group had net current assets of approximately HK\$266.68 million (31 March 2018: HK\$715.42 million). Current ratio as at 30 September 2018 was 1.29 (31 March 2018: 2.24). The cash and cash equivalents of the Group as at 30 September 2018 were approximately HK\$185.25 million (31 March 2018: approximately HK\$289.22 million).

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 30 September 2018, the Group had investments in securities in Hong Kong with a market value of approximately HK\$64.00 million (31 March 2018: approximately HK\$117.74 million), representing a listed equity in Hong Kong. The Group recorded an unrealised fair value loss of approximately HK\$4.57 million (31 March 2018: unrealised fair value gain of approximately HK\$39.70 million) in respect of investment in listed securities as at 30 September 2018. The details of the investments as at 30 September 2018 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Unrealised fair value (loss) since acquisition HK\$'000	Cost of acquisition HK\$'000	Fair value as at 30 September 2018 HK\$'000	% of net assets	Principal activities
Zhi Cheng Holdings Limited	8130	508,000,000	15.67%	(4,572)	68,580	64,008	5.02	Provision of financial leasing and other financial services and advertising and media related services

During the Review Period, there was no dividend received from the securities held. Since the share price of the listed securities dropped from HK\$0.164 at 31 March 2018 to HK\$0.126 at 30 September 2018, the Group recorded an unrealised fair value loss of approximately HK\$19.30 million (31 March 2018: unrealised fair value loss of approximately HK\$31.42 million) in respect of investment in listed securities at 30 September 2018.



SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE *(Continued)*

On 28 September 2017, the Group entered into a share disposal agreement with Mr. Wu Xiaoming (“**Mr. Wu**”), the executive director and the chief executive officer of Zhi Cheng and a connected person to the Company to dispose 508,000,000 shares at the price of HK\$0.16 per share. The total consideration of the disposal is approximately HK\$81.28 million. The transaction has not been completed as at the date of this report.

Details are set out in the announcements of the Company dated 28 September 2017, 8 February 2018, 8 May 2018, 27 June 2018, 10 September 2018 and 9 November 2018.

On 16 June 2017, Nexion completed its public offer and was listed on GEM by issuing 150,000,000 ordinary shares of HK\$0.48 each. After completion of the public offer together with the capitalisation issue, the equity interest in Nexion (Stock code: 8420) held by the Group decreased to approximately 11.25%, which represented 67,500,000 ordinary shares held. As at 31 March 2018, the fair value of the equity interest in Nexion was approximately HK\$34.43 million and the fair value increase of approximately HK\$24.97 million was recognised in other comprehensive income for the year.

In June 2018, the Group disposed of its 100% equity interests in Vantage Network which including the equity investment, Nexion, to certain independent third parties. 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\$5,018,000 was resulted.

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



FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in Hong Kong dollars (“**HK\$**”), Renminbi (“**RMB**”) and Baht, which are the functional currencies of the relevant subsidiaries. The Group’s trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars (“**US\$**”). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. At at 30 September 2018, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$4,000,000 (equivalent to approximately HK\$31,311,000) (31 March 2018: US\$6,000,000 (equivalent to approximately HK\$47,090,000)). The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 September 2018.

EMPLOYEES AND REMUNERATION POLICY

At at 30 September 2018, the Group had a total staff of 415 (31 March 2018: 332) of whom 23 (31 March 2018: 26) were based in Hong Kong, 374 (31 March 2018: 288) were based in the PRC, 17 (31 March 2018: 17) were based in Thailand, 1 (31 March 2018: 1) were based in Singapore. For the six months ended 30 September 2018, the total staff costs, including key management’s remuneration, amounted to approximately HK\$62,525,000 (30 September 2017: approximately HK\$64,750,000). The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.



MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group has made no other material acquisitions, disposals or any significant investments during the Review Period.

SEGMENT INFORMATION

Details of the Group's segment information are set out in Note 3 to the Interim Financial Statements.

CHARGES ON ASSETS

As at 30 September 2018, the Group did not have any charges on assets.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any significant contingent liabilities.

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

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

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Yan Dinggui ("Mr. Yan")	Interest in controlled corporations (Note 1)	490,019,430	29.80%
Dr. Cao Guoqi ("Dr. Cao")	Interest in a controlled corporation (Note 2)	150,000	0.01%
	Beneficial owner (Note 3)	21,000,000	1.28%
	Interest of spouse (Note 4)	1,370,000	0.08%
Mr. Fung 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. Song Xiangping ("Mr. Song")	Beneficial owner (Note 3)	5,000,000	0.30%
Dr. Zhou Jinhuang ("Dr. Zhou")	Beneficial owner (Note 3)	1,400,000	0.09%



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:

1. As at 30 September 2018, 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 Guoqi, an executive Director. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 150,000 Shares held by Probest pursuant to Part XV of the SFO.
3. These Shares represent the share options granted to Dr. Cao, Mr. Fung, Mr. Zhang, Mr. Song and Dr. Zhou pursuant to the Company's share option scheme. Accordingly pursuant to Part XV of the SFO, they are taken to be interested in the underlying shares of the Company that they are entitled to subscribe for subject to the exercise of the share options granted.
4. These 1,370,000 Shares were held by Ms. Zheng Lu who is the wife of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu pursuant to Part XV of the SFO.



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

(b) Associated corporations

Save as disclosed above, as at 30 September 2018, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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



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


As at 30 September 2018, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Zhang Chang	Interest in a controlled corporation <i>(Note 1)</i>	170,000,000	10.34%
	Beneficial owner <i>(Note 1)</i>	93,090,000	5.66%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner <i>(Note 1)</i>	170,000,000	10.34%
Jiayin	Beneficial owner <i>(Note 2)</i>	103,908,918	6.32%
上海嘉捷資產管理 有限公司	Interest in a controlled corporation <i>(Note 2)</i>	386,110,512	23.48%
Gayang	Beneficial owner <i>(Note 2)</i>	386,110,512	23.48%
Lujiazui Finance (Hong Kong) Limited	Beneficial owner <i>(Note 3)</i>	114,210,000	6.95%

Save as disclosed above, as at 30 September 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.



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

- 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. As at 30 September 2018, 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.
3. Information is extracted from the corporate substantial shareholder notice filed by Lujiazui Finance (Hong Kong) Limited on 27 July 2018. According to the notice, (i) LJF Payment Company Limited has entered into voluntary liquidation, therefore LJF Payment Company Limited transferred 114,210,000 Shares to its parent company, Lujiazui Finance (Hong Kong) Limited as a result of the liquidation assets processing and (ii) Lujiazui Finance (Hong Kong) Limited or its directors are accustomed or obliged to act in accordance with the directions or instructions of 上海陸家嘴金融發展有限公司、上海陸家嘴金融貿易區開發股份有限公司 and 上海陸家嘴(集團)有限公司.

COMPETING INTERESTS

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



SHARE OPTION SCHEME

(a) The Company

On 14 August 2009, the Company adopted a share option scheme (the “**Scheme**”) for the purpose of recognising and motivating the contribution of the eligible participant. Eligible participant of the Scheme include, without limitation, employees, Directors, shareholders of the Group.

For the Review Period, the Company has the following share options granted to the Directors under the Scheme:

Grantees	Date of grant		Exercise price (HK\$)	Closing price immediately before the date of grant	Options outstanding as at 1 April 2018	Options granted since 1 April 2018	Options exercised since 1 April 2018	Options forfeited since 1 April 2018	Options outstanding as at 30 September 2018
Directors, chief executives and substantial shareholders									
Mr. Zhang	21 April 2015	(Note 3)	2.22	2.20	20,000,000	—	—	—	20,000,000
	1 September 2016	(Note 4)	1.68	1.68	5,000,000	—	—	—	5,000,000
Dr. Cao	19 November 2013	(Note 1)	1.66	1.64	6,000,000	—	—	—	6,000,000
	21 April 2015	(Note 3)	2.22	2.20	5,000,000	—	—	—	5,000,000
	1 September 2016	(Note 4)	1.68	1.68	10,000,000	—	—	—	10,000,000
Mr. Fung	19 November 2013	(Note 1)	1.66	1.64	2,000,000	—	—	—	2,000,000
Mr. Xiong	22 September 2014	(Note 2)	1.55	1.40	8,600,000	—	—	(8,600,000)	—
	21 April 2015	(Note 3)	2.22	2.20	5,000,000	—	—	(5,000,000)	—
Mr. Song	21 April 2015	(Note 3)	2.22	2.20	5,000,000	—	—	—	5,000,000
Dr. Zhou	1 September 2016	(Note 4)	1.68	1.68	1,400,000	—	—	—	1,400,000
Employees and senior management									
	19 November 2013	(Note 1)	1.66	1.64	7,500,000	—	—	—	7,500,000
	22 September 2014	(Note 2)	1.55	1.40	30,500,000	—	—	—	30,500,000
	21 April 2015	(Note 3)	2.22	2.20	15,000,000	—	—	—	15,000,000
	1 September 2016	(Note 4)	1.68	1.68	77,000,000	—	—	—	77,000,000
Others									
	19 November 2013	(Note 1)	1.66	1.64	38,500,000	—	—	—	38,500,000
	22 September 2014	(Note 2)	1.55	1.40	32,900,000	—	—	—	32,900,000
	21 April 2015	(Note 3)	2.22	2.20	53,680,000	—	—	—	53,680,000
					323,080,000	—	—	(13,600,000)	309,480,000



SHARE OPTION SCHEME (Continued)

Notes:

1. 11,000,000 of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 19 November 2013 to 18 November 2018, both dates inclusive.

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

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

2. 72,000,000 of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 22 September 2014 to 21 September 2019, both dates inclusive.

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

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

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

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

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

(b) Subsidiary of the Company

The share option scheme of OPG (“**OPG Share Option Scheme**”) has been adopted by way of shareholder’s written resolution passed on 18 September 2018. The terms of the OPG Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the OPG Share Option Scheme and there was no share option outstanding as at 30 September 2018.



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

There is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

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

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



CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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

The Group's unaudited interim results for the six months ended 30 September 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
Mr. Yan Dinggui
Executive Deputy Chairman

Hong Kong, 14 November 2018

As at the date of this report, the Board of Directors of the Company comprise three executive Directors, namely Mr. Yan Dinggui, Dr. Cao Guoqi and Mr. Song Xiangping, one non-executive Director, namely Mr. Zhang Huaqiao and four independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.