

EFT Solutions Holdings Limited

俊盟國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8062



2018

Interim Report

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

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



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FINANCIAL HIGHLIGHTS

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

	For the six months ended		
	30 September		
	2018	2017	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	+ / (-)
Revenue	66,282	34,616	91.6%
Gross profit	42,119	19,078	120.4%
Operating profit	33,538	9,013	272.2%
Profit before tax	29,627	9,012	228.9%
Profit for the period	24,106	7,367	225.7%
Profit attributable to the owners of the Company	19,710	7,367	166.2%

	As at		
	30 September		
	2018	31 March	
	HK\$'000	2018	
	(unaudited)	(audited)	+ / (-)
Total current assets	141,732	95,807	47.9%
Total assets	351,975	110,835	217.7%
Net current assets	98,816	71,036	39.2%
Total equity	117,380	86,064	36.4%

EARNINGS PER SHARE

	For the six months ended		
	30 September		
	2018	2017	
	HK cents	HK cents	
	(unaudited)	(unaudited)	+ / (-)
Earnings per share			
– Basic	4.11	1.53	168.6%
– Diluted	4.08	1.53	166.7%

INDEPENDENT AUDITOR'S REPORT

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF EFT SOLUTIONS HOLDINGS LIMITED

俊盟國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of EFT Solutions Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 5 to 29, which comprise the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Elite Partners CPA Limited

Certified Public Accountants

Yip Kai Yin

Practising Certificate Number: P05131

Hong Kong,

12 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 September 2018

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	34,810	22,654	66,282	34,616
Cost of goods sold and services		(11,277)	(8,528)	(24,163)	(15,538)
Gross profit		23,533	14,126	42,119	19,078
Other income	6	58	27	105	93
Other losses	7	(393)	(25)	(524)	(48)
Administrative expenses		(1,806)	(7,484)	(8,162)	(10,110)
Operating profit		21,392	6,644	33,538	9,013
Finance costs	8	(2,919)	–	(3,570)	(1)
Share of results of an associate		80	–	(341)	–
Profit before tax		18,553	6,644	29,627	9,012
Income tax expense	9	(3,444)	(1,201)	(5,521)	(1,645)
Profit for the period	10	15,109	5,443	24,106	7,367
Profit attributable to:					
– Owners of the Company		11,950	5,443	19,710	7,367
– Non-controlling interests		3,159	–	4,396	–
		15,109	5,443	24,106	7,367
Earnings per share					
– Basic (HK cents)	11	2.49	1.13	4.11	1.53
– Diluted (HK cents)	11	2.48	1.13	4.08	1.53

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2018

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period	15,109	5,443	24,106	7,367
Other comprehensive income, net of tax <i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	40	–	84	–
Total comprehensive income for the period	15,149	5,443	24,190	7,367
Total comprehensive income attributable to:				
Owners of the Company	11,979	5,443	19,770	7,367
Non-controlling interests	3,170	–	4,420	–
	15,149	5,443	24,190	7,367

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	4,151	1,785
Goodwill		175,257	–
Intangible assets		17,007	–
Investment in an associate		5,466	4,937
Deposits	13	8,362	8,306
		210,243	15,028
CURRENT ASSETS			
Inventories		7,801	6,326
Trade and other receivables	13	103,332	66,855
Financial asset at fair value through profit or loss		1,017	–
Derivative financial instruments		2,096	–
Bank balances and cash		27,486	22,626
		141,732	95,807
CURRENT LIABILITIES			
Trade and other payables	14	25,178	16,022
Bank borrowings		3,206	5,000
Promissory notes		2,597	–
Tax payable		11,935	3,749
		42,916	24,771
NET CURRENT ASSETS		98,816	71,036
TOTAL ASSETS LESS CURRENT LIABILITIES		309,059	86,064

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Promissory notes		185,855	–
Deferred tax liabilities		2,624	–
Other payables	14	3,200	–
		191,679	–
NET ASSETS			
		117,380	86,064
CAPITAL AND RESERVES			
Share capital	15	4,800	4,800
Share premium and reserves		99,470	81,264
		104,270	86,064
Non-controlling interests		13,110	–
TOTAL EQUITY		117,380	86,064

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to the owners of the Company						Non-Controlling interests	Total
	Share capital	Share premium	Special reserve	Share option reserve	Exchange reserve	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2018 (audited)	4,800	53,545	(10,228)	5,851	-	32,096	-	86,064
Adjustment on initial application of HKFRS 9	-	-	-	-	-	(33)	-	(33)
Adjusted balance as at 1 April 2018 (unaudited)	4,800	53,545	(10,228)	5,851	-	32,063	-	86,031
Comprehensive income								
Profit for the period	-	-	-	-	-	19,710	4,396	24,106
Other comprehensive income								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	60	-	24	84
Total comprehensive income	-	-	-	-	60	19,710	4,420	24,190
Transactions with owners								
Equity-settled share-based payment transactions	-	-	-	(1,531)	-	-	-	(1,531)
Non-controlling interests arising on business combinations	-	-	-	-	-	-	8,690	8,690
Total transactions with owners	-	-	-	(1,531)	-	-	8,690	7,159
As at 30 September 2018 (unaudited)	4,800	53,545	(10,228)	4,320	60	51,773	13,110	117,380
As at 1 April 2017 (audited)	4,800	53,545	(10,228)	-	-	9,990	-	58,107
Equity-settled share-based payment transaction	-	-	-	385	-	-	-	385
Profit and total comprehensive income for the period	-	-	-	-	-	7,367	-	7,367
As at 30 September 2017 (unaudited)	4,800	53,545	(10,228)	385	-	17,357	-	65,859

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	11,729	(9,964)
NET CASH USED IN INVESTING ACTIVITIES	(5,122)	(1,417)
NET CASH USED IN FINANCING ACTIVITIES	(1,850)	(315)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,757	(11,696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,626	46,420
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	103	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,486	34,724
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	27,486	34,724

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The amounts included in the condensed consolidated financial statements have been computed in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

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

During the Reporting Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. The Group has not applied new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

The application of the new and revised HKFRSs effective in the current Reporting Period has had no material effect on the amounts reported in the interim financial information and disclosures set out in the interim financial information, except for HKFRS 9 Financial Instruments as set out below.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Classification and measurement

In accordance with the transitional provisions set out in HKFRS 9, comparative figures have not been restated, where the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will be recognised as an adjustment to the opening balance of equity at the date of adoption, i.e. as at 1 April 2018, without restating comparative information.

As at 1 April 2018, all of the Group's financial assets and financial liabilities were carried at amortised cost, therefore, the new guidance would not have a significant impact on the classification and measurement of its financial assets and financial liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 9 Financial Instruments (continued)

Impairment of financial assets

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (the “ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses for amounts due from customers to be recognised from initial recognition of the trade receivables.

For all other financial assets, the Group recognises allowances of doubtful debts equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the allowances of doubtful debts are measured at an amount equal to lifetime ECLs.

The following table summarises the measurement of trade receivables as at 1 April 2018:

	Trade receivables HK\$'000
At 31 March 2018 (audited) under HKAS 39	42,716
Remeasurement	
Recognition of ECLs on trade receivables	(33)
At 1 April 2018 (unaudited) under HKFRS 9	42,683

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

4. REVENUE

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

	For the three months ended 30 September		For the six months ended 30 September	
	2018	2017	2018	2017
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Sourcing of EFT-POS terminals and peripheral devices	6,938	4,848	19,084	8,470
EFT-POS system support services	10,569	8,515	20,614	16,417
EFT-POS software solution services	1,603	9,291	4,179	9,729
POS software solution services	14,519	–	19,864	–
Embedded system solution services	1,181	–	2,541	–
	34,810	22,654	66,282	34,616

5. SEGMENT INFORMATION

Information reported to Mr. Lo, being the chief operating decision maker (“**CODM**”), for the purpose of resource allocation and assessment of segment performance, focuses on types of goods delivered or services provided.

Specifically, the Group's reportable and operating segments are as follows:

Sale of hardware devices	–	Sourcing of EFT-POS terminals and peripheral devices
System support and software solution services	–	Provision of system support and software solution services

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

5. SEGMENT INFORMATION (CONTINUED)

Segment information about these reportable and operating segments is presented below:

For the six months ended 30 September 2018

	Sale of hardware devices HK\$'000 (unaudited)	System support and software solution services HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue – external customers	19,084	47,198	66,282
Segment results	9,880	32,282	42,162
Other income			11
Finance costs			(3,570)
Share of results of an associate			(341)
Unallocated expenses			(8,635)
Profit before tax			29,627

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

5. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2017

	Sale of hardware devices HK\$'000 (unaudited)	System support and software solution services HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue – external customers	8,470	26,146	34,616
Segment results	3,174	15,866	19,040
Other income			44
Finance costs			(1)
Unallocated expenses			(10,071)
Profit before tax			9,012

Segment results represent the profit earned by each segment without allocation of certain other income, finance costs, central administrative costs, share of results of an associate and other unallocated expenses including depreciation and amortisation expenses, fair value losses of financial asset at fair value through profit or loss and derivative financial instruments and directors' remuneration that are not directly attributable to segments as disclosed in the above table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Segment assets		
Sale of hardware devices	19,261	14,566
System support and software solution services	59,925	35,615
Total segment assets	79,186	50,181
Unallocated assets:		
Property, plant and equipment	4,151	1,785
Goodwill	175,257	–
Intangible assets	17,007	–
Investment in an associate	5,466	4,937
Financial asset at fair value through profit or loss	1,017	–
Derivative financial instruments	2,096	–
Prepayments and deposits	40,309	31,306
Bank balances and cash	27,486	22,626
Consolidated assets	351,975	110,835
Segment liabilities		
Sale of hardware devices	3,556	9,252
System support and software solution services	9,989	6,591
Total segment liabilities	13,545	15,843
Unallocated liabilities:		
Other payables and accrued expenses	14,833	5,179
Bank borrowings	3,206	–
Promissory notes	188,452	–
Tax payable	14,559	3,749
Consolidated liabilities	234,595	24,771

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, goodwill, intangible assets, investment in an associate, certain prepayment and deposits, financial asset at fair value through profit or loss, derivative financial instruments and bank balances and cash that are not attributable to respective segment.
- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, bank borrowings, promissory notes and tax payable that are not attributable to respective segment.

Other segment information

As at 30 September 2018

	Sale of hardware devices HK\$'000 (unaudited)	System support and software solution services HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Allowance for doubtful debts	30	304	334

As at 31 March 2018

	Sale of hardware devices HK\$'000 (audited)	System support and software solution services HK\$'000 (audited)	Consolidated HK\$'000 (audited)
Allowance for doubtful debts	8	160	168

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

Non-current assets by geographical location

An analysis of the Group's non-current assets by geographical location is as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Hong Kong	203,392	10,091
Australia	6,851	4,937
	210,243	15,028

Revenue by geographical location

An analysis of the Group's revenue from external customers by geographical location, determined based on the shipment destination for the sale of hardware devices and the location of services rendered for system support and software solution services are detailed below:

	For the six months ended 30 September 2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong	58,841	32,793
Australia	3,609	73
Macau	3,550	1,750
Others	282	–
	66,282	34,616

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

6. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Management fee income from a related company	-	5	-	20
Rental income from a related company	-	5	-	21
Bank interest income	1	2	2	3
Others	57	15	103	49
	58	27	105	93

7. OTHER LOSSES

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net exchange losses	52	22	69	37
Allowance for doubtful debt	133	-	133	-
Fair value losses on financial asset at fair value through profit or loss and derivative financial instruments	208	-	208	-
Loss on write-off of property, plant and equipment	-	3	114	11
	393	25	524	48

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on bank and other borrowings	36	–	56	1
Interest on promissory notes	2,883	–	3,514	–
	2,919	–	3,570	1

9. INCOME TAX EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax:				
Hong Kong Profits Tax	3,256	1,201	5,500	1,645
Overseas income tax	57	–	111	–
Total current income tax	3,313	1,201	5,611	1,645
Deferred income tax	131	–	(90)	–
Total tax change for the period	3,444	1,201	5,521	1,645

Hong Kong Profits Tax has been provided for at the rate of 16.5% (for the six months ended 30 September 2017: 16.5%) on the estimated assessable profits for the Reporting Period.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

10. PROFIT FOR THE PERIOD

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging/(crediting):				
Directors' remuneration				
– Directors' fees	96	96	192	192
– Salaries and allowances	540	2,824	1,380	3,423
– Retirement benefits scheme contribution	9	9	18	18
– Share-based payment expenses	(2,903)	–	(1,531)	–
Other staff costs				
– Salaries and allowances	6,702	3,690	10,594	6,858
– Retirement benefits scheme contribution	221	165	403	316
– Share-based payment expenses	–	385	–	385
Total employee benefits expenses (including directors' emoluments)	4,666	7,169	11,056	11,192
Cost of inventories recognised as expense	3,315	3,298	9,152	5,250
Depreciation of property, plant and equipment	452	204	782	434
Amortisation of intangible assets	473	–	630	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

11. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share	11,950	5,443	19,710	7,367
	'000 (unaudited)	'000 (unaudited)	'000 (unaudited)	'000 (unaudited)
Number of Shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	480,000	480,000	480,000	480,000
Effect of dilutive potential ordinary shares on share option	1,976	–	3,437	–
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	481,976	480,000	483,437	480,000

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK\$3,017,000 (six months ended 30 September 2017: HK\$1,476,000) and disposed and write-off of property, plant and equipment of approximately HK\$114,000 (six months ended 30 September 2017: HK\$68,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Current assets		
Trade receivables	71,385	42,716
Prepayments and other deposits	31,947	24,139
Total	103,332	66,855
Non-current asset		
Rental deposits paid to the Lo's Family, Mr. Lo Chun Wa and its related company (Note a)	302	246
Rental deposits paid to an independent landlord	60	60
Investment deposit (Note b)	8,000	8,000
Total	8,362	8,306

Notes:

- (a) The properties owned by (i) Mr. Lo and his spouse, Ms. Lam Ching Man ("**Ms. Lam**") (collectively referred to as the "**Lo's Family**"); (ii) Mr. Lo Chun Wa; and (iii) Affinity Corporation Limited, an entity controlled by Mr. Lo. All of the properties rented are used as the office premises of the Group in Hong Kong.
- (b) Investment deposit represented the deposit paid to Hung Wai Products Limited ("**Hung Wai**") as an earnest money for the proposed investment, of which Mr. Lo holds 25% of shareholdings in Hung Wai.

The Group allows credit periods of 30 days to its trade customers from sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the Reporting Period:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within 30 days	8,826	7,796
31 – 60 days	3,173	5,133
61 – 90 days	11,006	10,710
91 – 180 days	11,821	9,688
181 – 365 days	34,030	9,263
Over 365 days	2,529	126
	71,385	42,716

Included in the Group's trade receivables balance are debtors as at 30 September 2018 with an aggregate carrying amount of approximately HK\$62,559,000 (as at 31 March 2018: HK\$34,919,000) which are past due at the end of Reporting Period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

14. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Current:		
Trade payables	6,113	7,138
Deferred revenue	3,275	1,983
Other payables and accrued expenses (Note)	6,190	6,901
Consideration payable (Note 16)	9,600	–
	25,178	16,022
Non-current:		
Consideration payable (Note 16)	3,200	–
	28,378	16,022

Note: As at 31 March 2018, included in other payables and accrued expenses above, approximately HK\$2.7 million represented the deposits received from EFT Payments (Asia) Limited, of which Mr. Lo holds 100% of its shareholdings.

The average credit period on trade payables is 30 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the Reporting Period.

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within 30 days	2,127	2,102
31 – 60 days	1,353	168
61 – 90 days	16	4,837
Over 90 days	2,617	31
	6,113	7,138

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

15. SHARE CAPITAL

The movement in share capital of the Company are as follows:

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 March 2018 and 30 September 2018	780,000,000	7,800,000
Issued and fully paid:		
As at 31 March 2018 and 30 September 2018	480,000,000	4,800,000

16. BUSINESS COMBINATION

On 31 May 2018, the Group acquired 70% interest in Earn World Group. Earn World Group is engaged in the provision of POS software solutions services in Hong Kong and the PRC. The purchase consideration for the acquisition was HK\$210,000,000, with HK\$16,000,000 by cash and HK\$194,000,000 by issuance of promissory notes.

On 5 April 2018, the Group completed the acquisition of 75% equity interest in Newport, which is engaged in the provision of embedded system solution services in Australia, at a consideration of approximately AUD360.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

16. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of the acquisitions as at the respective dates of acquisitions were as follows:

	Newport HK\$'000	Earn World Group HK\$'000	Total HK\$'000
Property, plant and equipment	–	245	245
Intangible assets	–	16,452	16,452
Trade and other receivables	281	19,776	20,057
Bank balances and cash	21	3,335	3,356
Trade and other payables	(602)	(5,740)	(6,342)
Deferred liabilities	–	(2,715)	(2,715)
Fair value of net assets acquired	(300)	31,353	31,053
Non-controlling interests	75	(8,765)	(8,690)
Financial asset at fair value through profit or loss	–	1,019	1,019
Derivative financial instruments	–	2,302	2,302
Goodwill	227	175,030	175,257
Total consideration	2	200,939	200,941
Consideration satisfied by:			
Cash (Note 1)	2	16,000	16,002
Promissory notes	–	184,939	184,939
	2	200,939	200,941

Note 1: As at 30 September 2018, cash consideration of HK\$3,200,000 was paid by the Group for the acquisition of 70% interest in Earn World Group, and the remaining cash consideration payable was included in the Group's other payables as at 30 September 2018.

Note 2: Goodwill was preliminary determined and subject to reassessment. Different fair value may be determined which consequently may result in a financial effect which is materially different from above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2017 and 2018, the Group entered into the following transactions with related parties:

Name of related party	Nature of Transactions	For the six months ended	
		2018	2017
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
EFT Payments (Asia) Limited	Sourcing of EFT-POS terminals and peripheral devices (Note 1)	1,600	1,969
	Provision of EFT-POS system support services (Note 2)	2,055	744
	Management fee income received	-	20
	Rental income received	-	21
	Disposal of fixed asset	-	57
Mr. Lo	Rental expense paid	486	486
Ms. Lam (Note 3)	Rental expense paid	162	162
Mr. Lo Chun Wa (Note 4)	Rental expense paid	90	90
Affinity Corporation Limited	Rental expense paid	7	-
Hung Wai Innovation Limited (Note 5)	Purchasing cost of peripheral devices	1,392	92
Hung Wai (Note 5)	Purchasing cost of peripheral devices	-	91

Note 1: The prices were made with reference to transactions prices of EFT-POS terminals products of comparable quality, quantity, specifications and delivery deadline and arrangements offered to at least 2 independent third parties in the ordinary and usual course of business.

Note 2: The services fee is based on the number of terminals deployed multiplied by a fixed system support fee per terminals ranged from HK\$50 to HK\$130 per month depending on the scope of services required. The charges are substantially in line with those offered to the major customers.

Note 3: Ms. Lam is a Director and the spouse of Mr. Lo.

Note 4: Mr. Lo Chun Wa is a Director and the brother of Mr. Lo.

Note 5: Hung Wai of which Mr. Lo holds 25%, became related company of the Group since April 2017. Hung Wai Innovation Limited is the wholly-owned subsidiary of Hung Wai Electronics (Huizhou) Limited, which is owned by Hung Wai as to 92.12% of its shareholdings. Accordingly, it is also a related company of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

The Group recorded profit for the Reporting Period of approximately HK\$24.1 million which represented a significant increase of approximately 225.7% on a period-to-period basis. It was mainly due to the increase in the sourcing of EFT-POS terminals and peripheral devices and the Group's entrance into the market of POS software solution from June 2018 with the acquisition of Earn World Group.

Revenue

During the Reporting Period, the Group successfully entered into the market of POS software solution and the embedded system solution services, which enable us to enlarge the market share of the software solution business and to explore more business opportunities in payment solutions. Revenue of approximately HK\$66.3 million was recognised for the Reporting Period as compared with approximately HK\$34.6 million in the corresponding period in 2017. The Group achieved a revenue growth of approximately 91.6% on a period-to-period basis. This was mainly driven by the increase in sourcing of EFT-POS terminals and peripheral devices and the increase in revenue in POS software solution services.

For sourcing of EFT-POS terminals and peripheral devices, revenue of approximately HK\$19.1 million was recognised for the Reporting Period which represented a significant increase of approximately 124.7% as compared to HK\$8.5 million in the corresponding period in 2017, which is attributable to increase in the number of EFT-POS terminals sold.

For provision of EFT-POS system support services, revenue of approximately HK\$20.6 million was recognised for Reporting Period which represented an increase of approximately 25.6% as compared to HK\$16.4 million in the corresponding period in 2017 due to increase in number of EFT-POS terminals covered by our system support services.

For provision of EFT-POS software solution services, revenue of approximately HK\$4.2 million was recognised for Reporting Period which represented a decrease of approximately 56.7% as compared to HK\$9.7 million in the corresponding period in 2017. It was attributable to the decrease in the number of software solution projects completed during the Reporting Period.

The POS software solution services and embedded system solution services commenced with the acquisition of Earn World Group in June 2018 and subscription of shares of Newport in April 2018, respectively. Revenue of approximately HK\$19.9 million and HK\$2.5 million was recognised during the Reporting Period, respectively.

Management Discussion and Analysis

Costs of Goods Sold and Services

Costs of goods sold and services primarily consisted of costs of inventories recognised as expense, cost of independent service providers, tools and consumables, salaries and benefits, freight and transportation, rent, local travelling and telephone and utilities expense. Costs of goods sold and services for the Reporting Period was approximately HK\$24.2 million (six months ended 30 September 2017: HK\$15.5 million), which represented an increase of approximately 56.1% on a period-to-period basis due to increase in costs of inventories sold in accordance with the increase in revenue from sourcing of EFT-POS terminals and peripheral devices.

Gross Profit and Gross Profit Margin

The overall gross profit for the Reporting Period was approximately HK\$42.1 million (six months ended 30 September 2017: HK\$19.1 million), which represented a significant increase of about 120.4%. The overall gross profit margin for the Reporting Period was about 63.5% (six months ended 30 September 2017: 55.1%), which represented an increase of about 8.4%. The reason for the increase was primarily due to the Group sourced more EFT-POS terminals and peripheral devices to customers with relatively higher profit margin in the Reporting Period as compared to that in the corresponding period and the Group entered into the market of POS software solution services which have higher profit margin than that generated from EFT-POS business.

Other Incomes

Other income mainly represented delivery income charged back to customers and management fee income. Other income for the six months ended 30 September 2017 and 2018 was approximately HK\$0.1 million and HK\$0.1 million, respectively, and was relatively stable over the corresponding periods.

Staff Costs

Staff costs of approximately HK\$11.1 million were recorded for the Reporting Period (six months ended 30 September 2017: HK\$11.2 million). The staff costs were relatively stable over the corresponding periods.

Management Discussion and Analysis

Other Administrative Expenses

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

Other administrative expenses for the Reporting Period was approximately HK\$6.0 million (six months ended 30 September 2017: HK\$4.8 million), which represented an increase of 25.0% as a result of the increase in amortisation of intangible assets with the completion of acquisitions of Earn World Group and Newport.

Share of Results of an Associate

The Group had 25.0% of interest in Open Sparkz Pty Limited ("**Open Sparkz**"). Share of results of an associate represented the operating losses arising from this associate.

Finance Costs

Finance costs represented imputed interest expenses on promissory note and interest expenses on bank borrowings. Finance costs for the Reporting Period was approximately HK\$3.6 million (six months ended 30 September 2017: HK\$1,000). On 31 May 2018, the Group issued promissory notes of approximately HK\$194.0 million which bear interest at 4% per annum as part of the consideration of acquisition of Earn World Group.

Profit for the Period

The Group recorded profit of approximately HK\$24.1 million for the Reporting Period (six months ended 30 September 2017: HK\$7.4 million). This was mainly due to the growth in the sourcing of EFT-POS terminals and peripheral devices and the contribution from provision of POS software solutions services with the acquisition of Earn World Group.

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. The Group has remained at a sound financial resource level. As at 30 September 2018, the Group had net current assets of approximately HK\$98.8 million (as at 31 March 2018: approximately HK\$71.0 million) including cash and bank balances of approximately HK\$27.5 million (as at 31 March 2018: approximately HK\$22.6 million).

As at 30 September 2018, the gearing ratio (calculated on the basis of total bank borrowings divided by the total equity as at the end of the period) of the Group was 2.7% (as at 31 March 2018: approximately 5.8%).

Management Discussion and Analysis

Pledge of Assets

As at 30 September 2018, the Group did not have any pledged assets (as at 31 March 2018: Nil).

Foreign Currency Risk

The Group's business activities are in Hong Kong and are principally denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments and Contingent Liabilities

As at 30 September 2018, the Group had contracted capital commitment for the acquisition of a subsidiary, Earn World Development, of approximately HK\$210.0 million. Up to the date of this report, the Group has paid approximately HK\$6.4 million for the acquisition. Please refer to sub-heading "Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets" for further details. Save as disclosed above, the Group did not have any significant capital commitments (as at 31 March 2018: Nil).

As at 30 September 2018, the Group did not have any significant capital expenditure (as at 31 March 2018: Nil).

As at 30 September 2018, the Group did not have any significant contingent liability (as at 31 March 2018: Nil).

Capital Structure

As at 30 September 2018, the Group had bank borrowings of approximately HK\$3.2 million (as at 31 March 2018: HK\$5.0 million).

Save as disclosed above, there has been no change in the Company's capital structure during the Reporting Period. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

Segmental Information

Segmental information is presented for the Group as disclosed in Note 5 to the condensed consolidated financial statements.

Employees and remuneration policies

As at 30 September 2018, the Group employed 98 (as at 31 March 2018: 68) full time employees (including executive Directors). We determine the employees' remuneration based on factors such as qualification, duty, contributions and years of experience. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

Management Discussion and Analysis

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

On 22 November 2017, the Group entered into a subscription agreement with Open Sparkz to subscribe for the subscription shares, which represents 25% of the enlarged issued share capital of Open Sparkz at the consideration of AUD1.0 million. Open Sparkz is incorporated in Australia and is principally specialising in highly automated offers and rewards solutions using front of wallet credit, debit and prepaid cards. The Group considers that the subscription could provide an opportunity to the Group to enter into the electronic payment business. As at 30 September 2018, the Group has paid AUD1.0 million to Open Sparkz.

On 19 January 2018, the Group entered into the sale and purchase agreement with Earn World Enterprises Limited (“**Earn World Enterprises**”), pursuant to which Earn World Enterprises has conditionally agreed to sell and the Group has conditionally agreed to purchase the sale shares, which represented 70% of the issued share capital of Earn World Development. The consideration for the acquisition was HK\$210.0 million which was payable by the Group as to HK\$16.0 million by cash and HK\$194.0 million by issuance of promissory notes. Earn World Group has been in the information technology industry for more than ten years. It is principally engaged in the provision of software solution in retail, distribution and accounting sectors including point of sales system, ordering and inventory system and accounting system, with the objective of providing commercial software applications and retail and distribution solutions which are suitable for global operation. The Group considered that the acquisition could provide an opportunity to the Group to enlarge the market share of the software solutions business and to explore more business opportunities in POS solutions so as to strengthen the Company’s financial position and maintain its growth in Hong Kong. On 31 May 2018, the Group completed the acquisition of 70% of the share capital of Earn World Development. Please refer to the Company’s announcement dated 19 January 2018 and 31 May 2018 for further details. Up to the date of this report, the Group had paid HK\$6.4 million to Earn World Enterprises for this acquisition.

On 2 March 2018, the Group entered into the subscription agreement with Newport to subscribe for the subscription shares, which represents 75% of the entire issued share capital of Newport at the consideration of approximately AUD360.0. Completion was subject to fulfillment of the terms and conditions precedent set out in the subscription agreement. Newport is incorporated in Australia and is principally engaged in guiding the clients through the maze of embedded systems technology to achieve an effective price/performance ratio for their products. The Group considered that the subscription could provide an opportunity to the Group to enter into the overseas software solutions business. All the terms and conditions for completion have been fulfilled and the acquisition was completed on 5 April 2018.

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

Management Discussion and Analysis

Plans for Material Investments and Acquisitions

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

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

The Group has conditionally proposed to acquire Skyyer Holding Limited (“**Skyyer**”), by way of subscription of new shares or purchase of shares, which may represent up to 48% of the issued share capital of Skyyer. Skyyer is a travel and retail related brand which principally engages in provision of publication of travel reading and marketing materials in Hong Kong and the Asian regions. The Group considers that the proposed acquisition could provide an opportunity to the Group to utilise the strength of Skyyer in sales and marketing as well as its network in consumer and merchant industry to explore more business opportunities so as to strengthen the Group’s financial position and maintain its growth. Mr. Lui Hin Weng Samuel, non-executive Director of the Company, directly or indirectly, owned less than 5% of shares of Skyyer. Please refer to the Company’s announcement dated 18 October 2018 for further details.

Dividend

The Board does not recommend payment of dividend for the Reporting Period (for the six months ended 30 September 2017: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Group is exposed to various risks in the operations of the Group’s business and the Group believes that risk management is important to the Group’s success. Key operational risks faced by the Group include, among others, changes in general market conditions and ability to continue to attract and retain highly qualified technical and managerial staff with the appropriate technical expertise and knowledge of the electronic payment industry. The provision of our services relies heavily on the technical know-how and skill-set of such employees and their continued employment with us is therefore crucial to our business operations. To cope with our business expansion, we conduct continuous recruitment for high calibre candidates from university graduates in computer science with a view to train them up with technical knowledge in electronic payment industry.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

According to the statistics from the Hong Kong Monetary Authority, the total number of credit cards issued in Hong Kong under the credit card schemes of card scheme operators was approximately 20.1 million by the end of second quarter of 2018. The total number of credit card transactions was approximately 181.1 million, which represented an increase of 17.1% as compared to the corresponding period of last year. Stored Value Facilities (“**SVF**”) in Hong Kong are also blooming. The total number of SVF transactions was around 1.5 billion for second quarter of 2018, representing a 10.2% increase on a year-on-year basis.

2018 has been a ground-breaking year for electronic payment development in Hong Kong. The usage of electronic payments as a method of settlement has been gaining momentum. The Group believes that electronic payment development in Hong Kong is on the right track and is growing at a rapid pace. We expect soaring demand for our payment terminals and the related payment solutions services.

Hardware Devices

The implementation of the SVF scheme in late 2016 and the Faster Payment System in September 2018 by the Hong Kong Monetary Authority have accelerated the development of electronic payment in Hong Kong, it encourages acquirers (i.e. acquiring bank or payment processor that processes credit or debit card payments on behalf of a merchant) to better support electronic payments. The increasing popularity of integrated payment solutions in merchant business process also escalated the need of the integrated payment terminals, which support credit card, Near Field Communication (NFC), contactless payment and e-wallet payment. By leveraging our experience in the electronic payment industry and our well-established business relationships with EFT-POS terminal and peripheral device manufacturers, we achieved remarkable growth during the Reporting Period and we would continue to penetrate into electronic payment market by providing suitable EFT-POS solutions to meet the requirements of our customers.

Management Discussion and Analysis

System Support and Software Solutions Services

The Group continued to develop the EFT-POS system support business which included the development of software that comply with electronic payment standards acceptance certification, the installation and ongoing maintenance and repair services of EFT-POS terminals and other related services and customised project-based software solution services.

During the Reporting Period, the Group successfully provided integrated payment solutions to several mass transportation service providers in Hong Kong to accept electronic payment.

As a leading EFT-POS solutions provider in Hong Kong, the Group focus on strengthening its position in the industry and take initiatives to build up more extensive business scenarios to deepen the relationship with our customers. The Group successfully acquired Earn World Group and Newport during the Reporting Period, which have expanded our business to cover POS software solutions in retail, distribution and accounting sectors and embedded system solutions in finance, transportation and manufacturing sectors. It is anticipated that by acquiring these high-quality technical know-hows would enable us to provide well-rounded services to our customers and help the Group to enlarge the market shares of software solutions business.

Overall

The Group will strive its best effort to achieve business growth and contribution to drive for Hong Kong in smart city development. The Group aims to further expand our market share and strengthen our market position in electronic payment and software solution industries by increasing its capabilities and offering diverse and high quality one-stop integrated services.

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

USE OF PROCEEDS

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

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

Management Discussion and Analysis

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

As at 30 September 2018, the actual use of the proceeds by the Group was as follow:

- approximately HK\$4.6 million has been used to expand our information technology workforce for total EFT-POS solutions;
- approximately HK\$2.6 million has been used to expand our information technology workforce for acquiring host software services;
- approximately HK\$2.3 million has been used to expand our business development workforce;
- approximately HK\$0.6 million has been used to enhance our information technology and network system;
- approximately HK\$2.0 million has been used for property improvements to accommodate new headcount;
- approximately HK\$10.0 million has been used for potential future strategic acquisitions or arrangements to expand our product portfolio or increase our market share;
- approximately HK\$2.8 million has been used for our working capital and other general corporate purposes; and
- the remaining balance of approximately HK\$10.2 million is placed with a licensed bank in Hong Kong.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

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

INTERESTS IN THE SHARES OF THE COMPANY

Name	Capacity	Notes	Long position	
			Total interests in ordinary Shares	Percentage of total number of issued Shares
Mr. Lo	Interest in a controlled corporation	1	345,600,000	72%
Ms. Lam	Interest of spouse	2	345,600,000	72%

Notes:

1. Mr. Lo is interested in the entire issued share capital of LCK and he is therefore deemed to be interested in the 345,600,000 Shares held by LCK by virtue of the SFO.
2. Ms. Lam is the spouse of Mr. Lo and she is therefore deemed to be interested in the Shares held by Mr. Lo by virtue of the SFO.

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

Disclosure of Interests and Other Information

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

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

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

Note:

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

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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Disclosure of Interests and Other Information

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed in Note 17 to the condensed consolidated financial statements and the sub-heading "Plans for Material Investments and Acquisitions" in this report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Saved as disclosed in Note 17 to the condensed consolidated financial statements and the sub-heading "Plans for Material Investments and Acquisitions" in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of their close associates, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of their close associates.

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

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

SHARE OPTION SCHEME

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

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

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

Disclosure of Interests and Other Information

Eligible participants of the Share Option Scheme include:

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

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

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

Disclosure of Interests and Other Information

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

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

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

Category	Date of grant	Exercise period	Exercise price	Number of share options				Balance as at 30 September 2018
				Balance as at 1 April 2018	Granted	Exercised	Cancelled/ lapsed (Note 5)	
Executive Directors								
Mr. Lo	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	(4,800,000)	-
Mr. Chan	18 September 2017	Note 2	0.320 (Note 3)	24,000,000	-	-	(24,000,000)	-
Mr. Lo Chun Wa	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	(4,800,000)	-
Non-executive Director								
Ms. Lam	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	(4,800,000)	-
				38,400,000	-	-	(38,400,000)	-

Disclosure of Interests and Other Information

Notes:

1. 50% of the Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable after three months from the date of grant. The remaining Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable on or after the first anniversary of the date of grant.
2. 40% of the Options granted to Mr. Chan Lung Ming (“**Mr. Chan**”) shall become exercisable immediately upon approval by the Shareholders of the Company; 30% of the Options granted to Mr. Chan shall become exercisable on or after completion of one year of service on 1 September 2018 and the remaining Options granted to Mr. Chan shall become exercisable on or after completion of two years of service on 1 September 2019. Options granted to Mr. Chan have been approved by the Shareholders in its extraordinary general meeting held on 10 November 2017.
3. The closing price of shares on the date of grant was HK\$0.320. The average closing price was HK\$0.2744 per share for the five business days immediately preceding the date of grant.
4. The closing price of shares on the date of grant was HK\$0.530. The average closing price was HK\$0.520 per share for the five business days immediately preceding the date of grant.
5. The Options lapsed during the Reporting Period in accordance with the terms of the Share Option Scheme.

COMPLIANCE ADVISER'S INTERESTS

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

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

Disclosure of Interests and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

Disclosure of Interests and Other Information

The condensed consolidated financial statements of the Group for the Reporting Period have not been audited, but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. Elite Partners CPA Limited’s independent review report to the board of Directors is included on page 4.

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

By Order of the Board

EFT Solutions Holdings Limited

Lo Chun Kit Andrew

Chairman and Chief Executive Officer

12 November 2018

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

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