



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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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



FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$75.02 million for the three months ended 30 June 2019. The Group's gross profit amounted to approximately HK\$30.69 million, which represented a decrease of approximately 41.88% as compared with the Group's gross profit recorded in the corresponding period in 2018.
- The Group reported a loss amounted to approximately HK\$21.79 million for the three months ended 30 June 2019 as compared with a loss of approximately HK\$56.36 million recorded in the corresponding period in 2018. The Group reported a loss attributable to equity holders of the Company for the period ended 30 June 2019 which amounted to approximately HK\$21.12 million (2018: approximately HK\$57.71 million).
- Loss per share for the loss attributable to equity holders of the Company for the three months ended 30 June 2019 was approximately 1.35 HK cents (2018: approximately 3.51 HK cents).
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2019 (2018: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2019

		Unaudited Three months ended 30 June	
	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Revenue	2	75,025	132,535
Cost of services rendered		(44,333)	(79,726)
Gross profit		30,692	52,809
Other income		1,656	3,158
General administrative expenses		(44,757)	(60,546)
Selling and distribution costs		(4,425)	(10,528)
Finance costs	4	(7,418)	(12,246)
Fair value gain on derivative financial instruments		—	163
Fair value loss on financial assets at fair value through profit or loss		—	(22,352)
Loss on disposal of a subsidiary		—	(6,484)
Loss on disposal of equity interest in a joint venture		—	(298)
Share of results of associates		3,176	5,621
Loss before tax	4	(21,076)	(50,703)
Income tax expenses	5	(712)	(5,653)
Loss for the period		(21,788)	(56,356)

**Unaudited
Three months ended
30 June**

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Attributable to:			
Equity holders of the Company		(22,122)	(57,708)
Non-controlling interests		334	1,352
		(21,788)	(56,356)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted	7	(1.35) HK cents	(3.51) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2019

	Unaudited	
	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period	(21,788)	(56,356)
Other comprehensive income (expenses)		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investment 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>		
Share of other comprehensive expenses of associates — exchange difference on translation	(7,377)	(13,917)
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	—	389
Exchange difference on translation of foreign subsidiaries	(17,343)	54,010
Total comprehensive expenses for the period	(46,508)	(26,337)
Total comprehensive expenses attributable to:		
Equity holders of the Company	(50,087)	(23,300)
Non-controlling interests	3,579	(3,037)
	(46,508)	(26,337)



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the three months ended 30 June 2019

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

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

Basis of preparation

The unaudited condensed first quarterly financial statements of the Company for the three months ended 30 June 2019 (the "**First Quarterly Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

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

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the financial performances of the Group since 31 March 2019, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2019 (the "**2018/2019 Annual Financial Statements**").



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

Basis of preparation *(Continued)*

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

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in preparing the 2018/2019 Annual Financial Statements except for the adoption of the new/revised HKFRSs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 April 2019.

Annual Improvements to HKFRSs	2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee benefits
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

The adoption of these amendments to HKFRSs, except for HKFRS 16, did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods.



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

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest are recognised on the right-of-use assets and the lease liabilities respectively. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2019 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 16. No reclassification and adjustment was recognised in the opening balance of the equity on 1 April 2019 as the cumulative effect on the financial results and financial position of the Group upon initial adoption of HKFRS 16 was insignificant.

On the first adoption of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term when the contract contains option to extend or terminate the lease.



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

HKFRS 16: Leases *(Continued)*

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under HKAS 17. The lease liabilities of approximately HK\$14,308,000 was measured at the present value of the remaining minimum lease payments, discounted using the Group's incremental borrowing rates as of 1 April 2019, with the relevant interest charged to profit or loss over the lease period. The Group applied various discount rate to a portfolio of leases with reasonably similar characteristics in the People's Republic of China (the "PRC"), Hong Kong and Thailand. The right-of-use assets of approximately HK\$14,308,000 were recognised at cost, representing the amount of initial measurement of the lease liabilities. The right-of-use assets of approximately HK\$14,308,000 were depreciated over the lease period on a straight-line basis. The interest expense in respect of lease liabilities and depreciation of right-of-use assets charged to profit or loss during the three months ended 30 June 2019 was approximately HK\$118,000 and HK\$1,376,000 respectively. The operating lease expenses on short-term leases and leases of low-value assets recognised in profit or loss during the three months ended 30 June 2019 was approximately HK\$544,000.

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
<u>Revenue from contracts with customers within HKFRS 15</u>		
Prepaid cards and internet payment business		
Card issuing service fee income	166	98
Management fee income of prepaid cards	738	768
Merchant service fee income	21,298	21,686
Sales and service fee income of POS machine	—	567
Prestige benefits business		
Issuance income of prestige benefits cards	22,113	38,793
Hotel booking agency service income	153	27,560
Merchant acquiring business		
Merchant discount rate income (“MDR income”)	16,169	24,912
Marketing and distribution service income	489	—
<u>Revenue from other sources</u>		
Prepaid cards and internet payment business		
Interest income from accumulated unutilised float funds	—	554
Internet micro-credit business		
Loan interest income	9,020	10,416
Merchant acquiring business		
Foreign exchange rate discount income	4,879	7,181
	75,025	132,535



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 PRC;
- (ii) prestige benefits business in the PRC;
- (iii) internet micro-credit business in the PRC;
- (iv) merchant acquiring business in Thailand; and
- (v) securities investment business in Hong Kong.

In addition, the Directors consider that the Group's place of domicile is Hong Kong, where the central management and control is located.

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of other income, other gain or loss, finance costs, general administrative expenses incurred by corporate office, share of results of associates and income tax.

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

3. SEGMENT REPORTING (Continued)

Three months ended 30 June 2019 (unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Consolidated HK\$'000
Segment revenue	22,202	22,266	9,020	21,537	–	75,025
Segment results	(9,436)	1,982	2,488	1,662	–	(3,304)
Unallocated other income						1,656
Unallocated finance costs						(7,418)
Unallocated other expenses and losses						(15,186)
Share of results of associates						3,176
Loss before tax						(21,076)
Income tax expenses						(712)
Loss for the period						(21,788)

3. SEGMENT REPORTING (Continued)

Three months ended 30 June 2018 (unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Consolidated HK\$'000
Segment revenue	23,673	66,353	10,416	32,093	—	132,535
Segment results	(273)	4,212	2,890	2,432	(22,352)	(13,091)
Unallocated other income						3,158
Unallocated finance costs						(12,246)
Unallocated other expenses and losses						(27,526)
Fair value gain on derivative financial instruments						163
Loss on disposal of a subsidiary						(6,484)
Loss on disposal of equity interest in a joint venture						(298)
Share of results of associates						5,621
Loss before tax						(50,703)
Income tax expenses						(5,653)
Loss for the period						(56,356)

4. LOSS BEFORE TAX

	Unaudited	
	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
This is stated after charging:		
Finance costs		
Effective interest expense on convertible bonds	—	3,343
Finance costs on other long-term liabilities	157	45
Interest on bonds payables	7,143	8,858
Finance costs on lease liabilities	118	—
	7,418	12,246
Other items		
Amortisation of intangible assets	5,271	3,994
Depreciation of property, plant and equipment	2,088	2,481
Depreciation of right-of-use assets	1,376	—
Operating lease charges on premises	544	3,185
Loss allowance on loan receivables	1,736	1,317
Staff costs, including directors' remuneration and share-based compensation cost	19,966	31,812
Share-based compensation cost to service providers	—	425
Spin-off expense (<i>Note</i>)	—	998

Note: The amount represents expenses incurred for processing the spin-off and separate listing of Oriental Payment Group Holdings Limited on GEM.

5. TAXATION

	Unaudited Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current tax		
PRC Enterprise Income Tax	403	1,710
Thailand Enterprise Income Tax	309	589
	712	2,299
Deferred tax		
Utilisation of tax losses	—	26
Origination (Reversal) of temporary difference	—	3,328
Income tax expenses for the period	712	5,653

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as certain Group entities' estimated assessable profits for the period were absorbed by unrelieved tax losses brought forward from previous year and certain Group Entities' incurred losses for taxation purposes for the periods ended 30 June 2019 and 2018.

(ii) Income taxes outside Hong Kong

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

The Group's operations in the PRC are subject to enterprise income tax ("PRC Enterprise Income Tax") of the PRC at 25% (2018: 25%), except for 開聯通支付服務有限公司 (Open Union Payment Services Limited*, "Open Union") and 上海靜元信息技術有限公司 (Shanghai Jingyuan Message Technology Limited*, "Shanghai Jingyuan") (2018: Open Union and Shanghai Jingyuan) which are subject to PRC Enterprise Income Tax at a preferential rate of 15% (2018: 15%) for high and new technology enterprises.

* English translation for identification purpose only.



5. TAXATION *(Continued)*

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

The Group's operation in Thailand is subject to Thailand Enterprise Income Tax at 20% (2018: 20%).

The Group's operation in Singapore is subject to Singapore Income Tax at 17% (2018: 17%).

The Group's operation in Korea is subject to Korea Corporate Income Tax ranged from 10% to 25% (2018: 10% to 22%).

The Group's operation in Cambodia is subject to Cambodia Corporate Income Tax at 20% (2018: 20%).

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

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

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2019 (2018: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 30 June 2019 is calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$22,122,000 (2018: approximately HK\$57,708,000) and on the weighted average number of 1,644,188,693 ordinary shares (2018: 1,644,188,693 ordinary shares) in issue during the period.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the periods ended 30 June 2019 and 2018 respectively.

8. MOVEMENT OF EQUITY

Attributable to equity holders of the Company

	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
For the three months ended 30 June 2019										
At 1 April 2019 (audited)	16,441	1,562,367	5,498	(45,025)	10,834	215,870	(816,471)	948,914	87,308	1,036,222
Loss for the period	-	-	-	-	-	-	(22,122)	(22,122)	334	(21,788)
Total other comprehensive expenses										
Item that may not be reclassified subsequently to profit or loss:										
Share of other comprehensive expenses of associates: exchange difference on transition	-	-	-	(7,377)	-	-	-	(7,377)	-	(7,377)
Exchange difference on translation of foreign subsidiaries	-	-	-	(20,588)	-	-	-	(20,588)	3,245	(17,343)
Total comprehensive expenses for the period	-	-	-	(27,965)	-	-	(22,122)	(50,087)	3,579	(46,508)
Transaction with owners										
Contribution and distributions										
Recognition of share-based compensation cost	-	-	-	-	-	2,895	-	2,895	-	2,895
	-	-	-	-	-	2,895	-	2,895	-	2,895
At 30 June 2019 (unaudited)	16,441	1,562,367	5,498	(73,590)	10,834	218,765	(838,593)	901,722	90,887	992,609

8. MOVEMENT OF EQUITY (Continued)

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share option reserve	Fair value reserve (loss)	Fair value reserve (monetary)	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the three months ended 30 June 2018												
At 1 April 2018 (audited)	16,441	1,562,367	5,498	48,494	7,336	234,837	24,965	—	(677,445)	1,322,493	79,264	1,401,757
Impact on initial application of HKFRS 9	—	—	—	—	—	—	24,965	24,965	—	—	—	—
At 1 April 2018 (adjusted)	16,441	1,562,367	5,498	48,494	7,336	234,837	—	24,965	(677,445)	1,322,493	79,264	1,401,757
Loss for the period	—	—	—	—	—	—	—	—	(67,708)	(67,708)	1,362	(66,346)
Total other comprehensive expenses												
Item that will not be reclassified to profit or loss:												
Change in fair value of equity investments at designated FVOCI	—	—	—	—	—	—	—	—	(10,463)	—	—	(10,463)
Items that may be reclassified subsequently to profit or loss:												
Share of other comprehensive expenses of associates – exchange difference on transition	—	—	(113,917)	—	—	—	—	—	—	(113,917)	—	(113,917)
Derecognition of exchange reserve upon disposal of equity interest in a joint venture	—	—	389	—	—	—	—	—	—	389	—	389
Exchange difference on transition of foreign subsidiaries	—	—	—	58,399	—	—	—	—	—	58,399	(4,389)	54,010
Total comprehensive expenses for the period	—	—	—	44,871	—	—	—	(10,463)	(67,708)	(23,300)	13,037	(26,337)
Realisation of fair value reserve upon disposal of a subsidiary	—	—	—	—	—	—	—	(14,502)	14,502	—	—	—
Transaction with owners												
Contribution and distributions	—	—	—	—	—	5,233	—	—	—	5,233	—	5,233
Recognition of share-based compensation cost	—	—	150	—	—	—	—	—	(150)	—	—	—
Transfer to capital reserve	—	—	—	—	—	—	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	—	1,328	—	—	—	(1,328)	—	—	—
	—	—	150	—	1,328	5,233	—	—	(1,478)	5,233	—	5,233
At 30 June 2018 (unaudited)	16,441	1,562,367	5,648	93,365	8,664	240,070	—	(62,129)	(62,129)	1,304,426	76,227	1,380,653



8. MOVEMENT OF EQUITY *(Continued)*

<Remark 1>

In accordance with the relevant laws and regulations in Thailand, Oriental City Group (Thailand) Company Limited is required to appropriate not less than 5% of its net profit to the statutory reserve upon each dividend distribution, until the statutory reserve reaches 10% of its registered authorised capital. The statutory reserve is not available for dividend distribution.

9. OTHER AND SUBSEQUENT EVENTS

On 6 August 2019, the Company obtained consent in writing from each of the subscribers, to waive the Company's compliance with and satisfaction of the covenant and extend the maturity day for the issue of fixed rate senior secured bonds (the "**Bonds**") in the aggregate principal amount of US\$48,000,000 to 1 February 2020. The Company made a partial redemption of the Bonds (the "**Partial Redemption**") in an aggregate amount of US\$7,998,400 (equivalent to approximately HK\$62,787,000), together with the interest accrued and payable thereon in an aggregate amount of US\$2,172,000 (equivalent to approximately HK\$17,050,000) and the payment of a lump-sum administrative fee to the subscribers in an aggregate amount of US\$333,444 (equivalent to approximately HK\$2,617,000). Following the Partial Redemption, the aggregate outstanding principal amount of the bonds has been reduced to US\$40,001,600 (equivalent to approximately HK\$314,012,000). Details of the content of the Bonds are set out in the Company's announcements dated 31 July 2016, 2 August 2016, 12 August 2016, 28 June 2019 and 6 August 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been engaged in the following businesses during the three months ended 30 June 2019 (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 Group’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.

As for the 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 to provide crossborder 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 will utilise the resources of our branches to vigorously develop prepaid cards business across the nation in the future and intensively strengthen its presence in the areas of industry cooperation leveraging its own advantages.

According to the business data from third party payment industry, with internet payment business growth decelerating, the prepaid card industry steadily developed within the criteria. A continuous stable growth of GDP and residents’ income resulted in a general enhancement of self-discipline in the industry, a full acceleration of industrial opening and an extensive application and innovation of financial technology, and hence payment industry will keep growing up to a certain extent and go on developing rapidly.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

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. In the prestige membership benefit service industry of banking and credit card organizations, in addition to the leading banks that issued more volume of the original credit cards, there are more and more small-and-medium banks concerned with benefit service for the cardholders and providing the customers of retail or credit card businesses with value-added benefit services. Besides, with the emerging consumption pattern of paid membership, there will be more demand for membership benefit in new retail sector and on internet platform. As to the industry ahead, there will be more service targets and larger market scale.

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 on 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. Micro-credit industry experienced a greater development in the past few years and the assets formed by the internet credit providers represented by the leading internet enterprises such as BAT continually generated. In consideration of the development prospects for the businesses such as domestic consumption and personal operation, we are optimistic about the future industrial development.

As for the merchant acquiring business, it is an established merchant acquirer in providing a suite of comprehensive payment processing services to merchants of all sizes frequently visited by Chinese tourists in Thailand.

There are three main revenue streams derived from the merchant acquiring business, including (i) MDR income; (ii) foreign exchange rate discount income; and (iii) marketing and distribution service income. For each successful transaction processed via its point-of-sale (“**POS**”) terminals, MDR income is charged to its merchants based on certain percentage of the transaction value. Foreign exchange rate discount income is derived from its daily settlement with UnionPay International (“**UPI**”) whereby a favourable spot exchange rate in Baht to United States dollars (“**US\$**”) is offered by UPI in translating the nominated transaction value in Baht. The marketing and distribution service income represents the income derived from developing marketing channels for expanding the use of payment service system through its merchant network.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

During the Review Period, the Group continuously faced the risks of uncertainties in Thailand's economic outlook, its relationship with the PRC and the impact of Sino-US trade war, 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.

BUSINESS OUTLOOK

For prepaid cards and internet payment business, the Group has established or been actually operating several branch corporate entities, advancing the commencement of prepaid cards and internet business in each branch company. The current continuous stable growth of GDP and residents' income will provide a fundamental support to the sustainability of payment business. The regulators have constantly strengthened the regulation of non-banking payment institutions, and specifically cracked down on and investigated the operation of the payment business without license and the licensed institutions which provided the channels to the unlicensed institutions conducting payment business and therefore the payment institutions will be urged to reinforce their self-discipline and compliance management. As the Group legally commenced its business in strict compliance with the requirements in the long run, the reinforcement of regulation by the regulators and crackdown on unlicensed operation of payment business may bring more businesses and customers to the Group, boosting the development of payment business for the Group. Focused on the breakthrough of the industrial solution, extending the progress everywhere can rapidly expand the payment scale. The module product lines such as cross-border payment, KLT Pay, 海外聚合, 商圈卡 & 积分商城 were established and launched in succession to promote the business model for "Payment + Industrial solution" and continue extending the direction to B-end enabling business. With the speedy growth of internet, consumers have been used to utilizing the third party payment method to do consumptions. Meanwhile, the population of Chinese people who get used to online consumption keep growing at a fast pace and the growth rate has been up to 10% or above. With the eruption of internet mobile era and the development of 5G technology, the future third party companies will be more closely linked to human lifestyle in order to bring an all-round life service payment power to the people. On the other hand, Central Bank issued a series of significant regulatory measures against third party payment industry, which will speed up the restructuring of third party payment industry and will be a mix of challenges and opportunities for the payment companies being compliant with the requirements. The payment companies which develop within the criteria will embrace emergent developmental opportunities.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS OUTLOOK *(Continued)*

The mobile payment market represented by Singapore in Southeast Asia will be expanded, especially the integrated payment one that serves Chinese tourists. We have owned the integrated payment license in Singapore and will have a tremendous number of Chinese tourists who frequent Singapore and different Southeast Asian countries in the three years ahead, which will be a chance for us to be connected to the local micro, small and medium-sized merchants in Southeast Asia and a point of profit growth for new business. The mobile payment business of Southeast Asia is relatively outdated while a number of frequent Chinese tourists are nurturing such local payment market. We have plenty of experiences both in access to integrated payment and settlement system development and meanwhile, may seize the chance to diversify the merchant membership benefit products of Colourful and the financial credit products in compliance with the regulations in various Southeast Asian countries as well. This is the competitive advantage other peers do not have.

As for the internet-micro-credit business, the Chinese government restricted the promotion for the networks of internet-micro-credit business and in general, prohibited the networking operational promotion. However, iMassBank with the support of abundant client base and database from the Group organically grew together with the Group's business. Concurrently, the interest in inclusive finance (personal or small-and-micro enterprise) from licensed financial business and the developmental trend will exacerbate that sectorial competition and a higher standard in terms of product customization, customers' experience and etc. will be required. As a licensed internet-micro-credit institution, iMassBank will incessantly expand quality client sources and introduce fund leverages such as banks and trustees. Subject to effective risk control, the product patterns are enriched, the business scale enlarged and the profit contribution enhanced. Micro-credit finance introduces quality customer flow and gradually raises the interest rate reasonably in the form of combination of interindustry co-operations and intragroup resources.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS OUTLOOK *(Continued)*

As for the prestige benefits business, we had a focus on the value-added services provided by banks and card issuing organizations to high-end cardholders, being a long-term partner with financial institutions and an officially designated service provider of Visa, Master, American Express and China UnionPay. As an experienced banking service provider for many years, we are familiar with the benefits and rules of concession events of member loyalty program and has full procedural experience in member benefit services. After accumulation for many years, we possess a comprehensive IT system for eco-services, a sophisticated resources management platform & a merchant service platform (so that it can quickly expand and connect new benefits), a sophisticated customer service platform, a buffet platform, an afternoon tea platform, a hotel reservation platform, a hotel SPA platform, an airport/high-speed rail VIP lounge platform and a comprehensive online & offline merchant coupon code system, and all supermarket, food & beverage, entertainment, coffee and internet products may offer cash coupon and conversion coupon, which can bring diversified and customized products to the co-operative platforms. In order to meet the need of different business scenarios, with layout payment membership program and bonus point program, SaaS system for benefit services has been developed to integrate resources on the marketing platform for one-stop benefit services of internet technology + marketing platform + benefit services and in turn, to create a breakthrough as a pure role of provider, produce a full set of solution to benefit services, analyse the industrial business scenarios and come into production for establishment of an eco-system for open platform. On the other hand, we utilize our own licensed resources advantage to link to the financial services such as internet payment and consumption analysis for better use of the services to the Group's ecology. We increase the share of procured and retailed products and in turn heightens the overall profit margin of the products via reduction of the share of use rate products. Through systematic and procedural optimization, it lowers labour participation and cuts manpower costs, strengthening optimization for existing partnership to lessen business costs across new benefit products (from hotel services to new products covering card, coupon, travel & healthcare), new business model (from products supply to system product services & operational services) and new industrial customers (from credit card centre to retail bank clients and clients from other industries). We have once updated the generation of the products in benefits business and set aside some products that have low gross profit and may incur losses, preferring providing the banks with better benefit service and also ensuring our own profit margin, to purely pursuing market share; on the other hand, the peer competition has become aggravated in mainland China and, combined with in-house product strategy adjustment at the same time, we generally arrange our own products' pricing, control our procurement costs in all aspects and implement pre-online product examination model to ensure that the profit margin would rise notably higher than that of last period.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS OUTLOOK *(Continued)*

As for the merchant acquiring business in Thailand, the Group remains cost conscious through stringent cost control measures in order to improve the performance of the Group. The Group will proactively seek business opportunities that will contribute to and sustain the Group's future development in generating better return for the shareholders of the Company.

As for the 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 our core business segments.

FINANCIAL REVIEW

Revenue

The internet micro-credit services, the merchant acquiring transaction fee income and the foreign exchange rate discount income generated from merchant acquiring business in Thailand, the prepaid cards and internet payment business and the prestige benefits business all contributed to the total revenue of the Group for the Review Period. Total revenue of the Group for the Review Period amounted to approximately HK\$75 million, of which approximately HK\$9 million was attributed to the internet micro-credit business; approximately HK\$22 million was attributed to the prepaid cards and internet payment business; approximately HK\$22 million was attributed to the merchant acquiring business in Thailand; and approximately HK\$22 million was attributed to the prestige benefits business respectively.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

The Group's revenue for the Review Period was approximately HK\$75 million, representing a decrease of approximately 43% as compared to that of the corresponding period in the last year because of the significant decrease in the revenue of the prestige benefits business and merchant acquiring business.

The revenue from sales of prestige benefits card decreased mainly because the Group terminated the co-operation with a major customer, Shanghai Pudong Development Bank Co., Limited which recorded a significant decrease in issuance of prestige benefits cards because the gross profit margin was too low in regard to issuing prestige benefits cards. At the same time, the Group stopped to cooperate with some cold call centers because cold call marketing became less effective due to the PRC government's promotion and public awareness of telephone scam.

Hotel booking service income significantly decreased mainly because one of the major customers reduced their budget on credit cards loyalty points redemption and put fewer efforts to promote the redemption of loyalty point, which led to the decrease in service income. The Group did not continue the co-operation with another major customer, Shanghai Pudong Development Bank Co., Limited since August 2018. This led to a significant decrease in hotel booking service income.

As for the merchant acquiring business in Thailand, there was a decrease in MDR income and foreign exchange rate discount income by approximately HK\$8.7 million and HK\$2.3 million, respectively when comparing with that in the same period in 2018. The decrease in these two income streams was in line with the decrease in transaction value processed by the Group for the period which was mainly due to the decrease in the number of Chinese tourists to Thailand during the three months ended 30 June 2019 compared with that in the same period in the last year. The marketing and distribution service income remained insignificant to the Group's revenue for the period.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$44 million, representing a decrease of approximately 44% as compared with that recorded in the corresponding period in the last year. The cost of services rendered decreased in line with the decrease in revenue.

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$45 million, representing a decrease of approximately 26% from that of the corresponding period in the last year. The decrease was primarily attributable to a decrease in share based compensation costs, salaries, allowances and other short-term employee benefits.

Selling and Distribution Costs

The selling and distribution costs for the Relevant Period amounted to approximately HK\$4 million, representing a decrease of approximately 58% from that in the corresponding period in the last year. The decrease was mainly because the Group employed new information technology staff for development of the systems instead of outsourcing the development to the service providers and hence resulted in a decrease in the agency fee. Meanwhile, Massnet Microcredit re-started its online micro-credit business and changed the marketing strategy to fully relying on the suppliers for the promotion of their products and referral of potential borrowers.

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$7 million, representing an decrease of approximately 39% from that in the corresponding period in the last year. The decrease was mainly due to the Group completed the early redemption of convertible bonds in March 2019.

Loss for the Review Period

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$22.12 million. Basic loss per share was approximately 1.35 HK cents as compared with approximately 3.51 HK cents recorded in the corresponding period in the last year.

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

As at 30 June 2019, 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/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yan Dinggui ("Mr. Yan")	Interest in controlled corporations (Note 1)	490,019,430	29.80%
Dr. Cao Guoqi ("Dr. Cao")	Interest of controlled corporation (Note 2)	150,000	0.01%
	Beneficial owner (Note 3)	21,000,000	1.28%
	Interest of spouse (Note 4)	1,370,000	0.08%
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 ("Mr. 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. Information is extracted from the corporate substantial shareholder notices filed by Invech Holdings Limited ("**Invech**") and Bright New Vision Inc ("**BNV**") on 21 November 2018 and by 上海嘉銀金融服務有限公司 ("上海嘉銀") and Mr. Yan on 26 November 2018. According to the notices, (i) Invech acquired the 103,908,918 Shares held by Jiayin Finance Holding Group Co., Limited and the 292,880,512 Shares held by Gayang (Hong Kong) Co., Limited, and became the beneficial owner of an aggregate of 490,019,430 Shares; (ii) BNV, being the controlling shareholder of Invech, is deemed to be interested in those 490,019,430 Shares; and (iii) As Mr. Yan, an executive Director, is the ultimate controlling shareholder of 上海嘉銀, which in turn is the indirect controlling shareholder of Invech and BNV, both Mr. Yan and 上海嘉銀 are deemed to be interested in those 490,019,430 Shares held by Invech pursuant to Part XV of the SFO.
2. These 150,000 Shares were held by Probest Limited ("**Probest**") which in turn is wholly owned by Dr. Cao, an executive Director. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 150,000 Shares held by Probest pursuant to Part XV of the SFO.
3. These Shares represent the share options granted to Dr. Cao, Mr. 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 June 2019, so far as is known to any of the Directors or the chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 30 June 2019, 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, as at 30 June 2019, at no time during the Review Period was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

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

As at 30 June 2019, 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/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Zhang Chang ("Mr. Zhang")	Interest in a controlled corporation (Note 1)	170,000,000	10.34%
	Beneficial owner (Note 1)	93,090,000	5.66%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner (Note 1)	170,000,000	10.34%
Vered Capital Limited ("Vered Capital")	Person having a security interest in shares (Note 2)	260,090,000	15.82%
上海嘉銀金融服務有限公司("上海嘉銀")	Interest in a controlled corporation (Note 3)	490,019,430	29.80%
Bright New Vision Inc ("BNV")	Interest in a controlled corporation (Note 3)	490,019,430	29.80%
Invech Holdings Limited ("Invech")	Beneficial owner (Note 3)	490,019,430	29.80%
Lujiazui Finance (Hong Kong) Limited	Beneficial owner (Note 4)	114,210,000	6.95%



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

The Company *(Continued)*

Long positions in Shares (Continued)

Note:

1. Out of 263,090,000 Shares, 170,000,000 Shares were held by Sino Starlet, which in turn is wholly owned by Mr. Zhang. As Mr. Zhang 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. Information is extracted from the corporate substantial shareholder notices filed by Vered Capital on 27 July 2018. Accordingly to the notices, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang on 27 July 2018.
3. Information is extracted from the corporate substantial shareholder notices filed by Invech and BNV on 21 November 2018 and by 上海嘉銀 on 26 November 2018. According to the notices, (i) Invech acquired the 103,908,918 Shares held by Jiayin Finance Holding Group Co., Limited and the 292,880,512 Shares held by Gayang (Hong Kong) Co., Limited, and became the beneficial owner of an aggregate of 490,019,430 Shares; (ii) BNV, being the controlling shareholder of Invech, is deemed to be interested in those 490,019,430 Shares; and (iii) As 上海嘉銀 is the indirect controlling shareholder of Invech and BNV, 上海嘉銀 is deemed to be interested in those 490,019,430 Shares held by Invech pursuant to Part XV of the SFO.
4. 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.

Save as disclosed above, as at 30 June 2019, 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.



COMPETING INTERESTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

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

Besides, as part of the corporate governance practices, the Board has established a nomination committee, a remuneration committee, an audit committee, an internal control committee and a compliance committee. The Board is responsible for developing and reviewing the Group's policies and practices on corporate governance and reviewing and monitoring the training and continuous professional development of our Directors. The internal control committee is vested with the responsibility of reviewing and monitoring the training and continuous professional development of the Group's senior management 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 2019 to 30 June 2019.

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 quarterly results for the three months ended 30 June 2019 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Yan Dinggui
Executive Deputy Chairman

Hong Kong, 14 August 2019

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