

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



FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$132.98 million for the six months ended 30 September 2019. The Group's gross profit amounted to approximately HK\$59.59 million, which represented a decrease of approximately 32% as compared with the Group's gross profit recorded in the corresponding period in 2018.
- The Group reported a loss amounted to approximately HK\$44.00 million for the six months ended 30 September 2019 as compared with a loss of approximately HK\$85.82 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 September 2019 which amounted to approximately HK\$ 43.93 million (2018: approximately HK\$87.32 million).
- Loss per share for the loss attributable to equity holders of the Company for the six months ended 30 September 2019 was approximately 2.67 HK cents (2018: approximately 5.31 HK cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2019

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
	Note				
Revenue	2	57,953	152,795	132,978	285,330
Cost of services rendered		(29,059)	(118,092)	(73,392)	(197,818)
Gross profit		28,894	34,703	59,586	87,512
Other income		6,456	10,761	8,112	13,919
General administrative expenses		(57,706)	(60,715)	(96,463)	(121,261)
Selling and distribution costs		(32)	(6,416)	(4,457)	(16,944)
Finance costs	4	(9,410)	(12,388)	(16,828)	(24,634)
Fair value gain on derivative financial instruments		—	860	—	1,023
Fair value gain (loss) on financial assets at fair value through profit or loss		—	3,048	—	(19,304)
Loss on disposal of subsidiaries		—	(3,000)	—	(9,484)
Gain (loss) on disposal of equity interests in joint ventures		—	269	—	(29)
Share of results of associates		5,419	2,184	8,595	7,805

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss before tax	4	(20,379)	(30,694)	(41,455)	(81,397)
Income tax (expenses) credit	5	(1,831)	1,234	(2,543)	(4,419)
Loss for the period		(22,210)	(29,460)	(43,998)	(85,816)
Attributable to:					
Equity holders of the Company		(21,806)	(29,609)	(43,928)	(87,317)
Non-controlling interests		(404)	149	(70)	1,501
		(22,210)	(29,460)	(43,998)	(85,816)
Loss per share for loss attributable to equity holders of the Company					
Basic and diluted	6	(1.32)HK cents	(1.80)HK cents	(2.67)HK cents	(5.31)HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


For the three months and six months ended 30 September 2019

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss for the period	(22,210)	(29,460)	(43,998)	(85,816)
Other comprehensive (expenses) income				
<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	(13,658)	(3,269)	(21,035)	(17,186)
Share of other comprehensive expenses of joint ventures — exchange difference on translation	—	(459)	—	(459)
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	—	(269)	—	120
Exchange difference on translation of foreign subsidiaries	(44,676)	(73,921)	(62,019)	(19,911)
Total comprehensive expenses for the period	(80,544)	(107,378)	(127,052)	(133,715)
Total comprehensive expenses attributable to:				
Equity holders of the Company	(72,679)	(105,159)	(122,766)	(128,460)
Non-controlling interests	(7,865)	(2,219)	(4,286)	(5,255)
	(80,544)	(107,378)	(127,052)	(133,715)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
Non-current assets			
Interests in associates		208,117	223,280
Goodwill	7	477,079	505,352
Property, plant and equipment	8	44,844	45,353
Intangible assets	8	66,886	61,372
Right-of-use assets		10,145	—
Other receivables	9	60,461	75,832
Deferred tax assets		264	265
		867,796	911,454
Current assets			
Inventories		327	648
Tax recoverable		1,873	1,530
Trade and other receivables	9	362,335	402,082
Restricted funds	10	346,605	366,971
Cash and bank balances		120,944	201,034
		832,084	972,265
Current liabilities			
Trade and other payables	11	435,612	452,196
Lease liabilities		6,658	—
Tax payables		8,676	9,128
Bonds payables		314,012	371,406
		764,958	832,730



		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
Net current assets		67,126	139,535
Total assets less current liabilities		934,922	1,050,989
Non-current liabilities			
Deferred tax liabilities		10,222	8,432
Other long-term liabilities	12	6,545	6,335
Lease liabilities		3,584	—
		20,351	14,767
NET ASSETS		914,571	1,036,222
Capital and reserves			
Share capital	13	16,441	16,441
Reserves		815,108	932,473
Equity attributable to equity holders of the Company		831,549	948,914
Non-controlling interests		83,022	87,308
TOTAL EQUITY		914,571	1,036,222

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to equity holders of the Company							Non-		Total equity
	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000 (Note 14)	Accumulated losses HK\$'000	Total HK\$'000	controlling interests HK\$'000	
For the six months ended 30 September 2019										
At 1 April 2019 (Audited)	16,441	1,562,367	5,498	(45,625)	10,834	215,870	(816,471)	948,914	87,308	1,036,222
Loss for the period	-	-	-	-	-	-	(43,928)	(43,928)	(70)	(43,998)
Other comprehensive expenses:										
Item that may be reclassified subsequently to profit or loss										
Share of other comprehensive expenses of associates	-	-	-	(21,035)	-	-	-	(21,035)	-	(21,035)
Exchange difference on translation of foreign subsidiaries	-	-	-	(57,803)	-	-	-	(57,803)	(4,216)	(62,019)
Total comprehensive expenses for the period	-	-	-	(78,838)	-	-	(43,928)	(122,766)	(4,286)	(127,052)

Attributable to equity holders of the Company

	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000 (Note 14)	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Transaction with owners:										
<i>Contributions and distributions</i>										
Recognition of share-based compensation cost	-	-	-	-	-	5,401	-	5,401	-	5,401
Forfeiture of share options	-	-	-	-	-	(2,352)	2,352	-	-	-
Lapse of share options	-	-	-	-	-	(98,271)	98,271	-	-	-
	-	-	-	-	-	(95,222)	100,623	5,401	-	5,401
At 30 September 2019										
(Unaudited)	16,441	1,562,367	5,498	(124,463)	10,834	120,648	(759,776)	831,549	83,022	914,571

Attributable to equity holders of the Company

	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000 (Note 14)	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
For the six months ended 30 September 2018												
At 1 April 2018 (Audited)	16,441	1,562,367	5,498	48,494	7,336	234,837	24,965	—	(577,445)	1,322,493	79,264	1,401,757
Impact on initial application of HKFRS 9 (Note 1)	—	—	—	—	—	—	(24,965)	24,965	—	—	—	—
At 1 April 2018 (Adjusted)	16,441	1,562,367	5,498	48,494	7,336	234,837	—	24,965	(577,445)	1,322,493	79,264	1,401,757
Loss for the period	—	—	—	—	—	—	—	—	(87,317)	(87,317)	1,501	(85,816)
Other comprehensive income (expense):												
Item that will not be reclassified to profit or loss												
Fair value change on financial assets designated at fair value through other comprehensive income	—	—	—	—	—	—	—	(10,463)	—	(10,463)	—	(10,463)
Items that may be reclassified subsequently to profit or loss												
Share of other comprehensive expense of associates	—	—	—	(17,186)	—	—	—	—	—	(17,186)	—	(17,186)
Share of other comprehensive expense of joint ventures	—	—	—	(459)	—	—	—	—	—	(459)	—	(459)
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	—	—	—	120	—	—	—	—	—	120	—	120
Exchange difference on translation of foreign subsidiaries	—	—	—	(13,155)	—	—	—	—	—	(13,155)	(6,756)	(19,911)
Total comprehensive expense for the period	—	—	—	(30,630)	—	—	—	(10,463)	(87,317)	(128,460)	(5,255)	(133,715)


Attributable to equity holders of the Company

	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000 (Note 14)	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Realisation of fair value reserve upon disposal of a subsidiary							(14,502)	14,502				
Transaction with owners:												
<i>Contributions and distributions</i>												
Recognition of share-based compensation cost						9,620	—	—	—	9,620	—	9,620
Forfeiture of share options	—	—	—	—	—	(10,516)	—	—	10,516	—	—	—
Transfer to capital reserve	—	—	150	—	—	—	—	—	(150)	—	—	—
Transfer to statutory reserve	—	—	—	—	1,328	—	—	—	(1,328)	—	—	—
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	—	—	—	—	—	—	—	—	—	—	(2,430)	(2,430)
	—	—	150	—	1,328	(896)	—	—	9,038	9,620	(2,430)	7,190
At 30 September 2018 (Unaudited)	16,441	1,562,367	5,648	17,814	8,664	233,941	—	—	(641,222)	1,203,653	71,579	1,275,232

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

		Unaudited Six months ended 30 September	
	Note	2019 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES			
Cash generated from operations		14,831	20,577
Interest received		1,519	1,069
Interest paid		(17,050)	(1,976)
Income tax paid		(556)	(2,059)
Net cash (used in) from operating activities		(1,256)	17,611
INVESTING ACTIVITIES			
Additions in property, plant and equipment	8	(3,855)	(4,523)
Proceeds from disposal of property, plant and equipment		59	1,086
Additions in intangible assets		(504)	(342)
Disposal of subsidiaries		—	5,000
Purchase of principal unguaranteed funds		—	(113,850)
Proceeds from disposal of principal unguaranteed funds		—	74
Deposits on investment refunded		—	3,003
Dividend income from an associate		—	5,942
Proceeds from disposal of equity interests in a joint venture		—	8,082
Net cash used in investing activities		(4,300)	(95,528)



	Unaudited Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
FINANCING ACTIVITIES		
Repayment of bonds payables	(62,787)	—
Repayment of lease liabilities	(3,613)	—
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	—	(2,430)
Net cash used in financing activities	(66,400)	(2,430)
Net decrease in cash and cash equivalents	(71,956)	(80,347)
Cash and cash equivalents at the beginning of the reporting period	201,034	289,223
Effect on exchange rate changes	(8,134)	(23,623)
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances	120,944	185,253



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2019 (the “**Interim Financial Statements**”) are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 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, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2019 (the “**2018/2019 Annual Financial Statements**”).



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

Basis of preparation *(Continued)*

The Interim Financial Statements have been prepared on the historical costs basis and presented in Hong Kong dollars (HK\$), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim 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.

The Group has adopted the following new/revised standards, amendments and interpretations issued by the HKICPA for the first time for the condensed consolidated financial statements.

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
Amendments to HKAS 28	Investments in Associates and Joint Ventures



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

HKFRS 16 “Leases”

The Group has adopted HKFRS 16, which replaced HKAS 17, and the related consequential amendments to other HKFRSs for the six months ended 30 September 2019 which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 April 2019.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised long-term lease liabilities which had previously been classified as operating leases if appropriate. The Group did not reassess if a contract was or contained a lease at adoption. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to profit or loss in the period in which it is incurred on the basis that produces a constant periodic rate of interest on the remaining lease liability balance.

At the inception of a contract that contains a lease component, as a lessee, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone-price. The Group, as a lessee assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.



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

HKFRS 16 “Leases” *(Continued)*

The associated right-of-use assets if appropriate, were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the unaudited condensed consolidated statements of financial position immediately before the date of initial application. The right-of-use assets were recognised in the unaudited condensed consolidated statements of financial position.

Depreciation was charged to profit or loss on a straight-line basis over the shorter of the assets useful lives or over the unexpired term of lease.

Payments associated with short-term leases or leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

On adoption of HKFRS 16, the Group recognized 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\$13,615,000 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 single discount rate to a portfolio of lease with reasonably similar characteristics in Hong Kong and Thailand. The right-of-use assets of approximately HK\$13,615,000 were recognized at cost, representing the amount of initial measurement of the lease liabilities. The right-of-use assets of approximately HK\$13,615,000 are to be 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 six months ended 30 September 2019 was approximately HK\$240,000 and HK\$3,470,000 respectively.

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

Future changes in HKFRSs

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

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	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	118	40	284	138
Management fee income of prepaid cards	935	136	1,673	904
Merchant service fee income	14,650	74,064	35,948	95,750
Sales and services fee income of point of sales machines	1	4	1	571
Prestige benefits business				
Issuance income of prestige benefits cards	12,958	36,282	35,071	75,075
Hotel booking agency service income	2,279	8,062	2,432	35,622
Merchant acquiring business				
Merchant discount rate income ("MDR income")	15,758	20,233	31,927	45,145
Marketing and distribution service income	444	33	933	33

2. REVENUE *(Continued)*

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue from other sources				
Prepaid cards and internet payment business				
Interest income from accumulated unutilised float funds	—	676	—	1,230
Internet micro-credit business				
Loan interest income	6,293	7,671	15,313	18,087
Merchant acquiring business				
Foreign exchange rate discount income	4,517	5,594	9,396	12,775
	57,953	152,795	132,978	285,330



3. SEGMENT REPORTING

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

- (i) prepaid cards and internet payment business in the People's Republic of China (the "**PRC**");
- (ii) prestige benefits business in the PRC;
- (iii) internet micro-credit business in the PRC;
- (iv) merchant acquiring business in Thailand; and
- (v) securities investment business in Hong Kong.

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

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

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

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

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 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
Major customer A	—	27,565	—	—	—	27,565
Other customers	37,906	9,938	15,313	42,256	—	105,413
Segment revenue	37,906	37,503	15,313	42,256	—	132,978
Segment results	(21,282)	9,521	836	3,161	—	(7,764)
Unallocated other income						8,112
Unallocated finance costs						(16,828)
Unallocated other expenses and losses						(33,570)
Share of results of associates						8,595
Loss before tax						(41,455)
Income tax expenses						(2,543)
Loss for the period						(43,998)

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 2018 (Unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Securities investment business HK\$'000	Consolidated HK\$'000
Major customer A	—	55,533	—	—	—	55,533
Major customer B	—	36,649	—	—	—	36,649
Other customers	98,593	18,515	18,087	57,953	—	193,148
Segment revenue	98,593	110,697	18,087	57,953	—	285,330
Segment results	1,426	(7,833)	1,298	5,926	(19,304)	(18,487)
Unallocated other income						13,919
Unallocated finance costs						(24,634)
Unallocated other expenses and losses						(51,510)
Fair value gain on derivative financial instruments						1,023
Loss on disposal of a subsidiary						(9,484)
Loss on disposal of equity interest in a joint venture						(29)
Share of results of associates						7,805
Loss before tax						(81,397)
Income tax expenses						(4,419)
Loss for the period						(85,816)

3. SEGMENT REPORTING (Continued)

Segment assets and liabilities

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

At 30 September 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	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	27,624	105	3,032	13,409	674	44,844
Intangible assets	15,407	3,546	31,154	16,779	—	66,886
Goodwill	409,226	67,853	—	—	—	477,079
Other assets	655,884	50,059	286,153	81,099	37,816	1,111,071
Total assets	1,108,141	121,563	320,339	111,287	38,550	1,699,880
Total liabilities	345,995	27,146	13,635	27,016	371,517	785,309

At 31 March 2019 (Audited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Internet micro-credit business HK\$'000	Merchant acquiring business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	30,662	166	2,490	11,809	226	45,353
Intangible assets	16,839	11,848	31,444	1,241	—	61,372
Goodwill	437,499	67,853	—	—	—	505,352
Other assets	678,922	67,816	325,390	78,768	120,746	1,271,642
Total assets	1,163,922	147,683	359,324	91,818	120,972	1,883,719
Total liabilities	359,962	44,157	7,143	53,656	382,579	847,497

4. LOSS BEFORE TAX

This is stated after charging:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Finance costs				
Effective interest on convertible bonds	—	3,343	—	6,686
Finance costs on other long-term liabilities	150	44	307	88
Interest on bonds	9,138	9,001	16,281	17,860
Finance costs on lease liabilities	122	—	240	—
	9,410	12,388	16,828	24,634
Other items				
Amortisation of intangible assets	4,062	4,238	9,333	8,232
Depreciation of property, plant and equipment	3,273	2,776	5,361	5,257
Depreciation of right-of-use assets	2,094	—	3,470	—
Operating lease charges on premises	252	3,387	806	6,572
Loss on disposal of property, plant and equipment	21	113	21	113
Loss allowance on loan receivables	2,024	22,932	3,760	24,249
Staff costs, including directors' emoluments and share-based compensation cost	29,489	30,713	49,455	62,525
Share-based compensation cost to service providers	—	411	—	836
Spin-off expenses (Note)	—	5,226	—	6,224

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

5. TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Current tax				
PRC Enterprise Income Tax	(1,002)	(3,586)	(599)	(1,876)
Thailand Enterprise Income Tax	268	440	577	1,029
Withholding tax on dividends declared by a foreign subsidiary	202	—	202	—
	(532)	(3,146)	180	(847)
Deferred tax				
Utilisation of tax losses previously recognised	20	29	20	55
Origination and reversal of temporary difference	2,343	1,883	2,343	5,211
	2,363	1,912	2,363	5,266
Income tax expenses (credit) for the period	1,831	(1,234)	2,543	4,419

- Hong Kong Profits Tax**

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



5. TAXATION (Continued)

- **Income taxes outside Hong Kong**

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

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

The Group’s operation in Thailand is subject to Thailand income tax at 20% (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 corporation tax ranged from 10% to 22% (2018: 10% to 22%).

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

* *English translation for identification purpose only.*

6. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2019 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$21,806,000 and approximately HK\$43,928,000 respectively (2018: approximately HK\$29,609,000 and approximately HK\$87,317,000 respectively), and on the weighted average number of 1,644,188,693 ordinary shares (2018: 1,644,188,693 ordinary shares) in issue respectively.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and six months ended 30 September 2019 and 2018.

7. GOODWILL

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	505,352	633,130
Impairment loss	—	(95,853)
Exchange realignments	(28,273)	(31,925)
At the end of the reporting period	477,079	505,352
Cost	647,508	675,781
Accumulated impairment losses	(170,429)	(170,429)
	477,079	505,352



8. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the six months ended 30 September 2019, the Group had:

- (i) spent approximately HK\$3,855,000 (2018: approximately HK\$4,523,000) and approximately HK\$15,690,000 (2018: approximately HK\$342,000) on additions to property, plant and equipment and intangible assets, which was mainly for enhancing the Group's internally developed acquired host system and payment network system, respectively;
- (ii) disposed approximately HK\$389,000 (2018: approximately HK\$1,450,000) and Nil (2018: Nil) of the property, plant and equipment and intangible assets, respectively; and
- (iii) not written off any of the intangible assets (2018: Nil).

9. TRADE AND OTHER RECEIVABLES

		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
Trade receivables from third parties		87,542	111,263
Less: Loss allowance		(8,933)	(9,534)
	<i>(a)</i>	78,609	101,729
Loan receivables			
Loan and interest receivables from independent third parties		225,841	250,062
Less: Loss allowance		(3,182)	(37,515)
	<i>(b)</i>	222,659	212,547
Other receivables			
Deposits on investments	<i>(c)</i>	60,461	64,196
Deposits paid for acquisition of intangible assets		—	11,636
Deposits paid to merchants	<i>(d)</i>	17,231	18,599
Deposits, prepayments and other debtors	<i>(e)</i>	32,843	57,535
Due from an associate	<i>(f)</i>	10,993	11,672
		121,528	163,638
		422,796	477,914
<i>Analysed by:</i>			
Non-current		60,461	75,832
Current		362,335	402,082
		422,796	477,914

9. TRADE AND OTHER RECEIVABLES (Continued)

9(a) Trade and bills receivables

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

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Less than 1 month	24,717	49,737
1 month to 3 months	6,227	5,563
3 months to 6 months	6,390	6,010
Over 6 months	41,275	40,419
	78,609	101,729

9(b) Loan receivables

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

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Less than 1 month	64,965	57,821
1 month to 3 months	68,416	59,709
3 months to 6 months	70,477	61,404
Over 6 months	18,801	33,613
	222,659	212,547

At 30 September 2019, loan receivables

- (i) are unsecured (31 March 2019: unsecured);
- (ii) carry interest rates ranging from 6.03% to 24% per annum (31 March 2019: 6.03% to 24% per annum); and
- (iii) have contractual loan period between 3 months to 12 months (31 March 2019: 3 months to 12 months).

9. TRADE AND OTHER RECEIVABLES *(Continued)*

9(c) Deposits on investments

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Deposits on acquisition of the remaining interest in Open Union	57,163	60,694
Deposits on potential investments in equity interest in other entities	3,298	3,502
	60,461	64,196

9(d) Deposits paid to merchants

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

9. TRADE AND OTHER RECEIVABLES (Continued)

9(e) Deposits, prepayments and other debtors

		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
Funds prepaid to merchants	(i)	1,098	1,919
Receivables from a service provider	(ii)	696	417
Other deposits, prepayments and other debtors		30,873	55,012
Trade deposits and prepayments		176	187
		32,843	57,535

Note:

- (i) The amounts represented funds remitted to the merchants in advance for the settlement of the spending to be made by the prepaid cards' holders and internet payment accounts' holders. The prepaid amounts are based on the historical spending pattern and expected transaction value with individual merchants.
- (ii) The amounts represented other receivables from a service provider of Massnet Microcredit for guarantee provided on certain loan receivables of the Group as mentioned in Note 9(b) to the Interim Financial Statements. The amounts are unsecured, interest-free and repayable on demand.

9(f) Due from an associate

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

10. RESTRICTED FUNDS

		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
Bank deposits:			
Thailand	(a)	2,733	1,858
The PRC	(b)	343,872	365,113
		346,605	366,971

10(a) Thailand

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

10(b) The PRC

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders/internet payment accounts’ holders make purchase transactions with respective merchants and are not allowed to be used by the Group for any other purpose. The deposits are denominated in RMB and represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 2.3% to 2.5% (31 March 2019: 2.3% to 2.5%) per annum.

11. TRADE AND OTHER PAYABLES

		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
Trade payables	<i>(a)</i>	20,917	87,885
Prestige benefits cards — provision of hotel and catering expenses		8,245	10,256
Unutilised float funds	<i>(b)</i>	344,826	303,362
		373,988	401,503
Other payables			
Accruals and other payables		2,184	40,356
Due to ex-shareholder of a subsidiary	<i>(c)</i>	—	861
Due to a director	<i>(c)</i>	—	3,502
Due to an associate	<i>(c)</i>	680	722
Due to related companies	<i>(d)</i>	58,760	5,252
		61,624	50,693
		435,612	452,196

11. TRADE AND OTHER PAYABLES (Continued)

11(a) Trade payables

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

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Less than 1 month	16,070	77,101
1 month to 3 months	3,501	3,001
Over 3 months	1,346	7,783
	20,917	87,885

11(b) Unutilised float funds

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

11(c) Due to ex-shareholder of a subsidiary/a director/an associate

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

11(d) Due to related companies

The amounts due are unsecured, interest-free and repayable on demand. The related companies are controlled by a director, Mr. Yan Dingui.

12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent the preference shares issued by Oriental City Group (Thailand) Company Limited (“**OCG Thailand**”).

At 30 September 2019, the Group had an outstanding amount due to a non-controlling shareholder of Baht25,500,000 (equivalent to approximately HK\$6,545,000) (31 March 2019: Baht25,550,000 (equivalent to approximately HK\$6,335,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum (31 March 2019: 9.5% per annum), with an accrued dividend payable of approximately Baht1,215,000 (equivalent to approximately HK\$312,000) (31 March 2019: Nil) as included in “Accruals and other payables”.

13. SHARE CAPITAL

	Unaudited At 30 September 2019		Audited At 31 March 2019	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid At the beginning and the end of the reporting period	1,644,188,693	16,441	1,644,188,693	16,441



14. SHARE OPTION SCHEME

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

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

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

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

14. SHARE OPTION SCHEME (Continued)

Pursuant to an ordinary resolution passed in Annual General Meeting (“AGM”) on 15 September 2017, the refreshment of the 30% of the shares in issue from time to time (the “Refreshment”) was proposed and passed by shareholders. The total number of the shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 30% of the issued share capital of the Company.

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

	Note	Number of share options
At 31 March 2019		255,480,000
Forfeited during the period	(i)	(1,400,000)
Lapsed during the period	(ii)	(63,400,000)
At 30 September 2019		190,680,000

Note:

- (i) Upon the resignation of Dr. Zhou Jinhuang (“Dr. Zhou”), an independent non-executive director, on 21 August 2019, options of 1,400,000 shares granted to Dr. Zhou to subscribe the Company’s ordinary shares at an exercise price HK\$1.68 were forfeited.
- (ii) Upon the expiry of the validity period on 21 September 2019, 30,500,000 share options granted to the Group’s employees and 32,900,000 share options granted to the Group’s service providers, to subscribe the Company’s ordinary shares at an exercise price of HK\$1.55 per share were lapsed.

During the six months ended 30 September 2019, with reference to the fair value of the share options granted, the Group recognised approximately HK\$5,401,000 (2018: approximately HK\$9,620,000) as the share-based compensation cost.

15. COMMITMENTS

Capital expenditure commitments

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Contracted but not provided for, net of deposits paid:		
— Acquisition of equity interests in associates	13,192	14,006
— Development expenditure of intangible assets in respect of further developing the acquiring host system and extending the payment processing services to cover other payment network associations	—	3,985
	13,192	17,991



16. OTHER AND SUBSEQUENT EVENTS

On 29 October 2019, Oriental Payment Group Holdings Limited (“**OPG**”) entered into two share purchase agreements with two vendors respectively pursuant to which OPG conditionally agreed to acquire, and the two vendors conditionally agreed to sell, an aggregate of 33% of the entire issued share capital of the target company at a total consideration of HK\$2,200,000 subject to the terms and conditions of the share purchase agreements.

On the same date, OPG, the two vendors and the target company entered into a shareholders’ agreement to set out the detail of, among other matters, the management of the target company and the relationship among the shareholders of the target company, in accordance with the terms of the share purchase agreements. The target company is engaged in, including but not limited to, the business of development of e-commerce applications, specifically for online alternative payment and settlement.

17. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 14 November 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Smartpay Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) have been engaged in the following businesses during the six months ended 30 September 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 People’s Republic of China (the “**PRC**” or “**China**”). It has always been the Group’s intention to provide its users 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 the 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, therefore the payment industry will keep growing up to a certain extent and go on developing rapidly.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

As for the 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 sectors and on internet platforms. As to the industry ahead, there will be more service targets and larger market scale.

The Group is fully promoting further development of the 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. The 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

Regarding the 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 & 積分商城 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 got accustomed in utilizing the third party payment method for 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 people. On the other hand, Central Bank issued a series of significant regulatory measures against the third party payment industry, which will speed up its restructuring and will be a mix of challenges and opportunities for the payment companies in compliance with the requirements. The payment companies which develop within the criteria will embrace the 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 frequently visit 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 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, Massnet Microcredit Company (Chongqing) Limited (“**Massnet Microcredit**”) 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, Massnet Microcredit 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 focused on the value-added services provided by banks and card issuing organizations to high-end cardholders, and 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, strengthens 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 with low gross profit which may incur losses, providing the banks with better benefit service and also ensuring our own profit margin to purely pursue market share; on the other hand, the peer competition has become aggravated in 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 Group's revenue for the Review Period was approximately HK\$133 million, representing a decrease of approximately 53% 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 prepaid cards and internet payment 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.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

The significant decrease in the revenue of prepaid cards during the Review Period was due to the ongoing effects of prepaid cards policy in mainland China led to a decrease of 30% in the value of prepaid cards issued from the corresponding period in the last year, which directly affected the merchant service fee income of prepaid cards. Most importantly, the original provision deposit revenue became nil upon the centralised depository of provisions, resulting in a significant decrease in the revenue of prepaid cards.

As for the merchant acquiring business in Thailand, there was a decrease in MDR income and foreign exchange rate discount income by approximately HK\$13.2 million and HK\$3.4 million, respectively when comparing with that in the same period in the last year. The decrease in these two income streams was in line with the decrease in transaction value processed by the Group for the Review Period which was mainly due to the decrease in the number of Chinese tourists to Thailand during the Review Period 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 Review Period.

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$73 million, representing a decrease of approximately 63% 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\$96 million, representing a decrease of approximately 20% 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 Review Period amounted to approximately HK\$4 million, representing a decrease of approximately 74% from that in the corresponding period in the last year. The decrease was mainly because the Group employed new information technology staff for the 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$17 million, representing a decrease of approximately 32% from that in the corresponding period in the last year. The decrease was mainly because 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\$43.93 million. Basic loss per share was approximately 2.67 HK cents as compared with approximately 5.31 HK cents recorded in the corresponding period in the last year.

Liquidity and Financial Resources

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

On 29 July 2016, the Company entered into a subscription agreement with the subscribers to subscribe for the bonds in the aggregate principal amount of US\$32,000,000 (equivalent to approximately HK\$248,000,000) which are due on 1 August 2019 (the bonds bear interest at a rate of 9% per annum).

On 2 August 2016, the Company entered into a further subscription agreement with the subscribers to subscribe for the further bonds in the aggregate principal amount of US\$16,000,000 (equivalent to approximately HK\$124,000,000) which are due on 4 August 2019 (the further bonds bear interest at a rate of 9% per annum). The subscriptions of the further bonds were completed on 4 August 2016. On 6 August 2019, the Company obtained consent in writing from each of the subscribers, by way of, among others, letters of consent signed by each of the subscribers, to extend the maturity date 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).

For details of the subscriptions of the bonds and further bonds as well as the extension of the maturity date of the bonds, please refer to the announcements published by the Company dated 31 July 2016, 2 August 2016, 12 August 2016 and 6 August 2019.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

On 30 September 2019, the Group's other long-term borrowings amounted to approximately Baht25,500,000 (equivalent to approximately HK\$6,545,000) (31 March 2019: approximately Baht25,500,000 (equivalent to approximately HK\$6,335,000)) due to a non-controlling shareholder, represented the issued and paid up preference share capital of Oriental City Group (Thailand) Company Limited ("**OCG Thailand**"), which carries cumulative dividend at 9.5% per annum (31 March 2019: 9.5% per annum) and such dividend was recorded as finance costs.

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, at 30 September 2019 and 31 March 2019 were approximately 18.5% and 19.7% respectively.

As at 30 September 2019, the Group had net current assets of approximately HK\$67.13 million (31 March 2019: HK\$139.54 million). The current ratio as at 30 September 2019 was 1.09 (31 March 2019: 1.17). The cash and cash equivalents of the Group as at 30 September 2019 were approximately HK\$120.94 million (31 March 2018: approximately HK\$201.03 million).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with the majority of business transactions being denominated and settled in Hong Kong dollars ("**HK\$**"), Renminbi ("**RMB**") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars ("**US\$**"). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 30 September 2019, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$200,000 (equivalent to approximately HK\$1,600,000) (31 March 2019: US\$5,400,000 (equivalent to approximately HK\$42,386,000)). The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 September 2019.



EMPLOYEES AND REMUNERATION POLICY

At at 30 September 2019, the Group had a total staff of 352 (31 March 2019: 389) of whom 23 (31 March 2019: 20) were based in Hong Kong, 310 (31 March 2019: 351) were based in the PRC, 18 (31 March 2019: 17) were based in Thailand, 1 (31 March 2019: 1) was based in Singapore. For the Review Period, the total staff costs, including key management's remuneration, amounted to approximately HK\$49,455,000 (30 September 2018: approximately HK\$62,525,000). The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

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

SEGMENT INFORMATION

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

CHARGES ON ASSETS

As at 30 September 2019, the Group did not have any charges on assets.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any significant contingent liabilities.

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

As at 30 September 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	Number of Shares	Percentage of shareholding
Mr. Yan Dinggui (“Mr. Yan”)	Interest in controlled corporations (Note 1)	490,019,430	29.80%
Dr. Cao Guoqi (“Dr. Cao”)	Interest in a controlled corporation (Note 2)	150,000	0.01%
	Beneficial owner (Note 3)	21,000,000	1.28%
	Interest of spouse (Note 4)	1,370,000	0.08%
Mr. 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%



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 and Mr. Song pursuant to the Company's share option scheme. Accordingly pursuant to Part XV of the SFO, they are taken to be interested in the underlying shares of the Company that they are entitled to subscribe for subject to the exercise of the share options granted.
4. These 1,370,000 Shares were held by Ms. Zheng Lu who is the wife of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu pursuant to Part XV of the SFO.



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

(b) Associated corporations

Save as disclosed above, as at 30 September 2019, so far as is known to any of the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

As at 30 September 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	Number of Shares	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")	Beneficial owner (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)*

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.



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

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEME

(a) The Company

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

SHARE OPTION SCHEME (Continued)

(a) The Company (Continued)

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

Grantees	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant	Options outstanding as at 1 April 2019	Options granted since 1 April 2019	Options exercised since 1 April 2019	Options forfeited since 1 April 2019	Options outstanding as at 30 September 2019
Directors, chief executives and substantial shareholders								
Mr. Zhang	21 April 2015 (Note 2)	2.22	2.20	20,000,000	—	—	—	20,000,000
	1 September 2016 (Note 3)	1.68	1.68	5,000,000	—	—	—	5,000,000
Dr. Cao	21 April 2015 (Note 2)	2.22	2.20	5,000,000	—	—	—	5,000,000
	1 September 2016 (Note 3)	1.68	1.68	10,000,000	—	—	—	10,000,000
Mr. Song	21 April 2015 (Note 2)	2.22	2.20	5,000,000	—	—	—	5,000,000
Dr. Zhou (resigned on 21 August 2019)	1 September 2016 (Note 3)	1.68	1.68	1,400,000	—	—	(1,400,000)	—
Employees and senior and management								
	22 September 2014 (Note 1)	1.55	1.40	30,500,000	—	—	(30,500,000)	—
	21 April 2015 (Note 2)	2.22	2.20	15,000,000	—	—	—	15,000,000
	1 September 2016 (Note 3)	1.68	1.68	77,000,000	—	—	—	77,000,000
Others	22 September 2014 (Note 1)	1.55	1.40	32,900,000	—	—	(32,900,000)	—
	21 April 2015 (Note 2)	2.22	2.20	53,680,000	—	—	—	53,680,000
				255,480,000	—	—	(64,800,000)	190,680,000



SHARE OPTION SCHEME (Continued)

(a) The Company (Continued)

Notes:

1. 72,000,000 of the share options have been vested on the date of grant and exercisable from 22 September 2014 to 21 September 2019, both dates inclusive.

All share options have been lapsed on 22 September 2019.

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

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

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


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

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

(b) Subsidiary of the Company

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

No share option has been granted since the adoption of the OPG Share Option Scheme and there was no share option outstanding as at 30 September 2019.



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

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


PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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 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, the execution of business strategies and initiatives adopted by the Board, the implementation of adequate internal control systems and risk management procedures, and the compliance with relevant statutory requirements and rules and regulations. During the Review Period, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules.

Besides, as a 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 the CG Code 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 enquiries to all Directors, the Company was 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 September 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 to provide advice, comments thereon to the Board and (ii) to review and supervise the financial reporting process, risk management and internal control system of the Group.

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

Hong Kong, 14 November 2019

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