中國支付通

China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

2022
Annual Report

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

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*This report, for which the directors (the "**Directors**") of 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 (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.*

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhang Xi *(Chairman)*
Mr. Wu Hao
Mr. Lin Xiaofeng
Mr. Song Xiangping

Independent Non-executive Directors

Dr. Yuan Shumin
Mr. Wang Yiming
Mr. Lu Dongcheng

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Cayman Islands

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JOINT COMPANY SECRETARIES

Mr. Tang Wai Leung, FCPA
Mr. Shiu Shu Ming

COMPLIANCE OFFICERS

Dr. Yuan Shumin
Mr. Lin Xiaofeng

AUDIT COMMITTEE

Dr. Yuan Shumin *(Chairman)*
Mr. Wang Yiming
Mr. Lu Dongcheng

REMUNERATION COMMITTEE

Dr. Yuan Shumin *(Chairman)*
Mr. Wang Yiming
Mr. Lu Dongcheng

NOMINATION COMMITTEE

Mr. Lu Dongcheng *(Chairman)*
Mr. Wang Yiming
Dr. Yuan Shumin

INTERNAL CONTROL COMMITTEE

Dr. Yuan Shumin *(Chairman)*
Mr. Wang Yiming
Mr. Lu Dongcheng

COMPLIANCE COMMITTEE

Mr. Lin Xiaofeng *(Chairman)*
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin

AUTHORISED REPRESENTATIVES

Mr. Lin Xiaofeng
Mr. Shiu Shu Ming

COMPANY WEBSITE

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Corporate Information

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PRINCIPAL BANKERS

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Bank of Communications Co., Limited
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Chairman's Statement

To all shareholders,

I hereby present the annual report of China Smartpay Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 March 2022 (the "**Reporting Period**") to the shareholders of the Company.

For the Reporting Period, we recorded a net loss of approximately HK$86.79 million. The loss was due to factors such as (i) discontinued operating loss of approximately HK$33.38 million of a subsidiary, Oriental Payment Group Holdings Limited; (ii) interest expenses related to our bonds of approximately HK$18.33 million; and (iii) impairment loss on trade and other receivables and loan receivables approximately HK$12.00 million and HK$8.88 million respectively; (iv) the adverse impact on the Group's overall business performance and financial results caused by the outbreak of the COVID-19 pandemic.

We will strengthen our business infrastructure, implement system reconstruction, focus on internal operation management, and strictly control various costs and expenses. In relation to payment platform and independently developed payment transaction system, the payment risk-control management system, coverage of merchant onboarding, risk assessment and approval, concurrent transaction monitoring and other payment processes will be optimised. In respect of the prestige benefits business, the back-office IT systems will be restructured to meet business needs, including resources management system, appointment management system, merchant verification system, commodity item management system, sales management system and membership management system.

In May 2021, the Group has successfully renewed the license from People's Bank of China for national internet payment and prepaid card service for another period of five years, thanks to the unwavering focus from the management in overhauling the Company's compliance system following an incident occurred in 2019. In order to build a more resilient operation system in line with regulatory requirements, the focus of this business unit among other competing operational priorities in the Reporting Period was to roll out the upgraded procedures and to monitor the execution effectively, as well as to conduct internal trainings. At the same time, the Company expanded the risk management system and internal audit procedures to capture early signs of potential loopholes in anti-money laundering.

During the Reporting Period, the Group has implemented more stringent cost saving measures in order to reduce the expenditure to a more reasonable and justifiable level. The Group will stay alert to the development and situation of the COVID-19 pandemic, continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to maintain the stability of the businesses. The Group will keep proactive to seek business opportunities that will contribute and sustain the Group's future development in generating better return to the shareholders.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, investors, and customers for their strong support.

Zhang Xi
Chairman

Hong Kong, 19 August 2022

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

China Smartpay Group Holdings Limited (the "**Company**" or "**We**") and its subsidiaries (collectively referred to as 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 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 one hand, and provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand. As one of the limited national prepaid card enterprises, we 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.

The Group embarked upon a forward-looking business exploration to embrace the new consumption trends and emerging retail models brought about by the internet and mobile applications as well as the recurring waves and outbreaks of the coronavirus disease 2019 ("**COVID-19**"). Leveraging the nationwide point-of-sales, the Group expanded its prepaid card business model from signing individual merchants and companies at regional level to entering into nationwide partnership with major commercial and retirement real estate developers, which not only buttressed robust business growth but also opened up avenues for consumer-oriented payment business.

In May 2021, the People's Bank of China (the "**PBOC**") further extended the license for national internet payment and prepaid card service for another five years. With this cornerstone set and unwavering efforts made to recover business from the COVID-19 pandemic, the Group achieved a promising growth of approximately 447% for its prepaid card and internet payment business during the reporting year. The prepaid card business expanded to 15 provinces collaborating with over 1,600 merchants and 11 retail real estate developers, while the internet payment business signed 196 new merchants. Furthermore, new business opportunities such as payment services for the digital currency electronic payment ("**E-CNY**") are on the horizon. Since the financial year of 2021-22, the Group has become a working partner of the Digital Currency Research Institute of the PBOC. Focusing on our own sector and the existing business scenarios of different partners, we have established a dedicated E-CNY team and have proactively been exploring pilot programmes by collaborating with a number of E-CNY operators to propel related launches in Hainan and the Guangdong-Hong Kong-Macau Greater Bay Area. Nonetheless, due to the every so often COVID control measures, the prestige benefits business hinged much on social leisure activities has yet to get recovered.

On 15 August 2021, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") (as amended and supplemented by the supplemental agreement dated 30 November 2021 (the "**Supplemental Agreement**")) with Mr. Lu Linmin (盧林銘) (the "**First Vendor**"), Xi'an Jurui Real Estate Co., Ltd.* (西安聚瑞置業有限公司) (the "**Second Vendor**") (a company incorporated in the PRC with limited liability) (collectively referred to as the "**Vendors**") and Mr. Chen Xi as the guarantor to the Second Vendor (the "**Guarantor**"), pursuant to which the Company has conditionally agreed to acquire 35% of the total equity interest in Fujian Medical Union Health Care Information Technology Co., Limited ("**Fujian Medical**")* (福建醫聯康護信息技術有限公司), a company incorporated in the PRC with limited liability, at the consideration of RMB150,500,000 (equivalent to approximately HK$180,796,000), which shall be satisfied by way of allotment and issue of a total of 903,979,914 new shares of the Company at the issue price of HK$0.2 per share of the Company to the Vendors (or their respective nominee(s)) under the specific mandate to be obtained by the Board at an extraordinary general meeting to be convened by the Company on 19 November 2021 (the "**Acquisition**").

** English translation for identification purpose only*

Fujian Medical is a company established in the PRC with limited liability and, together with its subsidiaries, is principally engaged in the provision of health and medical services related information technology solutions and smart terminal devices, utilising digitalisation and artificial intelligence technology. Its customers and business partners include but not limited to hospitals, medical institutions, healthcare institutions, universities, medical colleges and financial institutions.

The Group has been exploring new opportunities to diversify its business as well as to broaden its revenue sources. The application of information technology solutions and smart terminal devices in the health and medical fields have strong growth and development potential. The Acquisition will enable the Group to expand its business scope, increase its profitability and bring more considerable returns to its shareholders.

Relevant resolutions approving, among others, the Acquisition were duly passed by the shareholders of the Company at the extraordinary general meeting held on 19 November 2021.

On 31 December 2021, the Company, the Vendors and the Guarantor entered into a second supplemental deed (the "**2nd Supplemental Deed**") to the Sale and Purchase Agreement (as amended and supplemented by the Supplemental Agreement). Pursuant to the 2nd Supplemental Deed, due to the impracticability of satisfying the condition(s) precedent under the Sale and Purchase Agreement by the First Vendor, the First Vendor and the Company agreed to terminate the acquisition of 15% equity interest in Fujian Medical from the First Vendor in accordance with the terms of the Sale and Purchase Agreement.

On 28 February 2022, the Company, the First Vendor and the Second Vendor, and the Guarantor entered into the third supplemental agreement (the "**3rd Supplemental Agreement**") to the Sale and Purchase Agreement, whereby the Company, the First Vendor and the Second Vendor, and the Guarantor agreed to amend the long stop date by further extending it from 28 February 2022 to 30 April 2022 or such other date may agree in writing pursuant to the 3rd Supplemental Agreement.

On 30 April 2022 and in accordance with the Sale and Purchase Agreement, the Parties (except for the First Vendor) entered into a termination agreement, pursuant to which the Company, being the innocent party, terminated the 20% Acquisition under the Sale and Purchase Agreement and all contents therein, and the Parties (except for the First Vendor) agreed that the respective rights and obligations of the Parties (except for the First Vendor) under the Sale and Purchase Agreement were terminated and ceased to have any force with immediate effect and none of the Parties (except for the First Vendor) shall be liable to pay for any compensation to the other party as a result thereof.

For details, please refer to the announcements of the Company on 15 August 2021, 30 November 2021, 31 December 2021, 28 February 2022, 30 April 2022 and the circular on 26 October 2021.

On 31 January 2022, Oriental Payment Group Holdings Limited ("**OPG**", together with its subsidiaries, the "**OPG Group**") entered into a subscription agreement with a subscriber, namely Mr. Tsang Chi Kit (the "**Subscriber**"), pursuant to which OPG has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for a total of 200,000,000 new ordinary shares of OPG (the "**Subscription Shares**"), representing 20% of the total issued share capital of OPG as at the date of its annual general meeting held on 31 August 2021 (the "**OPG AGM**"), at a subscription price of HK$0.078 per Subscription Share (the "**Subscription**"). The Subscription Shares will be allotted and issued by OPG to the Subscriber under the general mandate granted to the OPG directors to allot, issue and otherwise deal with up to 20% of the total number of the issued OPG shares as at the date of OPG AGM. For details, please refer to the joint announcement of the Company and OPG dated 31 January 2022.

On 22 February 2022, the Subscription was completed and the shareholding interest of the Company in OPG diluted from 32.5% to approximately 27.08%, representing a decrease of approximately 5.42% of the total issued share capital of OPG. Accordingly, such dilution of shareholding interest of the Company in OPG immediately after the completion of the Subscription is deemed as a disposal by the Company of its shareholding interest in OPG. OPG ceased to be a subsidiary of the Company, and the financial results and financial positions of OPG Group will no longer be consolidated into the consolidated financial statements of the Group.

Management Discussion and Analysis

On 3 February 2022, the Group entered into a placing agreement with SBI China Capital Financial Services Limited (the "**Placing Agent**"), pursuant to which the Group agreed to place through the Placing Agent up to a maximum of 325,000,000 OPG shares (the "**Placing Share(s)**") to not less than six placees at the placing price of HK$0.078 per Placing Share on a best effort basis (the "**Placing**").

On 2 March 2022, all 325,000,000 Placing Shares have been successfully placed by the Placing Agent, the shareholding in OPG reduced from 27.08% to 0%, whereupon the Group will no longer own any equity interests in OPG. For details, please refer to the announcements of the Company dated 4 February 2022 and 2 March 2022.

The Group will stay alert to the development and situation of the COVID-19 pandemic, continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to maintain the stability of the businesses. The Group will also continue to closely monitor the market conditions and adjust the Group's business strategies to cope with the fluctuations in the transaction value derived from its merchant network as well as to explore and identify any other potential investment opportunities from time to time.

FINANCIAL REVIEW (CONTINUING AND DISCONTINUED OPERATIONS)

Revenue

The prepaid cards and internet payment business, the prestige benefits business and the merchant acquiring business in Thailand all contributed to the total revenue of the Group for the Reporting Period. Total revenue of the Group for the Reporting Period amounted to approximately HK$189 million *(2021: approximately HK$83 million)*, of which approximately HK$184 million *(2021: approximately HK$34 million)* was attributed to the prepaid cards and internet payment business; approximately HK$2 million *(2021: approximately HK$22 million)* was attributed to the prestige benefits business; approximately HK$3 million *(2021: approximately HK$12 million)* was attributed to the merchant acquiring business in Thailand; and no revenue *(2021: approximately HK$15 million)* was attributed to the interest micro-credit business respectively.

The Group's revenue for the Reporting Period was approximately HK$189 million, representing an increase of approximately 128% as compared with that of the previous financial year, which is closely related to the adjustment of the Group's business strategy. Due to the serious impact of COVID-19 pandemic on the Group's business continuously, especially the significant decline in the prestige benefits business, the Group timely adjusted its internal resources to completely support the development of prepaid cards and internet business, as well as expanding to the key and large-scale merchants. Therefore, the revenue of prepaid card and internet payment business achieved a significant increase. Since the Group expanded its prepaid card business model from signing individual merchants and companies at regional level to entering into nationwide partnership with major commercial and retirement real estate developers, which not only buttressed robust business growth but also opened up avenues for consumer-oriented payment business.

As for the merchant acquiring business in Thailand, there was a decrease in the merchant discount rate income (the "**MDR income**") and foreign exchange rate discount income by approximately HK$8 million and HK$2 million, respectively when comparing with that recorded in the previous financial year. The decrease in these two income streams was primarily due to the decrease in the transaction volume via UnionPay processed by the Group for the Reporting Period as compared with that of the previous financial year as a result of the uncertainties of the overall Chinese tourists' spending sentiments in Thailand, the challenges brought by Alipay as well as WeChat Pay, and the outbreak of the COVID-19 pandemic leading to the suspension of Chinese tour groups to Thailand.

Cost of Services Rendered

Total cost of services rendered amounted to approximately HK$135 million, representing an increase of approximately 238% as compared with that recorded in the previous financial year. The cost of services rendered increased in line with the increase in revenue of the prepaid cards and internet payment business.

General Administrative Expenses

The general administrative expenses of the Group for the Reporting Period were approximately HK$96 million, representing a decrease of approximately 14% from that recorded in the previous financial year. The Group enhanced the control of the overall general administrative expenses under the effect of the COVID-19.

Selling and Distribution Costs

The selling and distribution costs for the Reporting Period amounted to approximately HK$30 million, representing an increase of approximately 58% from that recorded in the previous financial year. The increase was mainly due to the Group has been exploring the prepaid cards and internet payment business as mentioned in the Business Review and Outlook section above.

Finance Costs

The finance costs for the Reporting Period amounted to approximately HK$30 million, representing a decrease of approximately 9% from that in the previous financial year. The decrease was mainly due to the decrease of the principal of the bond payables.

Loss for the Year

During the Reporting Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK$68 million. Basic loss per share was approximately 2.98 HK cents as compared with approximately 5.73 HK cents that recorded in the previous financial year.

Impairment loss on trade receivables/other receivables

(1) Trade receivables

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics representing customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating the expected credit loss ("**ECL**") for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date. The ECL under the provision matrix is calculated based on historical observed loss over the expected life of the trade receivables and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the trade receivables. As at 31 March 2022, the Group recognised accumulated loss allowance of approximately HK$39,349,000 *(2021: approximately HK$26,263,000)* on the trade receivables.

(2) Other receivables

The Group's other receivables consists of deposits on investments, deposits paid to merchants, deposits, prepayments and other debtors and due from a related party and an associate. Impairment on other receivables is measured on lifetime ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default. As at 31 March 2022, the Group recognised accumulated loss allowance of approximately HK$32,832,000 *(2021: approximately HK$31,869,000)* on other receivables.

(3) Loan receivables

For the loan receivables, prior to the lending of loan, the Group reviews the financial strength, purpose of the borrowing and repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the borrowers and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case.

As at 31 March 2022, the Group recognised accumulated loss allowance of approximately HK$18,498,000 *(2021: approximately HK$9,283,000)* on loan receivables.

LIQUIDITY AND FINANCIAL RESOURCES

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

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for the Reporting Period was approximately 24% *(2021: approximately 25%)*.

As at 31 March 2022, the Group had net current liabilities of approximately HK$49 million *(2021: approximately HK$118 million)*. Current ratio as at 31 March 2022 was approximately 0.92 *(2021: approximately 0.80)*. The cash and cash equivalents of the Group as at 31 March 2022 were approximately HK$31 million *(2021: approximately HK$67 million)*.

CAPITAL STRUCTURE

The total equity attributable to equity holders of the Company amounted to approximately HK$147 million as at 31 March 2022 *(2021: approximately HK$129 million)*.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 March 2022 *(2021: nil)*.

RESULTS AND DIVIDENDS

For the Reporting Period the Group recorded a revenue of approximately HK$189 million *(2021: approximately HK$83 million)* and a loss attributable to equity holders of the Company of approximately HK$68 million *(2021: approximately HK$99 million)*. The basic loss per share was 2.98 HK cents *(2021: approximately 5.73 HK cents)*.

The board of Directors (the "**Board**") does not recommend the payment of a final dividend for the Reporting Period *(2021: Nil)*.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had a total staff of 161 *(2021: 192)* of whom 16 *(2021: 26)* was based in Hong Kong, 145 *(2021: 150)* were based in the PRC, nil *(2021: 15)* were based in Thailand and nil *(2021: 1)* was based in Singapore. 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.

* *English translation for identification purpose only*

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Deemed Disposal of Equity Interests and Disposal of Remaining Interest in OPG

On 31 January 2022, OPG entered into a subscription agreement with the Subscriber, pursuant to which OPG has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for a total of 200,000,000 new ordinary shares of OPG, representing 20% of the total issued share capital of OPG as at the date of OPG AGM, at a subscription price of HK$0.078 per the Subscription Share. The Subscription Shares will be allotted and issued by OPG to the Subscriber under the general mandate granted to the OPG directors to allot, issue and otherwise deal with up to 20% of the total number of the issued OPG shares as at the date of OPG AGM. For details, please refer to the joint announcement of the Company and OPG dated 31 January 2022.

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On 2 March 2022,all 325,000,000 Placing Shares have been successfully placed by the Placing Agent, the shareholding in OPG reduced from 27.08% to 0%, whereupon the Group will no longer own any equity interests in OPG. For details, please refer to the announcements of the Company dated 4 February 2022 and 2 March 2022.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Date(s) of announcements	Fund raising activities	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
21 May 2021, 11 June 2021 and 30 June 2021	Placing of 394,600,000 shares in the aggregate of approximately HK$71 million.	Approximately HK$70 million	(i) Repayments of part of the current debts of the Group. (ii) Approximately HK$49 million as general working capital of the Group.	(i) Approximately HK$21 million was used for the repayment of bonds. (ii) Approximately HK$36 million was used as general working capital and approximately HK$13 million was unutilised.

CAPITAL COMMITMENTS

Save as disclosed in this annual report, as at 31 March 2022, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to approximately HK$15 million *(2021: approximately HK$14 million)* in respect of the acquisition of equity interests in an associate.

CHARGES ON ASSETS

Save as disclosed in this annual report, as at 31 March 2022, the Group did not have any charges on assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, as at 31 March 2022, the Group did not have other plan for material investments and capital assets.

FOREIGN EXCHANGE EXPOSURE

The Group's operating activities such as revenue, direct costs, expenses, monetary assets and liabilities are all transacted and denominated in HK$ and Renminbi ("**RMB**"), which are the functional currencies of relevant subsidiaries. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 March 2022, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 March 2022, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

CONTINGENT LIABILITIES

Save as disclosed in this annual report, as at 31 March 2022, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, as at 31 March 2022, the Group did not have any events after the reporting period.

INFORMATION ON THE STRUCTURED AGREEMENTS

(i) On 20 April 2015, the Group entered into sale and purchase agreements (the "**Agreements**") with certain independent third parties (the "**Vendors**") pursuant to which the Group/the Vendors both agree to acquire/sell the entire equity interests of the AE Group (the "**AE Acquisition**"). The AE Group is primarily engaged in the issuance of prestige benefits cards to premium consumers and financial institutions. Details of the AE Acquisition are set out in the Company's circular dated 12 June 2015.

The completion of the AE Acquisition is conditional upon, inter alias, satisfaction of the approval of the AE share subscription contemplated thereunder in a general meeting of the Company which shall not be waived in any event. Accordingly, the AE Acquisition and the AE share subscription was considered as a single transaction.

On 8 July 2015, the AE Acquisition was completed.

On 17 July 2015, the Company also completed a subscription agreement with the Vendors to issue and subscribe 63,953,488 ordinary shares of the Company at the subscription price of HK$2.15 per share, amounting to proceeds of approximately HK$137.5 million (the "**AE First Tranche Share Subscription**"). Upon the completion of the AE First Tranche Share Subscription, the first tranche consideration of the AE Acquisition was deemed to be satisfied. 63,953,488 ordinary shares issued under the AE First Tranche Share Subscription were deemed as part of the consideration transferred for the AE Acquisition. The fair value of the shares issued was measured in accordance with the published share price at the date of acquisition (i.e. 8 July 2015).

The second tranche consideration and the third tranche consideration of the AE Acquisition shall be a maximum of HK$125 million which shall be settled by the allotment and issue of a maximum of 58,139,534 new ordinary shares of the Company at an issue price of HK$2.15 per share to the Vendors. The second tranche consideration and the third tranche consideration of the AE Acquisition is subject to adjustments on the basis of the performance targets as stated in the Agreements in respect of the AE Acquisition.

On 11 January 2017, an aggregate of 25,116,279 ordinary shares of the Company was allotted and issued at the subscription price of HK$2.15 per Share (the "**AE Second Tranche Share Subscription**") as settlement of the second tranche consideration of the AE Acquisition.

On 5 December 2017, an aggregate of 33,023,255 ordinary shares of the Company was allotted and issued at an agreed price of HK$2.15 per Share (the "**AE Third Tranche Share Subscription**") as settlement of the third tranche consideration of the AE Acquisition.

By implementation of a series of structured agreements entered between an indirect wholly owned subsidiary of the Company, 客樂芙信息技術(上海)有限公司 (Colourful Message Technology (Shanghai) Limited*, "**Colourful**") upon completion of the AE Acquisition, Shanghai Jingyuan and the legal owners of Shanghai Jingyuan (the "**Colourful Structured Agreements**"), Colourful had obtained control over Shanghai Jingyuan and Colourful is entitled, or has rights, to variable returns from its involvement with Shanghai Jingyuan and has the ability to affect those returns through its power over Shanghai Jingyuan.

A summary of the information of AE Group, Colourful, Shanghai Jingyuan, Shanghai Jingyuan Shareholders and the Colourful Structured Agreements entered into between Colourful and Shanghai Jingyuan is set out below.

1.1 Particulars of AE Investment, AE Group, Colourful and Shanghai Jingyuan

AE Investment is an investment holding company incorporated in Hong Kong with limited liability. AE Group is principally engaged in the issuance of prestige benefits cards to premium consumers and financial institutions.

Colourful is a company incorporated in the PRC with limited liability. The entire interest of Colourful is wholly owned by AE Investment and indirectly held by the Group upon completion of the AE Acquisition. It has an approved business scope of provision of computer software development, design, production; sales of self-developed products; provision of related information technology consultation and technical support services; the wholesaling of similar computer software products; conducting import and export business; and provision of agency service for commission (other than auction).

Shanghai Jingyuan is a limited liability company incorporated in PRC.

The registered shareholders of the Shanghai Jingyuan are Mr. Lin Xiaofeng (林曉峰)("**Mr. Lin**") and Mr. Sun Yixin (孫懿鑫)("**Mr. Sun**"). Each of Mr. Lin and Mr. Sun owns 50% of the equity interests of the Shanghai Jingyuan as at the date of this report.

Mr. Lin is a PRC citizen. He is a registered shareholder of the Shanghai Jingyuan holding, at the date of this report, 50% of the equity interests of the Shanghai Jingyuan and is an employee of the Group.

Mr. Sun is a PRC citizen. He is a registered shareholder of the Shanghai Jingyuan holding, at the date of this report, 50% of the equity interests of the Shanghai Jingyuan and is an employee of the Group.

It is primarily engaged in the issuance and sales of the benefit cards to premium consumers and financial institutions. Colourful entered into the Colourful Structured Agreements with Shanghai Jingyuan in order to gain control over financing and business operations of Shanghai Jingyuan, and to be entitled to the economic interest and benefits of Shanghai Jingyuan.

1.2 Description of the business of AE Group

A substantial portion of revenue and profit of AE Group was derived from its issuance and sales of the benefits card business. AE Group generates revenue through its benefit cards via (i) telemarketing of benefit cards by the call center of its partner banks; and (ii) the bulk purchase of the benefit cards by banks and card issuing companies.

* *English translation for identification purpose only*

1.3 Summary of the major terms of the Colourful Structured Agreements

The Colourful Structured Agreements have been entered into among the parties to facilitate the contractual arrangement among AE Group, Colourful and Shanghai Jingyuan. Through the Colourful Structured Agreements and the AE Acquisition, the Group is able to exercise full and effective control over the finance and operation of Shanghai Jingyuan and in effect obtain the entire economic interest and benefits in Shanghai Jingyuan.

The Colourful Structured Agreements include (i) the Business Cooperation Agreement; (ii) the Technical Consultation and Services Agreement; (iii) the Pledge Agreements; (iv) the Share Disposal Agreements; (v) the Voting Rights Proxy Agreements; (vi) the Spouse Consent; and (vii) the Undertaking Letters entered into by the relevant parties. A summary of the principal terms of the Colourful Structured Agreements is set out below:

A. Business Cooperation Agreement

Parties: (i) Colourful; and

(ii) Shanghai Jingyuan.

Term: The Business Cooperation Agreement shall take effect from the date of its execution and shall remain effective unless it is terminated by Colourful by giving 30 days' prior written notice to Shanghai Jingyuan or is required to be terminated under applicable PRC laws and regulations.

Services: Pursuant to the Business Cooperation Agreement, Shanghai Jingyuan appointed Colourful as its exclusive service provider to provide complete technical support, business support and related consulting services during the term of the Business Cooperation Agreement in accordance with its terms and conditions, which may include all necessary services within the scope of Shanghai Jingyuan's business as may be determined from time to time by Shanghai Jingyuan and consented by Colourful, such as technical services, business consultations, equipment or property leasing, marketing consultancy, system integration, product research and development, system maintenance. Under the approved business scope of Colourful, Colourful is allowed to (i) provide computer software development, design and production; (ii) sell self-developed products; (iii) provide related information technology consultation and technical support services; (iv) conduct wholesale of similar computer software products; (v) conduct import and export business; and (vi) provide agency service for commission (other than auction). Accordingly, these services are provided within the approved business scope of Colourful.

Fees: Details of the services to be provided by Colourful to Shanghai Jingyuan, the service fees and the payment terms are set out in the Technical Consultation and Services Agreement.

B. Technical Consultation and Services Agreement

Parties: (i) Colourful; and

(ii) Shanghai Jingyuan.

Term: The Technical Consultation and Services Agreement shall be effective perpetually from the date of its execution until Colourful agrees in writing to its termination.

Services: Pursuant to the Technical Consultation and Services Agreement, Colourful is the exclusive consultation and service provider of Shanghai Jingyuan and shall provide consultation and services to Shanghai Jingyuan in the areas of funding, human resources, technology and intellectual properties. The consultation and services to be provided by Colourful include (i) research and development of the relevant software and technology according to the needs of Shanghai Jingyuan's business and granting of the right to use the relevant software and technology to Shanghai Jingyuan; (ii) development, design, monitoring, testing and troubleshooting of the computer network equipment and website(s) of Shanghai Jingyuan; (iii) providing training and technical support to the staff of Shanghai Jingyuan; and (iv) providing consultation services regarding the marketing of Shanghai Jingyuan. Under the approved business scope of Colourful, Colourful is allowed to (i) provide computer software development, design and production; (ii) sell self-developed products; (iii) provide related information technology consultation and technical support services; (iv) conduct wholesale of similar computer software products; (v) conduct import and export business; and (vi) provide agency service for commission (other than auction). Accordingly, these services are provided within the approved business scope of Colourful.

Fees: Shanghai Jingyuan shall pay an annual service fee of RMB1 million to Colourful for the technical consultation services under the Technical Consultation and Services Agreement. Such fees will be payable on quarterly basis and shall be settled within 15 business days after the beginning of the relevant quarter. Nevertheless, in the event that Shanghai Jingyuan does not have sufficient working capital to settle the service fees, Shanghai Jingyuan has the right not to settle such fees.

Apart from the abovementioned annual service fees, Shanghai Jingyuan shall also, based on the actual amount of technical consultation and services provided by Colourful under the Technical Consultation and Services Agreement in the relevant quarter, pay a quarterly floating service fee to Colourful. Such floating fees shall be in the amount equivalent to the net income of Shanghai Jingyuan in the relevant quarter, including but not limited to, its revenue in each quarter or to be determined after taking into account, among other things, the number and qualification of the staff deployed to provide services and the time spent to provide the services for the relevant quarter.

C. Pledge Agreements

Parties:

(i) Colourful (as pledgee);

(ii) Shanghai Jingyuan Shareholders (each of them entered into a Pledge Agreement separately)(as pledgor); and

(iii) Shanghai Jingyuan.

Pledge: Pursuant to the Pledge Agreements, each of Shanghai Jingyuan Shareholders pledged to Colourful his/her respective equity interests in Shanghai Jingyuan as security for the full performance by Shanghai Jingyuan Shareholders and Shanghai Jingyuan of their obligations under the Colourful Structured Agreements and the timely and full payment of fees payable to Colourful under the Colourful Structured Agreements (including but not limited to the consultation and service fees).

The pledge shall take effect from the date of registration of the same with the relevant Industrial and Commercial Administration Bureau in the PRC and shall remain effective until the abovementioned registration is discharged or released. The parties agreed that within three business days following the execution of the Pledge Agreements, Shanghai Jingyuan Shareholders and Shanghai Jingyuan shall register the pledge in the shareholders' register of Shanghai Jingyuan.

Prior to the full payment of the consultation and service fees under the Colourful Structured Agreements, Colourful shall have the right to dispose of the pledge under the Pledge Agreements.

Termination: If (i) the Colourful Structured Agreements (other than the Pledge Agreements) are terminated in accordance with their respective terms; (ii) Shanghai Jingyuan shall no longer be held responsible for any obligations under the Colourful Structured Agreements; and (iii) Colourful agrees in writing to terminate the Pledge Agreements, the Pledge Agreements shall be terminated and Colourful shall then release the equity pledge under the Pledge Agreements as soon as reasonably practicable.

Undertakings: Shanghai Jingyuan Shareholders and Shanghai Jingyuan undertake to Colourful, among other things, that:

(i) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not commence any operation activities (other than its ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Jingyuan and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Jingyuan;

(iii) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business); and

(iv) without the prior written consent of Colourful, Shanghai Jingyuan Shareholders and Shanghai Jingyuan shall not, from the date of the Pledge Agreement, dispose of, transfer, pledge, or through any other means to dispose of any of the legal or beneficial interests of Shanghai Jingyuan over its assets, business or income, or creating any encumbrances over such interests.

Shanghai Jingyuan Shareholders (as the pledgors) undertakes to Colourful (as the pledge), among the other things, that:

(i) saved in respect of the performance of the obligations of the parties under the Share Disposal Agreements, Shanghai Jingyuan Shareholders shall not, without the prior written consent of Colourful, transfer their equity interests in Shanghai Jingyuan, or create or allow the creation of any encumbrances over their equity interests in Shanghai Jingyuan during the term of the Pledge Agreements.

D. Share Disposal Agreements

Parties:	(i)	Colourful;
	(ii)	Shanghai Jingyuan; and
	(iii)	Shanghai Jingyuan Shareholders (each of them entered into a Share Disposal Agreement separately).

Option: In consideration of the payment of RMB1 by Colourful, Shanghai Jingyuan Shareholders irrevocably agreed that on the condition that it is permitted by the PRC laws, Colourful has the right to require Shanghai Jingyuan Shareholders to fulfill and complete all approval and registration procedures as required under the PRC laws so as to allow Colourful to purchase, or designate one or more persons (each, a "**Designee**") to purchase, the entire equity interests of Shanghai Jingyuan Shareholders in Shanghai Jingyuan or any part thereof, at one or multiple time(s) at any time at Colourful's sole and absolute discretion and at the lowest price as permitted by the laws of PRC at the relevant time (such right being the "**Equity Interests Purchase Option**"). Colourful's Equity Interests Purchase Option shall be exclusive. Shanghai Jingyuan agrees to the grant by Shanghai Jingyuan Shareholders of the Equity Interests Purchase Option to Colourful.

Without the prior written consent of Colourful, Shanghai Jingyuan Shareholders shall not assign or delegate its rights and obligations under the Share Disposal Agreements.

Term: The Share Disposal Agreements shall take effect from the date of its execution and shall remain effective until all the equity interests in Shanghai Jingyuan owned by Shanghai Jingyuan Shareholders have been legally transferred to Colourful or its designee(s) in accordance with the terms of the Share Disposal Agreements.

Undertakings: Shanghai Jingyuan Shareholders and Shanghai Jingyuan undertake to Colourful, among other things, that:

(i) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not commence any operation activities (other than its ordinary and usual business) and shall not incur, inherit, provide guarantee for or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Jingyuan and shall not conduct any act or omission which will affect the business operations and asset value of Shanghai Jingyuan; and

(iii) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business).

Shanghai Jingyuan Shareholders further undertake to Colourful, among other things, that:

(i) without the prior written consent of Colourful, Shanghai Jingyuan Shareholders shall not dispose of, transfer, pledge, or through any other means to dispose of any of their legal or beneficial interests of Shanghai Jingyuan, or creating any encumbrances over the legal or beneficial interests of Shanghai Jingyuan, save in respect of the pledge of equity interests to Colourful in accordance with the terms of the Pledge Agreements;

(ii) Shanghai Jingyuan Shareholders shall procure the board of directors of Shanghai Jingyuan not to approve any sale, transfer, pledge, disposal or creation of any encumbrances over the legal or beneficial interests of Shanghai Jingyuan without the prior written consent of Colourful, save in respect of the pledge of equity interests to Colourful in accordance with the terms of the Pledge Agreements; and

(iii) Shanghai Jingyuan Shareholders shall procure the board of directors of Shanghai Jingyuan not to approve any acquisition or investment from any person, either individually by Shanghai Jingyuan or jointly with any other person, without the prior written consent of Colourful.

E. *Voting Rights Proxy Agreements*

Parties:

(i) Colourful;

(ii) Shanghai Jingyuan; and

(iii) Shanghai Jingyuan Shareholders (each of them entered into a Voting Rights Proxy Agreement separately).

Proxy of voting rights: Pursuant to the Voting Rights Proxy Agreements, Colourful (or its designee, which/who can be a director or successor of the direct or indirect shareholder of Colourful (including a liquidator replacing such director and/or his/her successor)) will have the power to, inter alia, exercise all shareholder's voting rights with respect to all matters to be discussed and voted in the shareholders' meeting of Shanghai Jingyuan, including but not limited to designation and appointment of, among others, director, chief executive officer and other senior management members of Shanghai Jingyuan, and execution of all necessary documents to be signed by the shareholders of Shanghai Jingyuan, minutes of Shanghai Jingyuan and any documents for registration to be lodged with relevant authority for and on behalf of Shanghai Jingyuan Shareholders.

Term: The Voting Rights Proxy Agreements shall be effective perpetually from the date of its execution until Colourful agrees in writing to its termination.

Undertakings: Shanghai Jingyuan Shareholders and Shanghai Jingyuan undertake to Colourful, among other things, that:

(i) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not commence any operation activities (other than its those ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Jingyuan and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Jingyuan; and

(iii) unless with the prior written consent of Colourful, Shanghai Jingyuan shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business).

F. Spouse Consent

Parties: Shanghai Jingyuan Shareholders (as the spouse of each other).

Particulars: Pursuant to the Spouse Consent, the spouse of each of Shanghai Jingyuan Shareholders confirmed, inter alia, (i) that he/she does not have any interests in the equity interests in Shanghai Jingyuan held by his/her spouse and undertakes not to make any claim in relation to such interests in Shanghai Jingyuan; (ii) confirms that the Pledge Agreement, the Share Disposal Agreement and the Voting Rights Proxy Agreement entered into by each of Shanghai Jingyuan Shareholders and any amendment or termination of such documents do not require his/her consent; (iii) undertakes to sign all the necessary documentation and do all necessary acts to ensure the proper performance of the aforesaid documents; and (iv) undertakes that if he/she is, due to whatsoever reason, entitled to any equity interests in Shanghai Jingyuan held by his/her spouse, he/she will be bound by the obligations as its shareholder under those documents (as amended from time to time), and to notify Colourful immediately of any breach of such documents or any material change of Shanghai Jingyuan and to assist Colourful in protecting its legitimate rights and obligations under those documents.

G. Undertaking Letters

Parties: (i) Colourful; and

(ii) Shanghai Jingyuan Shareholders (each of them entered into a Undertaking Letter separately).

Undertakings: The undertakings of Shanghai Jingyuan Shareholders under the Undertaking Letters are as follows:

(i) to follow the instructions of Colourful in relation to the amendments to or termination of the Colourful Structured Agreements for compliance with (i) the laws, regulations and rules in the PRC (as amended from time to time); (ii) the GEM Listing Rules and the relevant rules and requirements as promulgated or amended from time to time; and (iii) the approval of Shareholders (other than those required to abstain from voting under the GEM Listing Rules) at the general meeting of the Company in respect of amendments to and/or termination of the Colourful Structured Agreements. Shanghai Jingyuan Shareholders shall also agree with such amendments to or termination of the Colourful Structured Agreements and procure Shanghai Jingyuan to agree to the same;

(ii) after termination of the Colourful Structured Agreements, Shanghai Jingyuan Shareholders shall immediately and unconditionally return to Colourful the consideration received in any form pursuant to the Colourful Structured Agreements. Each of Shanghai Jingyuan Shareholders further undertakes that he/she would procure Shanghai Jingyuan to do the same;

(iii) necessary arrangements have been made to protect the rights of Colourful under the Colourful Structured Agreements in case of death, bankruptcy or divorce of Shanghai Jingyuan Shareholders;

(iv) to transfer his/her interest in Shanghai Jingyuan and all the rights attached thereto at the lowest price as permitted by the PRC laws to the individual or entity as designated by Colourful in accordance with the applicable PRC laws in the event that any one of Shanghai Jingyuan Shareholders (as the case may be) becomes incapable of performing the normal duty as a shareholder of Shanghai Jingyuan due to death, bankruptcy, divorce or any other incident; and

(v) not to incur any unsecured personal loan (either oneoff or accumulated) in an aggregate amount of more than RMB100,000 without written consent of Colourful or its direct or indirect shareholders.

2. Revenue and assets subject to the Colourful Structured Agreements

The revenue attributable to Shanghai Jingyuan (i.e. the Colourful Structured Agreements) amounted to approximately RMB1,164,000 (equivalent to approximately HK$1,416,000) for the year ended 31 March 2022 *(2021: approximately RMB19,205,000 (equivalent to approximately HK$22,026,000))*. The total assets and net liabilities attributable to Shanghai Jingyuan (i.e. the Colourful Structured Agreements) amounted to approximately RMB64,531,000 (equivalent to approximately HK$124,637,000) *(2021: approximately RMB176,111,000 (equivalent to approximately HK$90,138,000))* and RMB84,818,000 (equivalent to approximately HK$82,791,000) *(2021: approximately RMB73,907,000 (equivalent to approximately HK$87,528,000))* as at 31 March 2022.

3. Reasons for using the Colourful Structured Agreements

Shanghai Jingyuan is principally engaged in the issue and sale of prestige benefits card and it has commissioned its partner banks and credit card centers to sell its benefit cards via telemarketing. The sales of the benefit cards through telemarketing represented over 70% of Shanghai Jingyuan's total revenue. Telemarketing of Shanghai Jingyuan is mainly done through two channels, namely the third party call center and the call centers of the partner banks. However, the partner banks are aware of the privacy issues in respect of customers' data being handled by third party call center and are seeking to separate its sales and marketing functions of the benefit cards from its own call center business. As a result, the partner banks have requested Shanghai Jingyuan to set up its own call center and gradually shift all telemarketing activities to Shanghai Jingyuan's call center.

Shanghai Jingyuan currently possesses the licence for value-added telecommunications business operation (增值電信業務經營許可證) (the "**Licence**") issued by 中華人民共和國工業和信息化部 (the Ministry of Industry and Information Technology of the PRC) ("**MIIT**") which permits Shanghai Jingyuan's operation of call center business in the PRC.

According to the PRC legal adviser of the Group, the call center business operated by Shanghai Jingyuan is regulated by the relevant telecommunications regulatory departments of the PRC and is a type of value-added telecommunications business in which foreign investment is restricted. Foreign investment in such business is subject to the pre-approval by the MIIT. According to 外商投資電信企業管理規定 (the Provisions on the Administration of Foreign-funded Telecommunications Enterprises), the ultimate proportion of contribution of the foreign investors of a foreign-funded telecommunications enterprise that is engaged in the value-added services (including the radio paging business in the basic telecommunications services) shall not be more than 50%. In addition, according to 外商投資產業指導目錄(2015 年修訂) (the Catalogue of Industries for Guiding Foreign Investment (2015 Amended)), value-added telecommunications business is a business with restricted foreign investment and foreign ownership in such business cannot exceed 50% (except for e-commerce business).

In 2015, Shanghai Jingyuan has obtained the licence for value-added telecommunications business operation issued by 中華人民共和國工業和信息化部 (the Ministry of Industry and Information Technology of the PRC) which allows it to operate the call center business in the PRC and it is expected that the call center of Shanghai Jingyuan will begin operation in mid-2015. Therefore, having considered that the call center operation is an essential sales channel of the benefits card issued by Shanghai Jingyuan, Colourful, Shanghai Jingyuan and Shanghai Jingyuan Shareholders have entered into a series of the Colourful Structured Agreements to enable Colourful to be entitled to the entire economic benefits and to bear the risks of the businesses of Shanghai Jingyuan and to gain control over Shanghai Jingyuan. Each of Shanghai Jingyuan Shareholders has also entered into an Undertaking Letter to safeguard the interest of Colourful and its direct or indirect shareholders.

4. Risks relating to the Colourful Structured Agreements

The PRC government may determine that the Colourful Structured Agreements do not comply with the applicable laws and regulations:

The PRC legal adviser of the Group is of the opinion that the Colourful Structured Agreements do not violate the mandatory laws and regulations in the PRC and are not considered to be in violation of Article 52 of the PRC Contract Law, which renders void any contracts deemed to be "concealing illegal intentions with a lawful form", and the related rules of the General Principle of Civil Law of the PRC, and therefore they are valid, binding and enforceable among relevant parties. However, the PRC legal adviser of the Group is also of the view that there can be no assurance that the Colourful Structured Agreements will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations in the way that the Colourful Structured Agreements will be deemed to be in compliance of the PRC laws and regulations.

The Colourful Structured Agreements may not be as effective as direct ownership in providing control over Shanghai Jingyuan:

The Group relies on contractual arrangements under the Colourful Structured Agreements with Shanghai Jingyuan to operate the benefits card business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over Shanghai Jingyuan as direct ownership in rare circumstances. If the Group had direct ownership of Shanghai Jingyuan, the Group would be able to deal with the equity interests in and the assets of Shanghai Jingyuan under any winding up situation.

Shanghai Jingyuan Shareholders may have potential conflict of interests with the Group:

The Group's control over Shanghai Jingyuan is based on the contractual arrangement under the Colourful Structured Agreements. Therefore, conflict of interests of Shanghai Jingyuan Shareholders will adversely affect the interests of the Company.

The contractual arrangements under the Colourful Structured Agreements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed:

The Group could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements under the Colourful Structured Agreements were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Colourful Structured Agreements were not entered into on an arm's length basis, they may adjust the Group's income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Shanghai Jingyuan, and this could further result in late payment fees and other penalties to Shanghai Jingyuan for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

The Company does not have any insurance which covers the risks relating to the Colourful Structured Agreements and the transactions contemplated thereunder:

The insurance of the Group does not cover the risks relating to the Colourful Structured Agreements and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Colourful Structured Agreements in the future, such as those affecting the enforceability of the Colourful Structured Agreements and the relevant agreements for the transactions contemplated thereunder and the operation of Shanghai Jingyuan, the results of the Group may be adversely affected.

Certain provisions in the Colourful Structured Agreements may not be enforceable under the PRC laws:

The Colourful Structured Agreements include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and Cayman Islands shall have the power to grant interim remedies, such as withholding or freezing of the assets or on the equity interests of the party in breach. Upon the coming into effect of the relevant arbitral award, any party shall have the right to apply to the courts in the abovementioned jurisdictions for execution of such award. However, due to restrictions of the PRC laws, the PRC legal adviser of the Group is of the view that, even though the Colourful Structured Agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by the PRC courts. As a result, in the event that Shanghai Jingyuan or any of Shanghai Jingyuan Shareholders breaches the terms of the Colourful Structured Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Shanghai Jingyuan could be materially and adversely affected.

The Company may incur substantial costs when the equity interests in Shanghai Jingyuan are transferred from Shanghai Jingyuan Shareholders to the Group:

As advised by the PRC legal adviser of the Group, under the current PRC laws, the legal or regulatory restriction in exercising the Equity Interests Purchase Option is 外商投資電信企業管理規定 (the Provisions on the Administration of Foreign-funded Telecommunications Enterprises) and 外商投資產業指導目錄(2015年修定) (the Catalogue of Industries for Guiding Foreign Investment (2015 Amended)). The Company will unwind the Colourful Structured Agreements and procure Colourful to acquire the equity interests of Shanghai Jingyuan as soon as the relevant foreign investment restrictions in the PRC no longer exist. However, even if the foreign ownership restriction is relaxed, the transfer of the equity interests in Shanghai Jingyuan from Shanghai Jingyuan Shareholders to the Group may still be subject to substantial costs.

5. Material change

Saved as disclosed above, as at the date of this annual report, there is no material change in the Colourful Structured Agreements entered between Shanghai Jingyuan and Colourful and/or the circumstances under which they were adopted.

6. Unwinding of the Colourful Structured Agreements

The Company has undertaken to unwind the Colourful Structured Agreements entered between Shanghai Jingyuan and Colourful as soon as the relevant foreign investment restrictions in the PRC no longer exist such that the Company is allowed to hold interests in Shanghai Jingyuan directly or indirectly.

However, as at the date of this annual report, there is no unwinding of any of the Colourful Structured Agreements entered between Shanghai Jingyuan and Colourful nor any changes to the relevant foreign investment restrictions in the PRC.

(ii) The Shenzhen Yongle Structured Agreements

On 25 May 2014, the Group entered into a framework agreement (the "**Framework Agreement**") on the acquisition of 33% interests in Beijing Weike, which is a company established in the PRC with limited liability and holds 90% equity interests in Open Union. On 23 September 2014, upon completion of the acquisition of 33% interest in Beijing Weike and its 90%-owned subsidiary, Open Union (collectively referred as to the "**Beijing Weike Group**"), which are engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service, through the Shenzhen Yongle Structured Agreements (as defined below) with 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Company Limited*, "**Shanghai Yongle**"), at an aggregated cash consideration of RMB156,000,000 (equivalent to approximately HK$196,076,000) (the "**Beijing Weike JV Transaction**"), Beijing Weike is classified as a joint venture of the Group and accounted for in the Group's consolidated financial statements under the equity method. Details of the Beijing Weike JV Transaction are set out in the Company's circular dated 1 September 2014.

On 15 October 2014, Beijing Weike, the shareholder of Beijing Weike, Shanghai Yongle, the shareholders of Shanghai Yongle (the "**Shanghai Yongle Shareholders**") and 深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited*, "**Shenzhen Yongle**"), an indirect wholly owned subsidiary of the Company, also entered into an option framework agreement on the proposed exercise of the call option to acquire the remaining 67% interest in Beijing Weike by Shanghai Yongle (the "**Beijing Weike Acquisition**"). Upon completion of the Beijing Weike Acquisition on 27 January 2015, Shenzhen Yongle, through Shanghai Yongle, acquired the remaining 67% interest in Beijing Weike at an aggregated consideration of RMB312,000,000 (equivalent to approximately HK$392,152,000) which was settled by cash. Upon completion of the Beijing Weike Acquisition, Shenzhen Yongle, through Shanghai Yongle, enjoys 100% interest in Beijing Weike and Beijing Weike is classified as a subsidiary of the Group. Details of the Beijing Weike Acquisition are set out in the Company's circular dated 29 December 2014.

To facilitate the Beijing Weike JV Transaction and the Beijing Weike Acquisition, the Group's indirect wholly owned subsidiary, Shenzhen Yongle entered into a series of structured agreements (the "**Shenzhen Yongle Structured Agreements**") with Shanghai Yongle (which acquired 33% equity interests of Beijing Weike under the Beijing Weike JV Transaction and further acquired the remaining 67% equity interests in Beijing Weike under the Beijing Weike Acquisition), and the Shanghai Yongle Shareholders which enables Shenzhen Yongle to: (i) exercise effective financial and operational control over Shanghai Yongle; (ii) exercise the entire owners' voting rights of Shanghai Yongle; (iii) receive and be exposed to substantially all of the economic interest returns generated by Shanghai Yongle; have an irrevocable option to purchase the entire equity interests in Shanghai Yongle when and to the extent permitted under the PRC laws; and (v) obtain pledges over the entire equity interests of Shanghai Yongle from the Shanghai Yongle Shareholders.

A summary of the information of Shenzhen Yongle, Shanghai Yongle, the Shanghai Yongle Shareholders, Beijing Weike, Open Union and the Shenzhen Yongle Structured Agreements is set out below.

* *English translation for identification purpose only*

1.1 Particulars of Shenzhen Yongle, Shanghai Yongle, the Shanghai Yongle Shareholders, Beijing Weikie and Open Union

Shenzhen Yongle, a wholly-foreign-owned enterprise established in the PRC, is an indirect wholly owned subsidiary of the Company. The business scope of Shenzhen Yongle includes (i) development and provision of consultancy of computer hardware and software and network technology; (ii) provision of relevant technological services in respect of marketing promotion of bank cards and payment platform related products; and (iii) provision of consultancy of economic information.

Shanghai Yongle is a company established in the PRC with limited liability in accordance with the instruction of the Company for the investment in Open Union by the Group as contemplated under the Framework Agreement. The business scope of Shanghai Yongle includes provision of relevant technology development, technological services, technological consultation, technology transfer, software development and sales, graphic design, integration of computer system, sales and lease of hardware, consumable resources and office equipment (except finance lease) and network technology (excluding technology intermediary) within the scope of information technology (where the projects which require approval under laws shall only commence operating activities after the grant of approval by the relevant authority). Mr. Lin and Mr. Wu Mianqing ("**Mr. Wu**") are the Shanghai Yongle Shareholders who owns 90% and 10% of the equity interests in Shanghai Yongle respectively. Mr. Lin is an existing executive director of the Company and Mr. Wu is the ex-employee of the Company.

Beijing Weike is a company established in the PRC with limited liability and is wholly owned by Shanghai Yongle at the date of this annual report. The principal businesses of Beijing Weike are research and development and provision of internet technology for e-commerce and mobile payment system such as prepaid cards. Open Union, which is owned by Beijing Weike as to 100% equity interests at the date of this annual report, is a company established in the PRC with limited liability and is principally engaged in prepaid card business and internet payment services in the PRC.

On 1 March 2020, Beijing Weike entered into a supplementary agreement with (開聯信息技術有限公司(Open Union Message Technology Limited*), to confirm that the transfer of the remaining 10% equity interests of Open Union to Beijing Weike had been completed based on the relevant legal advices. Accordingly, Open Union became a wholly-owned subsidiary of the Company from 1 March 2020.

1.2 Description of the business of the Beijing Weike Group

A substantial portion of revenue and profit of the Beijing Weike Group was derived from its prepaid card and internet payment business.

* *English translation for identification purpose only*

1.3 Summary of the major terms of the Shenzhen Yongle Structured Agreements

The Shenzhen Yongle Structured Agreements have been entered into among the parties to facilitate the contractual arrangement among, Shenzhen Yongle, Shanghai Yongle, Beijing Weike and Open Union for the Beijing Weike JV Transaction and the Beijing Weike Acquisition. Through the Shenzhen Yongle Structured Agreements, the Group is able to exercise full and effective control over the finance and operation of Shanghai Yongle and in effect obtain the entire economic interest and benefits in Shanghai Yongle.

Shenzhen Yongle and Shanghai Yongle entered into certain loan agreements (the "**Loan Agreements**") in order to facilitate the acquisition of equity interests in Beijing Weike by providing capital to Shanghai Yongle from Shenzhen Yongle.

The Shenzhen Yongle Structured Agreements include (i) the Business Cooperation Agreement; (ii) the Technical Consultation and Services Agreement; (iii) the Pledge Agreements; (iv) the Share Disposal Agreements; (v) the Voting Rights Proxy Agreements; and (vi) the Spouse Consent entered into by the relevant parties on the completion of the Framework Agreement. A summary of the principal terms of the Shenzhen Yongle Structured Agreements is set out below:

A. Business Cooperation Agreement

Parties:	(i) Shenzhen Yongle; and (ii) Shanghai Yongle.
Services:	Pursuant to the Business Cooperation Agreement, Shanghai Yongle will appoint Shenzhen Yongle as its exclusive service provider to provide complete technical support, business support and related consulting services during the term of the Business Cooperation Agreement in accordance with its terms and conditions, which may include all necessary services within the scope of Shanghai Yongle's business as may be determined from time to time by Shanghai Yongle and consented by Shenzhen Yongle, such as technical services, business consultations, equipment or property leasing, marketing consultancy, system integration, product research and development, system maintenance and assisting Shanghai Yongle to provide necessary services to Beijing Weike and Open Union.
Fees:	Details of the services to be provided by Shenzhen Yongle to Shanghai Yongle, the service fees and the payment terms are set out in the Technical Consultation and Services Agreement.
Term:	The Business Cooperation Agreement shall take effect from the date of its execution and shall maintain effective unless it is terminated by Shenzhen Yongle by giving 30 days' prior written notice to Shanghai Yongle or is required to be terminated under applicable laws and regulations of the PRC.

B. *Technical Consultation and Services Agreement*

Parties:	(i) Shenzhen Yongle; and (ii) Shanghai Yongle.
Services:	Pursuant to the Technical Consultation and Services Agreement, Shenzhen Yongle will be the exclusive consultation and service provider of Shanghai Yongle and shall provide consultation and services to Shanghai Yongle in the areas of funding, human resources, technology and intellectual properties and shall assist Shanghai Yongle in providing aforesaid services to Beijing Weike and Open Union, and Shanghai Yongle shall accept such consultation and services in accordance with the terms and conditions under the Technical Consultation and Services Agreement. The consultation and services to be provided by Shenzhen Yongle include (i) research and development of the relevant software and technology according to the needs of Shanghai Yongle's business and shall grant Shanghai Yongle the right to use the relevant software and technology; (ii) development, design, monitoring, testing and troubleshooting of the computer network equipment and website(s) of Shanghai Yongle; providing training and technical support to the staff of Shanghai Yongle; (iv) providing consultation services regarding the marketing of Shanghai Yongle; and (v) assisting Shanghai Yongle in providing the services as required by Beijing Weike and Open Union.
Fees:	Shanghai Yongle shall pay an annual service fees of RMB1 million to Shenzhen Yongle for the technical consultation services under the Technical Consultation and Services Agreement. Such fees will be payable on quarterly basis and shall be settled within 15 business days after the beginning of the relevant quarter. Nevertheless, in the event that Shanghai Yongle does not have sufficient working capital to settle the service fees, Shanghai Yongle has the right not to settle such fees. Apart from the abovementioned annual service fees, Shanghai Yongle shall also, based on the actual amount of technical consultation and services provided by Shenzhen Yongle under the Technical Consultation and Services Agreement in the relevant quarter, pay a quarterly floating service fee to Shenzhen Yongle. Such floating fees shall be in the amount equivalent to the net income of Shanghai Yongle in the relevant quarter, including but not limited to, its revenue and all of the dividends derived from its interests in Beijing Weike in each quarter (provided that when Shanghai Yongle repays the loan amount to Shenzhen Yongle under the Loan Agreements), only 50% of the dividends derived from its interests in Beijing Weike will be used to settle the service fees) or to be determined after taking into account, among other things, the number and qualification of the staff deployed to provide services and the time spent to provide the services for the relevant quarter.
Term:	The Technical Consultation and Services Agreement shall be effective perpetually from the date of its execution until Shenzhen Yongle agrees in writing to its termination.

C. Pledge Agreements

Parties:

(i) Shenzhen Yongle (as pledgee);

(ii) the Shanghai Yongle Shareholders (each of them has entered into this Pledge Agreement separately) (as pledgor); and

(iii) Shanghai Yongle.

Pledge:

Pursuant to the Pledge Agreements, each of the Shanghai Yongle Shareholders will pledge to Shenzhen Yongle his respective equity interests in Shanghai Yongle (the "**Equity Interests**") as security for (A) the full performance by the Shanghai Yongle Shareholders and Shanghai Yongle of their obligations under the Shenzhen Yongle Structured Agreements and the timely and full payment of fees payable to Shenzhen Yongle under the Shenzhen Yongle Structured Agreements (including but not limited to the consultation and service fees); and (B) the full performance by Shanghai Yongle of its obligations under the Loan Agreements and the timely and full repayment of loans to Shenzhen Yongle under the Loan Agreements.

The pledge shall take effect from the date of registration of the same with the relevant Industrial and Commercial Administration Bureau in the PRC and shall remain effective until the abovementioned registration is discharged or released. The parties agree that within three business days following the execution of the Pledge Agreements, the Shanghai Yongle Shareholders and Shanghai Yongle shall register the pledge in the shareholders' register of Shanghai Yongle.

Prior to the full payment of the consultation and service fees under the Shenzhen Yongle Structured Agreements or full repayment of loans under the Loan Agreements, the Shanghai Yongle Shareholders shall not assign the Equity Interests without the prior written consent of Shenzhen Yongle.

Termination:

If (i) the Shenzhen Yongle Structured Agreements (other than the Pledge Agreements) and the Loan Agreements are terminated in accordance with their respective terms; (ii) Shanghai Yongle shall no longer be held responsible for any obligations under the Shenzhen Yongle Structured Agreements and the Loan Agreements; and (iii) Shenzhen Yongle agrees in writing to terminate the Pledge Agreements, the Pledge Agreements shall be terminated and Shenzhen Yongle shall then release the equity pledge under the Pledge Agreements as soon as reasonably practicable.

Undertakings:

The Shanghai Yongle Shareholders and Shanghai Yongle:

(i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Yongle; and

(iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

D. Share Disposal Agreements

Parties:

(i) Shenzhen Yongle;

(ii) the Shanghai Yongle Shareholders (each of them will enter into this Share Disposal Agreement separately); and

(iii) Shanghai Yongle.

Option:

In consideration of the payment of RMB1 by Shenzhen Yongle, the Shanghai Yongle Shareholders irrevocably agree that on the condition that it is permitted by the PRC laws, Shenzhen Yongle has the right to require the Shanghai Yongle Shareholders to fulfill and complete all approval and registration procedures as required under PRC laws so as to allow Shenzhen Yongle to purchase, or designate one or more persons (each, a "**Designee**") to purchase, the entire equity interests of the Shanghai Yongle Shareholders in Shanghai Yongle or any part thereof, at one or multiple time(s) at any time at Shenzhen Yongle's sole and absolute discretion and at the lowest price as permitted by the laws of PRC at the relevant time (such right being the "**Equity Interests Purchase Option**"). Shenzhen Yongle's Equity Interests Purchase Option shall be exclusive. Shanghai Yongle agrees to the grant by the Shanghai Yongle Shareholders of the Equity Interests Purchase Option to Shenzhen Yongle.

Without the prior written consent of Shenzhen Yongle, the Shanghai Yongle Shareholders shall not assign or delegate its rights and obligations under the Share Disposal Agreements.

Term:

The Share Disposal Agreements shall take effect from the date of its execution and shall remain effective until all the equity interests in Shanghai Yongle owned by the Shanghai Yongle Shareholders have been legally transferred to Shenzhen Yongle or the Designee(s) in accordance with the terms of the Share Disposal Agreements.

Undertakings:

The Shanghai Yongle Shareholders and Shanghai Yongle undertake to Shenzhen Yongle, among other things, that:

(i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to ordinary and usual business) and shall not incur, inherit, provide guarantee for or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the business operations and asset value of Shanghai Yongle; and

(iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

E. *Voting Rights Proxy Agreements*

Parties:

(i) The Shanghai Yongle Shareholders (each of them will enter into this Voting Rights Proxy Agreement separately) (as entrusting party);

(ii) Shenzhen Yongle; and

(iii) Shanghai Yongle.

Proxy of voting rights: Pursuant to the Voting Rights Proxy Agreements, Shenzhen Yongle (or its designee, which can be a director or his/her successor of the direct or indirect shareholder of Shenzhen Yongle (including a liquidator replacing such director and his/her successor)) will have the power to, inter alia, exercise all shareholder's voting rights with respect to all matters to be discussed and voted in the shareholders' meeting of Shanghai Yongle, including but not limited to designation and appointment of, among others, the director, the chief executive officer and other senior management members of Shanghai Yongle, and execution of all necessary documents to be signed by the Shanghai Yongle Shareholders, minutes of Shanghai Yongle and any documents for registration to be lodged with relevant authority for and on behalf of the Shanghai Yongle Shareholders.

Term: The Voting Rights Proxy Agreements shall be effective perpetually from the date of its execution until Shenzhen Yongle agrees in writing to its termination.

Undertakings: The Shanghai Yongle Shareholders and Shanghai Yongle undertake to Shenzhen Yongle, among other things, that:

(i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to those ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;

(ii) they shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Yongle; and

(iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.

F. *Spouse Consent*

Parties: The spouse of Mr. Lin.

Particulars: Pursuant to the Spouse Consent, the spouse of Mr. Lin shall, inter alia, (i) confirms that she does not have any interests in the equity interests in Shanghai Yongle and undertakes not to make any claim in relation to the interests in Shanghai Yongle; (ii) confirms that the Pledge Agreement, the Share Disposal Agreement and the Voting Rights Proxy Agreement entered into by Mr. Lin and any amendment or termination of such documents do not require her consent; (iii) undertakes to sign all the necessary documentation and do all necessary acts to ensure the proper performance of the aforesaid documents; and (iv) undertakes that if she is, due to whatsoever reason, entitled to any equity interests in Shanghai Yongle, she will be bound by the obligations as its shareholder under those documents (as amended from time to time), and to notify Shenzhen Yongle immediately of any breach of such documents or any material change of Shanghai Yongle and to assist Shenzhen Yongle in protecting its legitimate rights and obligations under those documents.

Further details of the Shenzhen Yongle Structured Agreements are set out in the Company's circulars dated 1 September 2014 and 29 December 2014.

2. Revenue and assets subject to the Shenzhen Yongle Structured Agreements

The revenue attributable to Shanghai Yongle (i.e. the Shenzhen Yongle Structured Agreements) amounted to approximately RMB154,470,000 (equivalent to approximately HK$187,874,000) for the year ended 31 March 2022 *(2021: approximately RMB30,224,000 (equivalent to approximately HK$34,664,000))*. The total assets and net assets attributable to Shanghai Yongle (i.e. the Shenzhen Yongle Structured Agreements) amounted to approximately RMB883,858,000 (equivalent to approximately HK$1,090,106,000) *(2021: approximately RMB821,343,000 (equivalent to approximately HK$972,717,000))* and RMB432,084,000 (equivalent to approximately HK$532,911,000) *(2021: approximately RMB434,644,000 (equivalent to approximately HK$514,749,000))* at as at March 2022.

3. Reasons for using the Shenzhen Yongle Structured Agreements

Open Union is engaged in the issuance and acceptance of prepaid cards and internet payment services in the PRC and it possesses a licence which allows it to issue and accept prepaid cards within the PRC on a nationwide basis. The payment service business currently engaged by Open Union is subject to regulations in accordance with, among others, the "Administrative Measures Relating to Payment Services by Non-financial Institutions (非金融機構支付服務管理辦法)" (hereinafter referred to as the "**Payment Service Measures**") promulgated by the PBOC. The Payment Service Measures stipulates that non-financial institutions must not engage in the provision of payment services (such as online payments, the issue and acceptance of prepaid cards, and POS systems) without first obtaining an approval and a payment service licence from the PBOC. In accordance with Article 9 of the Payment Service Measures, regulations and rules addressing the scope of business and ownership restrictions for foreign investment in non-financial institutions engaged in payment services shall be separately stipulated by the PBOC and approved by the State Council of the PRC. At the Latest Practicable Date, the PBOC has not yet stipulated any relevant rules and regulations permitting any foreign invested enterprise to engage in the provision of prepaid and business and internet payment services.

Moreover, according to the Guidance of Foreign Enterprise Investments (2011 Amended) the internet payment service provided by Open Union is a type of value-added telecommunications business where foreign investment is restricted. According to the Administrative Provisions on Foreign-Invested Telecommunications Enterprises, the foreign investor of a foreign-invested telecommunications services provider needs to demonstrate a good track record and experience in providing value-added telecommunications services. Based on the consultation with the MIIT by the PRC Legal Adviser, it is understood that if the nature or substance of business run by a foreign enterprise is the same or similar to the value-added services in the telecommunications industry as described in 電信業務分類目錄 ("**Category of Telecommunications Businesses**") of the PRC, such foreign enterprise can be deemed to have the required operating track records and operating experience in value added telecommunications industry. Since the Group has been conducting business of card acceptance using public telecommunications networks in Thailand, the PRC Legal Adviser considers that the industry experience requirements of the MIIT should be satisfied.

After consultation with the PBOC, the Company was advised by the PRC Legal Adviser that since no relevant administrative measures have been promulgated by the State Council of the PRC, the PBOC normally does not accept any application for foreign direct investment in (i) a PRC company holding a payment service licence (which allows the holder to engage in internet payment and issuance and acceptance of prepaid card businesses); and (ii) the parent company of such licensed company (irrespective of the proportion of interests to be invested). Therefore, the PRC Legal Adviser considers that the PBOC currently does not allow foreign investors to invest in the internet payment business either directly or indirectly and irrespective of the proportion of such investment. Thus, it is not possible for the Group to participate in prepaid card business and internet payment services in the PRC through direct or indirect acquisition of the equity interests in Open Union and the most feasible way in achieving this is to provide capital to Shanghai Yongle by way of loans to facilitate its acquisition of Beijing Weike, which holding 100% equity interests (2020: 100%) in Open Union, and to obtain effective control over and the rights to enjoy the economic benefits in the assets of Beijing Weike, including 100% equity interests (2020: 100%) in Open Union through the Shenzhen Yongle Structured Agreements and other arrangements under the New Framework Agreement.

4. Risks relating to the Shenzhen Yongle Structured Agreements

The PRC government may determine that the Shenzhen Yongle Structured Agreements and the Loan Agreements do not comply with the applicable laws and regulations:

The PRC Legal Adviser is of the opinion that the Shenzhen Yongle Structured Agreements and the Loan Agreements do not violate the mandatory laws and regulations in the PRC and are not considered to be in violation of Article 52 of the PRC Contract Law, which renders void any contracts deemed to be "concealing illegal intentions with a lawful form", and the related rules of the General Principle of Civil Law of the PRC, and therefore they are valid, binding and enforceable among relevant parties. However, the PRC Legal Adviser is also of the view that there can be no assurance that the Shenzhen Yongle Structured Agreements and the Loan Agreements will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Shenzhen Yongle Structured Agreements and the Loan Agreements will be deemed to be in compliance of the PRC laws and regulations. In particular, any future acquisition of rights, benefits or assets of or equity interests in Open Union pursuant to the Shenzhen Yongle Structured Agreements and the Loan Agreements will be subject to the laws and regulations then applicable.

The Shenzhen Yongle Structured Agreements may not be as effective as direct ownership in providing control over Open Union:

The Group relies on the Shenzhen Yongle Structured Agreements with Shanghai Yongle to operate the prepaid card business and internet payment services of Open Union (i.e. value-added telecommunications service) in the PRC. These Shenzhen Yongle Structured Agreements may not be as effective in providing the Group with control over Open Union as direct ownership in rare circumstance. If the Group had direct ownership of Open Union, the Group would be able to deal with the equity interests in and the assets of Open Union in winding up situation rather than acquiring such assets by exercising its exclusive acquisition right which are subject to the approval of the PBOC.

The Shanghai Yongle Shareholders may potentially have a conflict of interests with the Group:

The Group's control over Open Union is based on the contractual arrangement under the Shenzhen Yongle Structured Agreements and the Loan Agreements with, among others, Shanghai Yongle. Therefore, conflict of interests of the Shanghai Yongle Shareholders will adversely affect the interests of the Company. Since the Shanghai Yongle Shareholders are employees of the Company, they are required to follow instructions of the Company. However, there is no absolute certainty that the Shanghai Yongle Shareholders will act in favour of the Group at all times and the Group may suffer from any potential conflict of interests.

The Shenzhen Yongle Structured Agreements under the Framework Agreement may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed:

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the Shenzhen Yongle Structured Agreements, the Loan Agreements, the agreements in relation to the exclusive acquisition rights of the Company to acquire Open Union were not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Shanghai Yongle, and this could further result in late payment fees and other penalties to Shanghai Yongle for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

The Company does not have any insurance which covers the risks relating to the Framework Agreement and the transactions contemplated thereunder:

The insurance of the Group does not cover the risks relating to the Framework Agreement and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Framework Agreement in the future, such as those affecting the enforceability of the Shenzhen Yongle Structured Agreements and the relevant agreements for the transactions contemplated thereunder and the operation of Shanghai Yongle, Beijing Weike and Open Union, the results of the Group may be adversely affected.

Certain provisions in the Shenzhen Yongle Structured Agreements and the Loan Agreements may not be enforceable under PRC laws:

The Shenzhen Yongle Structured Agreements and the Loan Agreements contain a provision for resolving disputes by arbitration at South China International Economic and Trade Arbitration Commission, Shenzhen in accordance with its then prevailing arbitration rules. The Shenzhen Yongle Structured Agreements and the Loan Agreements include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and Cayman Islands shall have the power to grant interim remedies, such as withholding or freezing of the assets or on the equity interests of the party in breach. Upon the coming into effect of the relevant arbitral award, any party shall have the right to apply to the courts in the abovementioned jurisdictions for execution of such award.

However, due to restrictions of the PRC laws, the PRC Legal Adviser is of the view that, even though the Shenzhen Yongle Structured Agreements and the Loan Agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by the PRC courts. As a result, in the event that Shanghai Yongle or any of the Shanghai Yongle Shareholders breaches the terms of the Shenzhen Yongle Structured Agreements and the Loan Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Shanghai Yongle, Beijing Weike and Open Union could be materially and adversely affected.

The Company may incur substantial costs when the ownership of Shanghai Yongle is transferred to Shenzhen Yongle:

The Group does not currently hold any equity interests in Shanghai Yongle and the Group (through Shenzhen Yongle) maintains effective control over Shanghai Yongle under the Shenzhen Yongle Structured Agreements. Pursuant to the Company's undertaking in relation to the contractual arrangement under the Framework Agreement and the terms of the Framework Agreement and the Shenzhen Yongle Structured Agreements, the Company will unwind the Shenzhen Yongle Structured Agreements and the Loan Agreements and procure Shenzhen Yongle to acquire the equity interests of Shanghai Yongle as soon as the relevant foreign investment restrictions in the PRC no longer exist. As a result, the exact time for such acquisition is uncertain and it is possible that such acquisition may be subject to substantial costs which may materially affect the financial positions and results of the Company.

5. Material change

Saved as disclosed above, as at the date of this annual report, there is no material change in the Shenzhen Yongle Structured Agreements and/or the circumstances under which they were adopted.

6. Unwinding of the Shenzhen Yongle Structured Agreements

The Company has undertaken to unwind the Shenzhen Yongle Structured Agreements as soon as the relevant foreign investment restrictions in the PRC no longer exist such that the Company is allowed to hold interests in Open Union directly or indirectly.

However, as at the date of this annual report, there is no unwinding of any of the Shenzhen Yongle Structured Agreements or failure to unwind when the restrictions that led to the adoption of the Shenzhen Yongle Structure Agreements are removed.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Xi ("**Mr. Zhang**"), aged 53, obtained a bachelor's degree in international trade from Xiamen University in July 1990. Mr. Zhang has extensive experience in the areas of property, finance and Technology Media Telecom (TMT) investment. Since May 2013, Mr. Zhang has been the director of YLZ Information Technology Co., Ltd (易聯眾信息技術股份有限公司)("**YLZ**"), a leading social and healthcare information service provider in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300096). He has been appointed as the chairman of the board of directors of YLZ since August 2014. He has also been a director of Hong Kong Smart Hero Financial Holdings Group Limited (香港駿豪金融控股集團有限公司) and an executive director of 大連駿豪房地產開發有限公司 (Dalian Junhao Real Estate Development Co., Ltd.*) since 2013. He was appointed as an executive Director and the chairman of the board of directors of the Company on 12 October 2020.

Mr. Wu Hao ("**Mr. Wu**"), aged 39, obtained his master degree in Marketing Management from Aston University in 2007. During the period from March 2013 to February 2017, Mr. Wu was the general manager of 北京摩盛嘉實投資諮詢有限公司 (Beijing Morssen Capital Investment Advisory Company Limited*) and was responsible for managing the company investment. Since March 2017, Mr. Wu has been the managing director of 北京君卓資本投資有限公司 (Beijing Sagacity Capital Investment Company Limited*) and is responsible for managing the equity investment of the company in the PRC and/or overseas. Mr. Wu has extensive experience in the areas of corporate finance and investment. He was appointed as an executive Director on 16 October 2020.

Mr. Lin Xiaofeng ("**Mr. Lin**"), aged 49, graduated from The University of Southern Queensland with a master's degree in business administration in September 2007. For the period from June 2008 to June 2011, he was a non-executive director of China Shuifa Singyes Energy Holdings Limited (formerly known as China Singyes Solar Technologies Holdings Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 750). He also served as an executive director of AUPU Group Holding Company Limited ("**AUPU**"), whose shares were listed on the Main Board of the Stock Exchange (stock code: 477), from August 2011 to September 2013 and was re-designated as a non-executive director of AUPU from September 2013 to September 2016. He also served as an independent non-executive director of Sino Vision Worldwide Holdings Limited (formerly known as DX.com Holdings Limited), whose shares are listed on GEM of the Stock Exchange (stock code: 8086), from August 2013 to August 2016. Since July 2019, Mr Lin has served as an executive director, the chief executive officer of the board of directors, of Oriental Payment Group Holdings Limited, whose shares are listed on GEM of the Stock Exchange (stock code: 8613). Mr. Lin has extensive experience in corporate finance and venture capital investment.

Mr. Song Xiangping ("**Mr. Song**"), aged 58, was appointed as an executive director of the Company in January 2015. He graduated from the Faculty of Electrification of 武漢鋼鐵學院 (Wuhan Institute of Iron and Steel Engineering*) in November 1983. He also obtained a degree of executive master of business administration from Cheung Kong Graduate School of Business in September 2013. Mr. Song joined the Industrial and Commercial Bank of China as engineering in August 1988. From October 2004 to June 2006, Mr. Song was the deputy general manager and overseas representative of the marketing department and the Hong Kong Branch of 上海銀商信息有限公司 (China Union Loyalty Co. Ltd.*) and was promoted to the general manager of its Beijing and Hong Kong Branches from July 2006 to December 2007. From December 2007 to November 2010, Mr. Song joined 開聯信息技術有限公司 (Open Union Information Technology Co. Ltd.*) as the executive vice president and the general manager of the prepaid card business department. Since November 2010, Mr. Song has been the director and the president of Open Union.

* *English translation for identification purpose only*

Independent Non-executive Directors

Mr. Wang Yiming ("**Mr. Wang**"), aged 55, was appointed as an independent non-executive director of the Company in August 2013. Mr. Wang is a member of the Company's audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Wang holds a bachelor degree in electronic and a master degree in business administration from Shanghai Jiao Tong University. He was appointed as an executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on GEM, in September 2004. Mr. Wang had resigned as the chief executive officer and the executive director of Shanghai Jiaoda Withub Information Industrial Company Limited in June 2014. He is currently the general manager of 上海滄馬企業管理有限公司 (Shanghai Shenguang Technology Development Ltd.*).

Mr. Lu Dongcheng ("**Mr. Lu**"), aged 55, was appointed as an independent non-executive director of the Company in August 2013. Mr. Lu is the chairman of the Company's nomination committee and a member of the Company's audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Lu holds a Master degree of Business Administration from Yale University and a Doctor degree from Peking Medical University which has merged with Peking University. He was the partner of Infinity Group (Peking) Venture Capital Management Co., Ltd. during June 2008 to April 2011 and the chief executive officer of AnPing Capital Management Limited during May 2011 to April 2012. Mr. Lu is currently the chief executive officer of Suzhou Mountain View Equity Investment Management Co., Ltd. and the supervising partner of Mountain View Capital PE Funds. In May 2015, Mr. Lu was appointed as the managing partner of 北京重山遠志醫療健康基金 (Beijing Zhongshan Medical Health Fund*).

Dr. Yuan Shumin ("**Dr. Yuan**"), aged 71, was appointed as an independent non-executive director of the Company in May 2014. Dr. Yuan is the Company's compliance officer, the chairman of the Company's audit committee, remuneration committee and internal control committee, and a member of the Company's nomination committee and compliance committee. Dr. Yuan was a member of the Chinese Institute of Certified Public Accountants. He obtained a doctorate degree in Science (part-time doctorate program) in the School of Management from Fudan University in January 1998. Dr. Yuan was the supervisor of teaching department, the assistant supervisor and the assistant dean of the School of Accountancy in Shanghai University of Finance and Economics from 1993 to 2000; and the standing assistant dean of the School of Adult Education in Shanghai University of Finance and Economics from 2000 to 2005, Dr. Yuan has joined the School of Accountancy in Shanghai Finance University since September 2005 and had been the president of that School of Accountancy until 2013. From April 2014 to February 2019, he was a chief accountant of Sanda University. Since March 2019 to present, he act as professor of Sanda University. From June 2007, he acts as an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited (8205.HK).

SENIOR MANAGEMENT

Mr. Shiu Shu Ming ("**Mr. Shiu**"), Mr. Shiu aged 52, has more than 20 years' experience in corporate finance, mergers and acquisitions, initial public offerings and fundraising exercises in various ventures and projects with a deal portfolio covering private entities, the People's Republic of China state-owned enterprises and publicly listed companies in Hong Kong, the PRC, Malaysia, Singapore and Indonesia. Mr. Shiu obtained a bachelor's degree in accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in 1993 and is a member of Hong Kong Institute of Certified Public Accountants. He is a licensed person registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") to carry out Type 6 (advising on corporate finance) regulated activity. From March 2020 to September 2021, Mr. Shiu was appointed as one of the joint company secretaries..

Mr. Shiu is currently a non-executive director of Golden Century International Holdings Group Limited, whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 91).From 10 December 2021, Mr. Shiu was appointed as a non-executive director of Oriental Payment Group Holdings Limited whose Shares are listed on GEM of the Stock Exchange (stock code: 8613). Mr. Shiu has been appointed as Independent non-executive director of Tianyuan International Holdings Limited, a company (whose Shares are listed on Stock Exchange (Stock code: 6836)), since April 2022.

Mr. Tang Wai Leung ("**Mr. Tang**") was appointed as the company secretary of the Company in February 2014 and became one of the joint company secretaries on 12 October 2020. Mr. Tang holds a bachelor degree of Bachelor of Arts (Hons) in Accounting from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Tang has over 15 years of experience in accounting and auditing.

** English translation for identification purpose only*

Directors’ Report

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Smartpay Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) is pleased to present this annual report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2022 (the “**Reporting Period**”) to the shareholders of the Company (the “**Shareholders**”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period and the state of affairs of the Company and the Group as at 31 March 2022 are set out in the consolidated financial statements which appear on pages 62 to 163 of this annual report.

DIVIDEND POLICY

The Company does not have a fixed dividend payout ratio. The Board adopted a dividend policy that aims to allow the Shareholders to participate in the Company’s profits by provision of dividends whilst preserving the Company’s liquidity to capture future growth opportunities. The Company may declare and pay dividends to the Shareholders depending on, amongst other factors, the Company’s operation and financial performance, liquidity conditions, capital requirements, future funding needs, contractual restrictions, availability of reserves and prevailing economic climate. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders’ approval, where applicable. The Board will review this policy from time to time and may adopt changes as appropriate at the relevant time.

The Board does not recommend the payment of a final dividend for the Reporting Period.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on page 164 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in note 39(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2022, other than share premium, no other distributable reserve is available for distribution to the Shareholders by the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the percentage of revenue and cost of goods sold/cost of services rendered attributable to the Group's major customers and suppliers are set out below:

Revenue	
— The largest customer	12.22%
— The total of five largest customers	32.90%
Cost of services rendered/cost of goods sold	
— The largest supplier	42.11%
— The total of five largest suppliers	75.85%

As far as the Directors are aware, neither the Directors nor their associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this report were:

Executive Directors:

Mr. Zhang Xi *(Chairman)*
Mr. Wu Hao
Mr. Lin Xiaofeng
Mr. Song Xiangping

Independent Non-executive Directors ("INED(s)"):

Dr. Yuan Shumin
Mr. Wang Yiming
Mr. Lu Dongcheng

In accordance with Article 84(1) of the Company's articles of association, Mr. Zhang Xi ("**Mr. Zhang**"), Mr. Wang Yiming ("**Mr. Wang**") and Mr. Lu Dongcheng ("**Mr. Lu**") shall retire from office at the forthcoming annual general meeting of the Company. Being eligible, Mr. Zhang will offer himself for re-election as executive Director, and Mr. Wang and Mr. Lu will offer themselves for re-election as an independent non- executive Directors.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographic information of the Directors and senior management of the Group are set out on page 34 to page 35 of this annual report.

DIRECTOR'S SERVICE CONTRACTS/LETTER OF APPOINTMENT

Mr. Zhang was appointed as an executive Director for an initial term of three years commencing from 12 October 2020 and expiring on 11 October 2023, subject to retirement by rotation and re-election under the articles of association of the Company. Mr. Zhang is entitled to receive a remuneration of HK$50,000 per month payable in arrears.

Mr. Song, an executive Director, entered into a service contract with the Company which was renewed for another term of three years commencing from 16 January 2021 and expiring to 15 January 2024, subject to retirement by rotation and re-election under the articles of association of the Company. Mr. Song is entitled to receive a remuneration of HK$20,000 per month payable in arrears.

Mr. Wu, an executive Director, entered into a service contract with the Company for a term of three years commencing from 18 July 2022 to 17 July 2025, subject to retirement by rotation and re-election under the articles of association of the Company. Mr. Wu is entitled to receive a remuneration of HK$20,000 per month payable in arrears.

Mr. Lin, an executive Director, entered into a service contract with the Company for a term of three years commencing from 16 December 2019 to 15 December 2022, subject to retirement by rotation and re-election under the articles of association of the Company. Mr. Lin is entitled to receive a remuneration of HK$20,000 per month payable in arrears.

The basic approximate annual salaries of the executive Directors during the Reporting Period are as follows:

Name	**HK$**
Mr. Zhang Xi	600,000
Mr. Song Xiangping	240,000
Mr. Wu Hao	240,000
Mr. Lin Xiaofeng	240,000

Mr. Wang and Mr. Lu each entered into a letter of appointment as INEDs of the Company with the Company which was renewed for a term of three years commencing from 2 August 2020 and expiring on 1 August 2023. Their respective directors' fee was HK$120,000 per annum. Dr. Yuan entered into a letter of appointment as an INED of the Company with the Company which was renewed for a term of three year commencing from 19 May 2021 and expiring to 18 May 2024. His director's fee was HK$120,000 per annum. None of the INEDs is expected to receive any other remuneration (save for the share options that may be granted) for holding their offices as the INEDs.

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has entered into any service agreement with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

The Directors' remunerations (including any share options that may be granted to the Directors) is determined with reference to the results of the Group and the performance of the individual Director.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, or any of its subsidiaries was a party, and in which the controlling shareholders of the Company had a material interest, either directly or indirectly, subsisted at the end of or at any time during the Reporting Period.

COMPETING INTERESTS

During the Reporting 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.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remunerations of the Directors and senior management based on the Group's operating results, individual performance and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments are set out in note 9 to 10 to the consolidated financial statements, respectively.

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

As at 31 March 2022, the interests or short positions 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 or 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:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Lin	Beneficial owner *(Note 1)*	8,000,000	0.34%
Mr. Song	Beneficial owner *(Note 2)*	19,000,000	0.80%
Mr. Wu	Beneficial owner *(Note 3)*	19,000,000	0.80%

Notes:

1. These Shares represent the underlying Shares under the share options granted to Mr. Lin on 23 August 2021 pursuant to the Company's share option scheme which was adopted by the Company on 13 May 2021 (the "**Share Option Scheme**"). Pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of such share options granted thereunder.

2. These Shares represent the underlying Shares under the share options granted to Mr. Song on 23 August 2021 pursuant to the Share Option Scheme. Pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of such share options granted thereunder.

3. These Shares represent the underlying Shares under the share options granted to Mr. Wu on 23 August 2021 pursuant to the Share Option Scheme. Pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of such share options granted thereunder.

Save as disclosed above, as at 31 March 2022, so far as was 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, at no time during the Reporting 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 pursuant to the Share Option Scheme, at no time during the Reporting 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).

PERMITTED INDEMNITY PROVISION

Article 164 of the articles of association of the Company provides, amongst other things, that every director of the Company for the time being acting in relation to the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

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

As at 31 March 2022, so far as was 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 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 of controlled corporation *(Note 1)*	437,230,000	18.47%
	Beneficial owner *(Note 1)*	93,090,000	3.93%
Sino Starlet Limited ("**Sino Starlet**")	Beneficial owner *(Note 1)*	437,230,000	18.47%
Vered Capital Limited ("**Vered Capital**")	Person having a security interests in shares *(Note 2)*	260,090,000	10.99%

Notes:

1. Out of these 530,320,000 Shares, 437,230,000 Shares were held by Sino Starlet, which was in turn wholly-owned by Mr. Zhang. Accordingly, Mr. Zhang is deemed to be interested in these 437,230,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.

2. Pursuant to the disclosure of interests notices filed by Vered Capital on 29 August 2018, on 27 July 2018, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang respectively.

Save as disclosed above, as at 31 March 2022, there was no other person who had any interest or short position in the Shares or underlying Shares 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.

SHARE OPTION SCHEME

At the extraordinary general meeting ("**EGM**") held on 13 May 2021, the shareholders resolved and approved the adoption of a new share option scheme (the "**Scheme**") for the purpose of recognising and motivating the contribution of the eligible participants ("**Participants**") to the Group. Pursuant to the Scheme, the Board may grant options to (i) employee(s), being (a) any full-time employee and director (including executive director, non-executive director and independent non-executive director) of the Group; and (b) any part-time employee with weekly working hours of 10 hours or above of the Group (the assessment criterion of which are (1) length of employment or service; (2) work performance, commitment and achievement; and (3) contribution to the Group's business development); (ii) business associate(s), being (a) any advisor or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group; or (b) any provider of goods and/or services to the Group (the assessment criterion of which are (1) such person's contribution to the development and performance of the Group; (2) the quality of work performed by such person for the Group; (3) the initiative and commitment of such person in performing his or her duties; and (4) the length of service or contribution of such person to the Group); and (iii) trustee(s), being the trustee of any trust(s) (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate (the assessment criterion of which are set out in paragraphs (i) and (ii) above, respectively).

The purpose of the Scheme is for the Group to attract, retain and motivate Participants to strive for future developments and expansion of the Group, to recognise and reward the Participants for their past contributions and to maintain on-going relationship with the Participants. The Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

The maximum number of Shares in respect of which all outstanding options are granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

Subject to the limit as mentioned above, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Scheme by the Shareholders in general meeting unless the Company obtains an approval from the Shareholders pursuant to the terms of the Scheme.

A maximum of 197,301,869 Shares may be issued upon exercise of all the options to be granted under the Scheme and any other share option schemes of the Company, representing approximately 10.00% of the total number of Shares in issue as at the date of the EGM.

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

The exercise period of an option under the Scheme will be notified by the Board to each Participant which shall not exceed 10 years from the date upon which the option is granted. The Scheme provides that, unless otherwise determined by the Board and provided in the letter containing the offer, there is no minimum period for which an option must be held before it can be exercised and no performance target which needs to be achieved by the grantee before an option can be exercised. The Board may in its absolute discretion impose on a Participant any conditions, restrictions and/or limitations (as the case may be) in relation to, among others, the grant and/or exercise (as the case may be) of an option (which shall be stated in the letter containing the offer) and determine the subscription price, on the basis, and subject to any adjustments, as indicated in the Scheme. Upon acceptance of the option, the eligible Participants shall pay HK$1.00 to the Company by way of consideration for the grant thereof.

The subscription price shall, subject to any adjustments made referred to in the Scheme, be determined by the Board in its absolute discretion at the time of the grant of the relevant option and notified to a Participant and shall be no less than the higher of: (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date which must be a business day; (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

Subject to the termination provisions of the Scheme, the Scheme would remain valid for a period of 10 years commencing from 13 May 2021 and will expire on 12 May 2031.

For the Reporting Period, the Company granted the following share options under the Scheme:

Grantees	Date of grant		Exercise price (HK$)	Closing price on the date of grant (HK$)	Options outstanding as at 1 April 2021	Options granted since 1 April 2021	Options exercised since 1 April 2021	Options lapsed/ forfeited since 1 April 2021	Options outstanding as at 31 March 2022
Directors, chief executives and substantial shareholders									
Mr. Wu	23 August 2021	*(Note 2)*	0.20	0.183	—	19,000,000	—	—	19,000,000
Mr. Song	23 August 2021	*(Note 2)*	0.20	0.183	—	19,000,000	—	—	19,000,000
Mr. Lin	23 August 2021	*(Note 2)*	0.20	0.183	—	8,000,000	—	—	8,000,000
	1 September 2016	*(Note 1)*	1.68	1.68	11,000,000	—	—	(11,000,000)	—
Employees and senior management	23 August 2021	*(Note 2)*	0.20	0.183	—	151,300,000	—	—	151,300,000
	1 September 2016	*(Note 1)*	1.68	1.68	10,000,000	—	—	(10,000,000)	—
					21,000,000	197,300,000	—	(21,000,000)	197,300,000

Notes:

1. The share options had a validity period of 5 years from 1 September 2016 to 31 August 2021 and lapsed upon the expiry of the validity period.

2. One third of the share options shall be vested on the date falling on the first anniversary of the date of grant and exercisable from 23 August 2022 to 22 August 2024, both dates inclusive.

   Another one third of the Share Options shall be vested on the date falling on the second anniversary of the Date of Grant and exercisable from 23 August 2023 to 22 August 2024, both dates inclusive.

   The remaining of the Share Options shall be vested on 15 August 2024 and exercisable from 15 August 2024 to 22 August 2024, both dates inclusive.

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 Reporting Period.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 3 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.

Directors' Report

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 45 to page 54 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

ADDITIONAL INFORMATION OF BUSINESS REVIEW

Addition information of business review is set out on pages 6 to 8 under the "Management Discussion and Analysis" of this report.

AUDITOR

The consolidated financial statements of the Group for the Reporting Period have been audited by Mazars CPA Limited, who will retire and a resolution to re-appoint Mazars CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company.

ON BEHALF OF THE BOARD

Zhang Xi
Chairman

Hong Kong, 19 August 2022

CORPORATE GOVERNANCE CODE

The board (the "**Board**") of directors (the "**Director(s)**") of China Smartpay Group Holdings Limited (the "**Company**") is committed to establish and maintain high standards of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

Throughout the year ended 31 March 2022 (the "**Reporting Period**"), the Company has complied with all the code provisions in the CG Code except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

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 the Directors, the Company is 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 2021 to 31 March 2022.

BOARD OF DIRECTORS

Board composition

As at the date of this annual report, the Board comprised the following four executive Directors and three independent non-executive Directors:

Executive Directors:

Mr. Zhang Xi *(Chairman)*
Mr. Song Xiangping
Mr. Wu Hao
Mr. Lin Xiaofeng

Independent Non-executive Directors:

Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin

Biographical Details of Directors and Senior Management

The composition of the Board reflects the necessary balance of skills, experience and diversity of perspectives desirable for effective leadership of the Company and independence on decision making.

As at 31 March 2022, there were seven members in the Board comprising four executive Directors and three independent non-executive Directors ("**INEDs**"). The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on page 34 to page 35 of this annual report. Their roles and functions are published on the Company's website and the Stock Exchange's website. Save as disclosed in this annual report, to the best knowledge of the Company, there is no other financial, business or family relationship among the Board members.

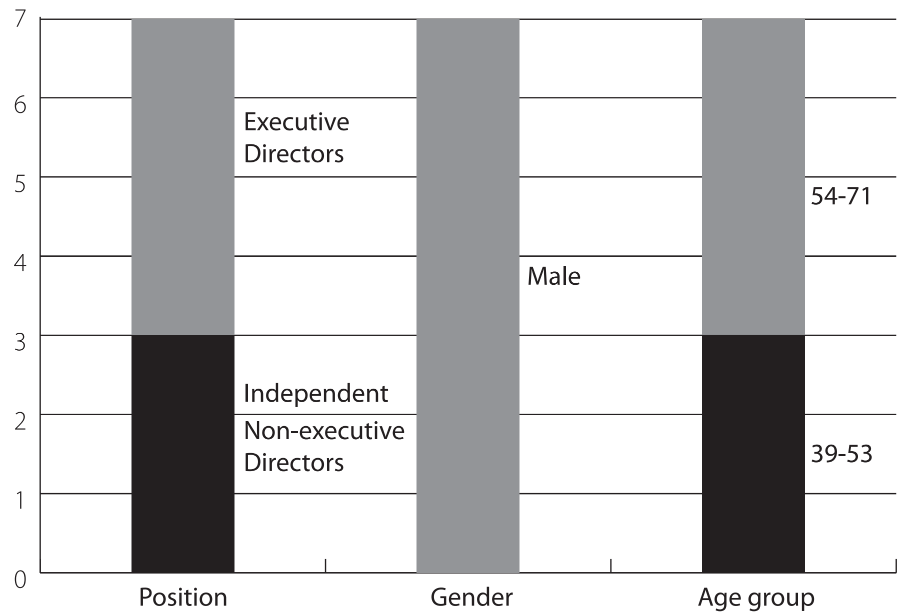
Board Diversity Policy

In accordance with the latest amendment and requirements of CG Code and Corporate Governance Report in Appendix 15 of the GEM Listing Rules by the Stock Exchange, the Company has adopted a board diversity policy. The policy is summarized as below:

The board diversity policy of the Company (the "**Policy**") specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills. Based on the Nomination Committee's review for the year ended 31 March 2022, the Nomination Committee considers that these measurable objectives have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs.

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of the Policy. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 34 to page 35 of this annual report.



The Nomination Committee has reviewed the members, structure and composition of the Board, and is of the opinion that the rational structure of the Board and the experiences and skills of the Directors in various aspects and fields may enable the Company to maintain high standard operation.

Measurable Objectives

The Board has set and review the measurable objectives for implementing the board diversity policy for the year ended 31 March 2022 as follows:

(i) ensuring that there is no limitation on gender on selection of Directors;

(ii) inclusion of candidates for Board members with working experience in other industries; and

(iii) inclusion of candidates for Board members with knowledge and skills in different aspects.

Based on the Nomination Committee's review for the year ended 31 March 2022, the Nomination Committee considers that the above measurable objectives of the Policy have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs. Details on the Directors are set out in the section headed "Biographical Details of Directors" of this annual report.

During the Reporting Period, a total of 15 Board meetings, 1 annual general meeting and 1 extraordinary general meeting of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

	Board meetings	Annual general meeting	Extraordinary general meeting
Executive Directors			
Mr. Zhang Xi *(Chairman)*	15/15	1/1	1/1
Mr. Wu Hao	10/15	1/1	1/1
Mr. Song Xiangping	15/15	1/1	1/1
Mr. Lin Xiaofeng	15/15	1/1	1/1
Independent Non-executive Directors			
Mr. Wang Yiming	15/15	1/1	1/1
Mr. Lu Dongcheng	15/15	1/1	1/1
Dr. Yuan Shumin	15/15	1/1	1/1

Responsibility and Delegation

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 the shareholders' value.

Major corporate matters that are specifically delegated by the Board to the management including the preparation of annual, interim and quarterly 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.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is also 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.

Independent Non-executive Directors

In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed sufficient number of INEDs with at least one of them having appropriate professional qualifications or accounting or related financial management expertise and that the number of INEDs must be at least one-third of the Board. The INEDs, together with the executive Directors and the non-executive Director, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards and that appropriate systems are in place to protect the interest of the Company and its shareholders. The Company has received an annual confirmation of independence from each of the INEDs and considers that their independence is in compliance with the Rule 5.09 of the GEM Listing Rules as at the date of this report.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statues, laws, rules and regulations. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Records of continuous professional development were received from the Directors. All of them have attended seminars and/or read materials and update relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements during the Reporting Period.

All Directors pursued continuous professional development and relevant details are set out below:

	Attending seminars/ conferences forums	**Reading journals/ updates/ articles/ materials**
Executive Directors		
Mr. Zhang Xi *(Chairman)*	✓	✓
Mr. Wu Hao	✓	✓
Mr. Song Xiangping	✓	✓
Mr. Lin Xiaofeng	✓	✓
Independent non-executive Directors		
Mr. Wang Yiming	✓	✓
Mr. Lu Dongcheng	✓	✓
Dr. Yuan Shumin	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Xi has been appointed as the chairman of the Board following his appointment as an executive Director. The Company is still looking for suitable candidate to fill the vacancy of the CEO.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All Directors are appointed for a specific term. All the executive Directors of the Company are engaged on a service contract with the Company for a term of three years, subject to retirement by rotation and re-election and other requirements under the articles of association of the Company (the "**Articles of Association**").

Each of the INEDs was appointed by a letter of appointment with the Company which is for a period of three years, subject to re-election and other requirements under the Articles of Association and their respective letters of appointment.

Besides, the procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. According to Article 84 of the Article of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

According to Article 83, the Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Details for the re-election of Directors are set out in the "Directors' Report" of this annual report.

COMMITTEES

As part of the corporate governance practices, the Board has established an audit committee (the "**Audit Committee**"), a nomination committee (the "**Nomination Committee**"), a remuneration committee (the "**Remuneration Committee**"), an internal control committee (the "**Internal Control Committee**") and a compliance committee (the "**Compliance Committee**"). All of the committees are composed of INEDs (except for the Compliance Committee which comprises three INEDs and Mr. Lin) with terms of reference in accordance with the principles set out in the CG Code. The respective terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee have been published on the Company's website and the Stock Exchange's website. The compositions of the various committees of the Company as at 31 March 2022 are set out below:

Audit committee

The Audit Committee members of the Company are as follows:

Independent non-executive Directors	**Attendance at Audit Committee meetings**
Dr. Yuan Shumin *(Chairman)*	4/4
Mr. Wang Yiming	4/4
Mr. Lu Dongcheng	4/4

The Audit Committee meetings shall be held at least once every three months to consider, among others, the Company's budget, revised budget and quarterly, half-yearly and annual results prepared by the Board pursuant to the Company's internal control system. The Audit Committee held four meetings during the Reporting Period. Details of the attendance by the members of the Audit Committee are set out above.

During the Reporting Period, the Audit Committee met with the external auditor to discuss the general scope of their audit work and reviewed the management representation letter. It also reviewed the quarterly, interim and annual financial statements and reports and discussed with the external auditor on any significant or unusual items before submission to the Board, reviewed the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement and reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures. It also reviewed the training and continuous professional development of the Directors and the senior management and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The current terms of reference of the Audit Committee was adopted on 20 May 2022 so as to ensure the function of overseeing financial reporting system, risk management system and internal control system can be properly performed by the Audit Committee.

Nomination Committee

The Company has established the Nomination Committee which considers and recommends to the Board suitably qualified persons to become the Company's Directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis. The Nomination Committee members are as follows:

Independent non-executive Directors	Attendance at Nomination Committee meetings
Mr. Lu Dongcheng *(Chairman)*	1/1
Mr. Wang Yiming	1/1
Dr. Yuan Shumin	1/1

The Board has adopted a board diversity policy which aims to set out the approach to achieve diversity on the Board. The Company continuously seek to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of having a diverse Board, which can be achieved through the consideration of a number of factors, including but not limited to talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. The Nomination Committee is responsible for identifying qualified candidates to become members of the Board. All appointments of members of the Board are based on merit and contribution that the selected candidates are likely to bring to the Board. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its continuing effectiveness.

The meetings of the Nomination Committee shall be held at least once a year. Details of the attendance by the members of the Nomination Committee are set out above.

Remuneration Committee

The Company has established the Remuneration Committee which make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration. The Remuneration Committee regularly monitors the remunerations of all of the Directors and senior management of the Group such that their remunerations are set at appropriate levels. The Remuneration Committee members are as follows:

Independent non-executive Directors	Attendance at Remuneration Committee meetings
Dr. Yuan Shumin *(Chairman)*	1/1
Mr. Wang Yiming	1/1
Mr. Lu Dongcheng	1/1

The meetings of the Remuneration Committee shall be held at least once a year. Details of the attendance by the members of the Remuneration Committee are set out above.

The Remuneration Committee has reviewed the current remuneration packages of the Directors. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements.

Internal Control Committee

The Company has established the Internal Control Committee to review the Group's internal control and risk management procedures on a regular basis to ensure that proper and appropriate control in respect of the Group's finance, operations and human resources is in place. The Internal Control Committee is also vested with the responsibility of reviewing and monitoring the training and continuous professional development of the Group's senior management.

The Internal Control Committee members are as follows:

Independent non-executive Directors	Attendance at Internal Control Committee meetings
Dr. Yuan Shumin *(Chairman)*	1/1
Mr. Wang Yiming	1/1
Mr. Lu Dongcheng	1/1

The meetings of the Internal Control Committee shall be held not less than once a year. Details of the attendance by the members of the Internal Control Committee are set out above.

Compliance Committee

The Company has established the Compliance Committee to ensure the Group's compliance of rules and regulations applicable to the Group and in particular the GEM Listing Rules, and to monitor the preference share structure arrangement of Oriented City Group (Thailand) Company Limited as well as the Group's tax affairs. Further, the Compliance Committee is responsible for developing, reviewing and monitoring the code of conduct applicable to 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. The Compliance Committee will report directly to the Board on the compliance matters of the Group. It will also seek advice from the Company's legal advisers to be retained from time to time.

The Compliance Committee members are as follows:

Executive Director

Mr. Lin Xiaofeng *(Chairman)*
– a compliance officer of the Company

Independent Non-executive Directors

Dr. Yuan Shumin
Mr. Wang Yiming
Mr. Lu Dongcheng

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities for presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. Management shall provide sufficient explanation and information to the Board so that to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. Further, the Company also provides all members of the Board with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Board also acknowledges their responsibilities of the preparation of the consolidated financial statements of the Group and ensures that the financial statements are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance. The Board also ensures the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

The statement of external auditor of the Company, Mazars CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

Internal control and risk management

The Board is responsible for monitoring the risk management and internal control systems of the Company and reviewing their effectiveness. These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Assisted by the Audit Committee, the Board evaluates and determines the nature and extent of significant risks it is willing to take in achieving the Company's strategic objectives. The Board lists the risks they identified and the relevant measures to manage or mitigate such risks. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal control systems. Procedures have been designed and implemented to safeguard the Company's assets against unauthorised use or disposal, ensure maintenance of proper accounting records for provision of reliable financial information for internal use or for publication and ensure the Company's compliance with applicable laws, rules and regulations. The Board also ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

To ensure the effectiveness of the risk management and internal control systems, the Board requests the management to facilitate each of the departments of the Company to identify major risk events in the field it operates and assess the possibility of occurrence and influence of these risk events to the Company. Each department also prepares solutions and mitigation measures to deal with the possible risk events to the management. The management gathers the information from each of the departments and provide confirmations and feedbacks to the board on the effectiveness of the risk management and internal control system. Based on the information from the management, the Board conducted an annual review on the effectiveness of the Company's risk management and internal control system for the Reporting Period. The Board concluded that the risk management and internal control systems of the Company were adequate and effective during the Reporting Period.

The Company does not have an internal audit function as the Board presently considers that the size, nature and complexity of the Group's business does not require such function.

With respect of procedures and internal controls of the handling and dissemination of inside information, the Company is fully aware of its obligation under Part XIVA of the Securities and Futures Ordinance and the GEM Listing Rules. The Board has adopted a policy which contains the guidelines for the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations.

Auditor's remuneration

The auditor provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. For the Reporting Period, the remuneration paid/payable to the auditor of the Company, Mazars CPA Limited are set out below:

Nature of services (Continuing and discontinued operations)	Fees paid/ payable *HK$'000*
Audit service	1,250
Audit-related service (including agreed upon procedures on quarterly and interim result, professional services on major disposal transaction)	757
Total	2,007

* *The auditor's remuneration disclosed in note 8(d) to the consolidated financial statements included approximately HK$170,000, which was paid to the statutory auditors of the overseas subsidiaries of the Company (not Mazars CPA Limited).*

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at general meeting

Pursuant to the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 23/F, Connaught Marina, 48 Connaught Road West, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Directors of the Company.

Shareholders may also make enquires with the Board at the general meetings of the Company.

COMPANY SECRETARY

The company secretary supports the Board and Board committees by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary is appointed by the Board and reports to the chairman of the Company. The company secretary also plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Mr. Tang Wai Leung and Mr. Shiu Shu Ming are the joint company secretaries of the Company. They are full-time employees of the Company and undertook over 15 hours of relevant professional training to update his skills and knowledge during the Reporting Period.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investors. During the Reporting Period, there had been no significant change in the Company's constitutional documents.

The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports and notices, announcements and circulars. The corporate website of the Company (http://www.chinasmartpay.com) provides a communication platform to the public and the shareholders. The Board reviews the shareholder communication policy on a regular basis and is of the view that the current shareholder communication policy is effective based on its review.

CONSTITUTIONAL DOCUMENTS

The Company has uploaded its memorandum and articles of association on the websites of the Stock Exchange (http://www.hkexnews.hk/) and of the Company (http://www.chinasmartpay.com).

There has been no change in the Company's memorandum and articles of association during the Reporting Period.

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To the members of
China Smartpay Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Smartpay Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 62 to 163, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2022, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the "Going concern" section in Note 3 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred loss from continuing operations of approximately HK$53,409,000 for the year ended 31 March 2022 and, as at that date, the Group had net current liabilities of approximately HK$48,694,000. In addition, the Company is required to settle the fixed rate senior secured bonds in the aggregate principal amount of approximately US$24,352,000 (equivalent to approximately HK$189,949,000) on demand. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The board of directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *"Material Uncertainty Related to Going Concern"* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Control over entities under structured agreements (the "Relevant Entities")	
Refer to significant accounting policy and critical accounting estimate and judgement in Note 3 and the disclosures of the Relevant Entities in Note 14 to the consolidated financial statements	
The Group, through certain of its indirect wholly-owned subsidiaries, entered into a series of structured agreements (the "**Structured Agreements**") in the People's Republic of China (the "**PRC**") with the Relevant Entities and the legal owners of the Relevant Entities. The Group, through the Structured Agreements, has exposure and rights to variable returns from its involvement with the Relevant Entities and has ability to affect those returns through its power over the Relevant Entities. Therefore, the Group is considered to have control over the Relevant Entities. In determining the extent of the Group's involvement with and control over the Relevant Entities, the management considers a number of factors including whether the Group has: (1) exercised effective financial and operational control over the Relevant Entities; (2) exercised equity holders' voting rights of the Relevant Entities; (3) received substantially all of the economic interest returns generated by the Relevant Entities; (4) obtained an irrevocable and exclusive right to purchase the remaining entire equity interests in the Relevant Entities from the respective equity holders; and (5) obtained a pledge over the entire equity interests of the Relevant Entities from their respective equity holders under the Structured Agreements. We have identified the above matter as a key audit matter because the Relevant Entities are material to the Group and the determination of whether the Group has control over the Relevant Entities involves a significant degree of management judgement.	Our key procedures, among others, included: a) evaluating the terms in the Structured Agreements in connection with the Group's control over the Relevant Entities; b) understanding how the Group controls the daily business operation of the Relevant Entities; c) evaluating the management's assessment in relation to the control over the Relevant Entities according to *HKFRS 10 Consolidated Financial Statements*; d) obtaining an updated legal opinion from the Company's PRC legal counsel regarding whether the Structured Agreements are in compliance with relevant PRC laws and regulations and are legally binding and enforceable; and e) evaluating the Company's PRC legal counsel's competence, capabilities and objectivity.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from prepaid cards and internet payment business	
Refer to significant accounting policy in Note 3 and the disclosures of revenue (continuing and discontinued operations) and unutilised float funds in Notes 6, 12 and 24(c) to the consolidated financial statements respectively	
The Group maintains sophisticated information technology ("**IT**") systems in prepaid cards and internet payment business, in order to keep track the point of service provision for each transaction and also to keep track the issuance and subsequent consumption and utilisation of prepaid cards and the internet payment accounts. Revenue recognition in the business highly relies on information generated from the IT systems. We have identified the above matter as a key audit matter because revenue is one of the Group's key performance indicators and it involves complicated IT systems, all of which give rise to an inherent risk that revenue could be recorded in an incorrect accounting period or could be subject to manipulation to meet targets or expectations.	Our key procedures, among others, included: a) with the involvement of our IT experts, assessing the design, implementation and operating effectiveness of the Group's general IT controls and key application controls over the Group's IT systems which govern revenue recognition, including access controls, controls over program changes, interfaces among different systems and key manual internal controls over revenue recognition; b) evaluating our IT experts' competence, capabilities and objectivity; c) testing the key controls over the calculation of the amounts billed to merchants and capturing and recording of the revenue transactions; d) reconciling revenue recognised in the IT systems to the general ledger and assessing whether the reconciling items were properly supported by underlying documentation, on sample basis; e) testing the key controls over the authorisation of the rate changes and the input of such rates to the IT systems; f) performing analytical procedures on revenue from prepaid cards and internet payment business by extracting each type of revenue from the Group's IT systems; g) inspecting underlying documents for any journal entries which were considered to be significant or met other specified risk-based criteria; and h) inspecting the key terms and conditions of contracts with business partners to assess if there were any terms and conditions that may affect the accounting treatment of the related revenue on sample basis.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of interests in associates	
Refer to significant accounting policy and critical accounting estimate and judgement in Note 3 and the disclosures of interests in associates in Note 15 to the consolidated financial statements	
At 31 March 2022, the Group had interests in associates (net of impairment loss) of approximately HK$236,178,000. The Group estimated the recoverable amount of interests in associates, with reference to the value-in-use (the "**VIU**") calculations using cash flow projections, when an impairment indication existed. In carrying out the impairment assessments, significant management judgement was used to identify and evaluate indication of impairment and determine the key assumptions underlying the VIU calculations. Management has also engaged an independent professional valuer to provide assistance in estimating the recoverable amount of the interests in a significant associate. No impairment loss on the interests in associates has been recognised for the current reporting period. We have identified the above matter as a key audit matter because those items are material to the Group and the interests in associates and assessment of impairment indication on each investment in associate involved a significant degree of management judgement and high level of uncertainty and therefore was subject to an inherent risk of error.	Our key procedures, among others, included: a) evaluating the appropriateness and reasonableness of the Group's policies and process to identify indicators of impairment of interests in associates to perform the impairment test; b) assessing the appropriateness of the valuation methodologies used by the independent professional valuer and management to estimate recoverable amount of interests in associates; c) reconciling key input data applied in the VIU calculations to reliable supporting evidence; d) evaluating the independent professional valuer's competence, capabilities and objectivity; e) evaluating the reasonableness of key assumptions based on our knowledge and understanding of the businesses and industry; and f) evaluating the sensitivity of the impairment tests to changes in key assumptions.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability assessment of trade and other receivables	
Refer to significant accounting policy and critical accounting estimate and judgement in Note 3, the disclosures of trade and other receivables in Note 22 and the disclosures of the financial risk management — credit risk in Note 36(a)(iii) to the consolidated financial statements	
At 31 March 2022, the Group had trade and other receivables of approximately HK$169,576,000, net of loss allowances of approximately HK$90,679,000. Management performed credit evaluations for the Group's customers and assessed expected credit losses of trade and other receivables. These assessments were focused on the customers' settlement record, their current repayment ability and forward-looking information, and also took into account information specific to respective customer as well as pertaining to the economic environment in which the customer operates. All of these assessments involved significant judgements of the management. We have identified the above matter as a key audit matter because the balances are material to the Group and significant degree of judgements were made by the management in assessing the credit standing of the Group's customers, and therefore the estimation of expected credit losses of trade and other receivables.	Our key procedures, among others, included: a) obtaining management's assessment of expected credit losses of trade and other receivables and assessing the reasonableness of the key underlying information referenced by the management; b) evaluating the methodologies, inputs and assumptions used by the Group in calculating the expected credit loss; c) checking and assessing whether the loss allowance considered available forward-looking information, the debtors' ageing analysis, settlement record and history of default; and d) in respect of receivables of individual debtors which had not been identified by management as potentially impaired on sample basis, corroborating management's assessment with the external evidence obtained, such as public and background information available to us, and assessing the debtors' payment records during the current period and subsequent to the end of the reporting period, as well as the historical collection records.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 19 August 2022

The engagement director on the audit resulting in this independent auditor's report is:
Fong Chin Lung
Practising Certificate number: P07321

Consolidated Income Statement

Year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000 (Re-presented)
Continuing operations			
Revenue	6	**185,387**	55,673
Cost of services rendered		**(131,994)**	(27,428)
Gross profit		**53,393**	28,245
Other income	7	**12,694**	7,316
General administrative expenses		**(80,253)**	(86,440)
Selling and distribution costs		**(19,650)**	(6,921)
Finance costs	8	**(24,639)**	(30,316)
Gain on disposal of associates	15	**22,737**	—
Loss allowance on trade and other receivables	36(a)(iii)	**(11,997)**	(7,967)
Loss allowance on loan receivables	36(a)(iii)	**(8,881)**	(57)
Impairment loss on intangible assets	19	**(4,519)**	(4,399)
Share of results of associates	15	**7,733**	8,129
Loss before tax from continuing operations	8	**(53,382)**	(92,410)
Income tax (expenses) credit	11	**(27)**	1,243
Loss for the year from continuing operations		**(53,409)**	(91,167)
Discontinued operations			
Loss for the period/year from discontinued operations	12	**(33,379)**	(26,104)
Loss for the year		**(86,788)**	(117,271)
Attributable to:			
Equity holders of the Company		**(67,676)**	(98,544)
Non-controlling interests		**(19,112)**	(18,727)
		(86,788)	(117,271)

	Notes	**2022** **HK$'000**	2021 HK$'000 (Re-presented)
From continuing and discontinued operations			
Loss per share attributable to equity holders of the Company			
Basic	*13*	**(2.98) HK cents**	(5.73) HK cents
Diluted	*13*	**(2.98) HK cents**	(5.73) HK cents
From continuing operations			
Loss per share attributable to equity holders of the Company			
Basic		**(2.42) HK cents**	(5.42) HK cents
Diluted		**(2.42) HK cents**	(5.42) HK cents
From discontinued operations			
Loss per share attributable to equity holders of the Company			
Basic	*12*	**(0.56) HK cents**	(0.31) HK cents
Diluted	*12*	**(0.56) HK cents**	(0.31) HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(86,788)**	(117,271)
Other comprehensive income (expenses)		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates — exchange difference on translation	**12,999**	17,371
Derecognition of exchange reserve upon disposal of associate	**(3,675)**	—
Derecognition of exchange reserve upon deemed disposal/disposal of subsidiaries	**(619)**	2,559
Exchange difference on translation of foreign subsidiaries	**2,148**	20,946
Total comprehensive expenses for the year	**(75,935)**	(76,395)
Total comprehensive expenses attributable to:		
Equity holders of the Company	**(58,141)**	(62,192)
Non-controlling interests	**(17,794)**	(14,203)
	(75,935)	(76,395)

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Interests in associates	15	**236,178**	295,632
Goodwill	16	**—**	—
Property, plant and equipment	17	**5,999**	10,080
Right-of-use assets	18	**19,504**	26,138
Intangible assets	19	**173**	12,883
Financial assets at FVPL	20	**—**	300
Deferred tax assets	25	**9**	292
		261,863	345,325
Current assets			
Inventories	21	**202**	324
Tax recoverable		**12**	2,511
Trade and other receivables	22	**169,576**	163,162
Restricted funds	23	**324,137**	250,980
Cash and bank balances		**30,870**	67,287
		524,797	484,264
Current liabilities			
Trade and other payables	24	**366,354**	375,186
Tax payables		**9,660**	9,008
Bonds payables	28	**189,949**	210,385
Lease liabilities	18	**7,528**	7,367
		573,491	601,946
Net current liabilities		**(48,694)**	(117,682)
Total assets less current liabilities		**213,169**	227,643

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deferred tax liabilities	25	**6,302**	7,071
Other long-term liabilities	26	**—**	6,327
Lease liabilities	18	**12,953**	18,711
Liability component of convertible bonds issued by a listed subsidiary	27	**—**	11,859
		19,255	43,968
NET ASSETS		**193,914**	183,675
Capital and reserves			
Share capital	29	**23,676**	19,730
Reserves		**123,355**	109,714
Equity attributable to equity holders of the Company		**147,031**	129,444
Non-controlling interests	14	**46,883**	54,231
TOTAL EQUITY		**193,914**	183,675

These consolidated financial statements on pages 62 to 163 were approved and authorised for issue by the Board of Directors on 19 August 2022 and signed on its behalf by

Zhang Xi
Director

Lin Xiaofeng
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2022

	Attributable to equity holders of the Company								Non-controlling interests		
	Share capital *(Note 29)* *HK$'000*	Share premium *(Note 30(a))* *HK$'000*	Capital reserve *(Note 30(b))* *HK$'000*	Exchange reserve *(Note 30(c))* *HK$'000*	Statutory reserve *(Note 30(d))* *HK$'000*	Share option reserve *(Note 31)* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Existing *HK$'000*	Potential *HK$'000*	Total equity *HK$'000*
At 1 April 2020	16,441	1,562,367	5,498	(102,498)	11,963	21,581	(1,379,420)	135,932	69,011	—	204,943
Loss for the year	—	—	—	—	—	—	(98,544)	(98,544)	(18,727)	—	(117,271)
Other comprehensive income:											
Items that may be reclassified subsequently to profit or loss											
Share of other comprehensive income of associates — exchange difference on translation	—	—	—	17,371	—	—	—	17,371	—	—	17,371
Derecognition of exchange reserve upon disposal of subsidiaries	—	—	—	2,559	—	—	—	2,559	—	—	2,559
Exchange difference on translation of foreign subsidiaries	—	—	—	16,422	—	—	—	16,422	4,524	—	20,946
Total comprehensive income (expenses) for the year	—	—	—	36,352	—	—	(98,544)	(62,192)	(14,203)	—	(76,395)
Transactions with owners:											
Contributions and distributions											
Issue of shares upon placing of shares *(Note 29)*	3,289	48,599	—	—	—	—	—	51,888	—	—	51,888
Recognition of share-based compensation costs *(Note 31)*	—	—	—	—	—	3,816	—	3,816	—	—	3,816
Lapse of share options	—	—	—	—	—	(11,756)	11,756	—	—	—	—
Dividends paid to non-controlling interests of non-wholly owned subsidiary	—	—	—	—	—	—	—	—	(1,453)	—	(1,453)
Transfer to statutory reserve	—	—	—	—	25	—	(25)	—	—	—	—
	3,289	48,599	—	—	25	(7,940)	11,731	55,704	(1,453)	—	54,251
Changes in ownership interests											
Convertible bonds issued by a listed subsidiary *(Note 27)*	—	—	—	—	—	—	—	—	—	876	876
Total transaction with owners	—	—	—	—	—	—	—	—	—	876	876
At 31 March 2021	19,730	1,610,966	5,498	(66,146)	11,988	13,641	(1,466,233)	129,444	53,355	876	183,675

Consolidated Statement of Changes in Equity

Year ended 31 March 2022

	Attributable to equity holders of the Company								Non-controlling interests		
	Share capital *(Note 29)* *HK$'000*	Share premium *(Note 30(a))* *HK$'000*	Capital reserve *(Note 30(b))* *HK$'000*	Exchange reserve *(Note 30(c))* *HK$'000*	Statutory reserve *(Note 30(d))* *HK$'000*	Share option reserve *(Note 31)* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Existing *HK$'000*	Potential *HK$'000*	Total equity *HK$'000*
At 1 April 2021	19,730	1,610,966	5,498	(66,146)	11,988	13,641	(1,466,233)	129,444	53,355	876	183,675
Loss for the year	–	–	–	–	–	–	(67,676)	(67,676)	(19,112)	–	(86,788)
Other comprehensive income:											
Items that may be reclassified subsequently to profit or loss											
Share of other comprehensive income of associates — exchange difference on translation	–	–	–	12,999	–	–	–	12,999	–	–	12,999
Derecognition of exchange reserve upon disposal of associates	–	–	–	(3,675)	–	–	–	(3,675)	–	–	(3,675)
Derecognition of exchange reserve upon deemed disposal of subsidiaries *(Note 33)*	–	–	–	(619)	–	–	–	(619)	–	–	(619)
Exchange difference on translation of foreign subsidiaries	–	–	–	830	–	–	–	830	1,318	–	2,148
Total comprehensive income (expenses) for the year	–	–	–	9,535	–	–	(67,676)	(58,141)	(17,794)	–	(75,935)
Transactions with owners:											
Contributions and distributions											
Issue of shares upon placing of shares *(Note 29)*	3,946	66,367	–	–	–	–	–	70,313	–	–	70,313
Recognition of share-based compensation costs *(Note 31)*	–	–	–	–	–	5,415	–	5,415	–	–	5,415
Lapse of share options *(Note 31(ii))*	–	–	–	–	–	(13,922)	13,922	–	–	–	–
Dividends paid to non-controlling interests of non-wholly owned subsidiary	–	–	–	–	–	–	–	–	(1,491)	–	(1,491)
Transfer to statutory reserve	–	–	–	–	574	–	(574)	–	–	–	–
	3,946	66,367	–	–	574	(8,507)	13,348	75,728	(1,491)	–	74,237
Changes in ownership interests											
Deemed disposal of subsidiaries *(Note 33)*	–	–	–	–	(1,199)	–	1,199	–	12,813	(876)	11,937
Total transaction with owners	–	–	–	–	(1,199)	–	1,199	–	12,813	(876)	11,937
At 31 March 2022	23,676	1,677,333	5,498	(56,611)	11,363	5,134	(1,519,362)	147,031	46,883	–	193,914

Consolidated Statement of Cash Flows

Year ended 31 March 2022

	Notes	2022 **HK$'000**	2021 HK$'000 (Re-presented)
OPERATING ACTIVITIES			
Cash used in operations	32(a)	**(81,059)**	(103,232)
Interest paid		**(25,464)**	(25,058)
Interest received		**1,585**	168
Income tax (paid) refunded		**(77)**	48
Net cash used in operating activities		**(105,015)**	(128,074)
INVESTING ACTIVITIES			
Additions in property, plant and equipment	17	**(6,170)**	(1,984)
Proceeds from disposal of property, plant and equipment		**—**	144
Net cash outflow arising from the deemed disposal of subsidiaries	33	**(14,424)**	—
Additions in intangible assets	19	**(208)**	—
Proceeds from disposal of remaining interests in OPG	33	**24,603**	—
Dividend income from an associate	15	**9,107**	8,588
Proceeds from disposal of subsidiaries		**—**	36,154
Net cash from investing activities		**12,908**	42,902
FINANCING ACTIVITIES			
Issue of convertible bonds by a listed subsidiary, net of issue costs	27	**—**	11,543
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	14	**(1,491)**	(1,453)
Issue of bond	28, 32(b)	**15,000**	–
Repayment of bonds payables	28, 32(b)	**(20,436)**	(101,961)
Repayment of lease liabilities	18, 32(b)	**(7,750)**	(8,590)
Net proceeds from issue of shares upon placing of shares	29	**70,313**	51,888
Net cash from (used in) financing activities		**55,636**	(48,573)
Net decrease in cash and cash equivalents		**(36,471)**	(133,745)
Cash and cash equivalents at the beginning of the reporting period		**67,287**	197,498
Effect on exchange rate changes		**54**	3,534
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances		**30,870**	67,287

1. CORPORATE INFORMATION

China Smartpay Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and the principal activities of its subsidiaries and associates are set out in Notes 14 and 15 to the consolidated financial statements, respectively.

The Company and its subsidiaries are herein collectively referred to as the "**Group**".

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all individual applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in Note 3 to the consolidated financial statements. The consolidated financial statements are rounded to the nearest thousand, unless otherwise indicated.

A summary of the principal accounting policies adopted by the Group is set out in Note 3 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Adoption of new/revised HKFRSs *(Continued)*

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Going concern

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$48,694,000 at 31 March 2022 and the Bonds (as defined in Note 28) which is repayable on demand. In addition, the Group incurred a loss from continuing operations of approximately HK$53,409,000 for the year ended 31 March 2022. There is a material uncertainty related to these matters that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements, after taking into consideration of the followings:

(a) Mr. Zhang Xi, an executive director and the Chairman of the Company (the "**Chairman**"), has committed and proved his ability to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;

(b) the Chairman has provided personal guarantee for the Bonds by entered the deed of guarantee with the Bonds Subscribers;

(c) an independent third party has provided an undertaking in favour of the Chairman in case he is unable to provide sufficient financial support to the Group in respect of (a) and (b) as mentioned above;

(d) the Group is negotiating and discussing with the Bonds Subscribers (as defined in Note 28) for the existing and future settlement/schedule plan related to the Bonds and actively exploring the availability of fund raising activities as and when appropriate; and

(e) the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Going concern *(Continued)*

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the Directors are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements. The Directors believe that the aforementioned measures will be successful, based on the continuous efforts by the management of the Group.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost except for certain financial instruments which were stated at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(Continued)*

Changes in ownership interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in Note 39 to the consolidated financial statements, an investment in subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the postacquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates or joint ventures. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Associates and joint venture *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interests on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interests in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Any resulting gain or loss arising from remeasuring the previously held equity interests in the acquiree at the acquisition-date fair value is recognised in profit or loss or other comprehensive income, as appropriate.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write-off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	3 years
Furniture and office equipment	3 – 5 years
Motor vehicles	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 5 years.

Licence rights

Licence rights for the transaction processing system are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over the estimated useful lives of 10 years. Licence rights are tested for impairment where an indicator of impairment appears.

Computer software

Computer software represents costs incurred for the development of the technology systems which are under the prepaid cards and internet payment business, prestige benefits business and internet micro-credit business. The costs are capitalised and amortised under the straight-line method over 5 years. Computer software are tested for impairment where an indicator of impairment appears.

Payment network membership

The initial cost of payment network membership is capitalised. Payment network membership with indefinite useful lives is carried at cost less accumulated impairment losses as the Directors consider that there is no foreseeable limit on the period of time over which the payment network membership can be used to generate economic benefits.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(continued)*

Classification and measurement (continued)

1) Financial assets measured at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost included trade and other receivables, restricted funds and cash and bank balances.

2) Financial assets at FVPL
These investments include financial assets that are not measured at amortised cost, including financial assets held for trading, financial assets designated upon initial recognition at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

The Group's financial assets mandatorily measured at FVPL included unlisted equity investments in Hong Kong.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial liabilities *(continued)*

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, bonds payables, other long-term liabilities and liability component of convertible bonds issued by a listed subsidiary. All financial liabilities, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for certain loan and interest receivables for which the Group has reasonable and supportable information to demonstrate that previous non-payments were an administrative oversight, instead of resulting from financial difficulty of the borrower, or that there is no correlation between significant increases in the risk of a default occurring and financial assets on which payments are more than 30 days past due.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(continued)*

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

No financial instruments are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Convertible bonds issued by a listed subsidiary

Convertible bonds issued by a listed subsidiary that can be converted to equity share capital of a listed subsidiary at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of convertible bonds issued by a listed subsidiary is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component, which is recognised as potential non-controlling interests. Transactions costs that related to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of the proceeds.

The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. In particular, once the convertible bonds issued by a listed subsidiary were exercised by the bondholders, the equity component would be transferred to the non-controlling interests.

If the convertible bonds are converted, the amount previously recognised in potential non-controlling interests, together with the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

If the convertible bonds are redeemed, any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss and the amount previously recognised in potential non-controlling interests is released directly to accumulated profits or losses.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preference shares that are not redeemable, or are redeemable only at the Group's option; and any dividend payments are discretionary, are classified as equity.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

(i) Prepaid cards and internet payment business

(ii) Prestige benefits business

(iii) Merchant acquiring business (Discontinued)

(iv) Internet micro-credit business (Discontinued)

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within HKFRS 15 *(continued)*

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue or income is recognised on the following bases:

- Card issuing service fee income is recognised at a point in time by delivering the prepaid cards to customers.

- Management fee income of prepaid cards is recognised over time at specific rate on the unutilised float funds which has been inactive over three years which is recognised on an agreed percentage over the unutilised float funds outstanding.

- Merchant and technical support services fee income are recognised at a point in time by the Group to merchants at specific rates on the monetary value of consumptions made by the prepaid cards' holders/ internet payment accounts users of the merchants' stores on a trade date basis and when the technical support services are rendered.

- Service fee income of point of sales ("**POS**") machines and hotel and travelling booking agency service income are recognised at a point in time when services are rendered.

- Issuance income of prestige benefits cards is recognised at a point in time when the prestige benefits cards are delivered to customers.

- Sales of POS machines are recognised at a point in time when the goods are delivered to customers and the title is passed.

- Merchant acquiring transaction fee income ("**MDR income**") and marketing and distribution service income were recognised at a point in time at which the service was provided, which generally coincides with the time when the transactions are approved and executed.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Income from financial assets

Loan interest income is recognised over time on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

Foreign exchange rate discount income is recognised when the foreign currency denominated funds are received from the merchant acquiring business partner who offered a favourable exchange rate in settling its outstanding payable to the Group and converted into local currency which is usually on every business day.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Hong Kong Dollars ("**HK$**") is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Foreign currency translation *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, right-of-use assets, intangible assets or interests in associates may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit (the "**CGU**")).

If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or CGU that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as income in profit or loss immediately.

The accounting policy for recognition of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any leases payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	Over the term of lease
Machinery	Over the term of lease

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Leases *(Continued)*

As lessee *(continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Leases *(Continued)*

As lessee *(continued)*

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to HKFRS 16: *COVID-19-Related Rent Concessions Beyond 30 June 2022* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Employee benefits *(Continued)*

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group's entities established in Hong Kong in an independently administered fund.

In accordance with the rules and regulations in the People's Republic of China (the "**PRC**") and Thailand, the employees of the Group's entities established in the PRC and Thailand are required to participate in defined contribution retirement plans organised by local governments. Contributions to those plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions (the "**vesting date**"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the period of the review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

No expense is recognised for awards that do not ultimately vest, except for awards conditional on a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting conditions satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share-based compensation cost payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

3. **PRINCIPAL ACCOUNTING POLICIES** *(CONTINUED)*

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the holding company of the Group (if any).

3. **PRINCIPAL ACCOUNTING POLICIES** *(CONTINUED)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group (if any).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Operating segments that meet the quantitative thresholds are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Other operating segments may be aggregated if they share a majority of these criteria.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) Critical judgements made in applying accounting policies

*(i) Subsidiary — Oriental City Group (Thailand) Company Limited ("**OCG Thailand**")*

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the "**FBA**"), OCG Thailand, being a company engaged in merchant acquiring business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the capital and voting rights structure of ordinary shares and preference shares (together the "**Preference Shares Structure**") of OCG Thailand as described in Note 14(d) to the consolidated financial statements, all the OCG Thailand's issued preference share capital is owned by Thai citizens. However, the Group is able to exercise majority 50% voting power in any shareholders' meeting of OCG Thailand.

The Company's legal advisors have confirmed that the Preference Shares Structure is in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of capital structure similar to that of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon the management's judgement on the Preference Shares Structure, the Company accounted for OCG Thailand as a subsidiary (until the completion of the Deemed Disposal) on the ground that it was able to control OCG Thailand by exercising its majority voting power in any shareholders' meeting of OCG Thailand.

(ii) Subsidiary — 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Limited, "**Shanghai Yongle**")*

By implementation of a series of structured agreements entered among an indirect wholly-owned subsidiary of the Company, 深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited*, "**Shenzhen Yongle**"), Shanghai Yongle and the legal owners of Shanghai Yongle (the "**Shenzhen Yongle Structured Agreements**") as described in Note 14(a) to the consolidated financial statements, Shenzhen Yongle had obtained control over Shanghai Yongle and Shenzhen Yongle is exposed, or has rights, to variable returns from its involvement with Shanghai Yongle and has the ability to affect those returns through its power over Shanghai Yongle.

* *English translation for identification purpose only.*

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Critical accounting estimates and judgements *(Continued)*

(a) Critical judgements made in applying accounting policies *(continued)*

(ii) Subsidiary — 上海雍勤信息技術有限公司 (Shanghai Yongle Information Technology Limited, "**Shanghai Yongle**") (continued)*

The Company's legal advisors as to the applicable laws and regulations in the PRC have confirmed that the Shenzhen Yongle Structured Agreements are in compliance with all existing laws and regulations in the PRC. After due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Shenzhen Yongle Structured Agreements are valid, legal and enforceable in the PRC.

Based upon the management's judgement on the Shenzhen Yongle Structured Agreements, the Company accounts for Shanghai Yongle and its subsidiaries, 微科睿思在綫(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited*, "**Beijing Weike**") and 開聯通支付服務有限公司 (Open Union Payment Services Limited*, "**Open Union**"), as subsidiaries in accordance with HKFRS 10.

As the Group holds no equity interests in Shanghai Yongle but is subject to the Shenzhen Yongle Structured Agreements, significant judgement is necessary as to whether these contracts give the Group the ability to exercise control over Shanghai Yongle, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure etc.

(iii) Subsidiary — 上海靜元信息技術有限公司 (Shanghai Jingyuan Message Technology Limited, "**Shanghai Jingyuan**")*

By implementation of a series of structured agreements entered among an indirect wholly-owned subsidiary of the Company, 客樂芙信息技術(上海)有限公司 (Colourful Message Technology (Shanghai) Limited*, "**Colourful**"), Shanghai Jingyuan and the legal owners of Shanghai Jingyuan (the "**Colourful Structured Agreements**") as described in Note 14(b) to the consolidated financial statements, Colourful had obtained control over Shanghai Jingyuan and Colourful is exposed, or has rights, to variable returns from its involvement with Shanghai Jingyuan and has the ability to affect those returns through its power over Shanghai Jingyuan.

The Company's legal advisors as to the applicable laws and regulations in the PRC have confirmed that the Colourful Structured Agreements are in compliance with all existing laws and regulations in the PRC. After due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Colourful Structured Agreements are valid, legal and enforceable in the PRC.

Based upon the management's judgement on the Colourful Structured Agreements, the Company accounts for Shanghai Jingyuan and its subsidiary, 上海遨樂網絡科技有限公司 (Shanghai Aole Internet Technology Limited*, "**Shanghai Aole**"), as subsidiaries in accordance with HKFRS 10.

As the Group holds no equity interests in Shanghai Jingyuan but is subject to the Colourful Structured Agreements, significant judgement is necessary as to whether these contracts give the Group the ability to exercise control over Shanghai Jingyuan, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure etc.

* *English translation for identification purpose only.*

3. **PRINCIPAL ACCOUNTING POLICIES** *(CONTINUED)*

Critical accounting estimates and judgements *(Continued)*

(a) Critical judgements made in applying accounting policies *(continued)*

(iv) Control over subsidiary — OPG

Although the Group owned less than half of the ownership interests and voting rights in OPG, the Group had determined that it had control over OPG during the period from the acquisition date to 22 February 2022 on a de facto power basis after considered all relevant facts and circumstances including the Group's absolute size of voting rights and the relative size and dispersion of the voting rights held by other shareholders.

More details can be found in Note 14(c) to the consolidated financial statements.

(b) Key sources of estimation uncertainty

(i) Impairment of investments and receivables

The Group assesses annually if its interests in subsidiaries/associates suffered any impairment in accordance with HKAS 36 and follows the guidance of HKFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause in the adjustments of their carrying amounts.

(ii) Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(iii) Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortisation, and any impairment losses. In determining whether an asset is impaired, the Group has to exercise judgements and make estimations, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Critical accounting estimates and judgements *(Continued)*

(b) Key sources of estimation uncertainty *(continued)*

(iv) Discount rates for calculating lease liabilities — as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

(v) Provision of hotel and catering expenses

The management estimates the provision of hotel and catering expenses on the Group's prestige benefit cards with consideration of the current unclaimed hotel and catering benefits entitlements (the "**Entitlements**"), the historic redemption rates on the Entitlements, the estimates and assumptions on future redemption rates on the Entitlements and estimates of costs to fulfill the Entitlements. Differences between actual and estimated redemption rates generally affect the recognised expense and provision in future periods.

(vi) Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate and loan receivables. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumption and inputs used in estimating ECL are set out in Note 36 to the consolidated financial statements.

(vii) Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future periods to utilise income tax benefits and income tax loss carry-forwards, as appropriate. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on results and financial position of the Group.

4. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 16	Proceeds before Intended Use [1]
Amendments to HKAS 37	Cost of Fulfilling a Contract [1]
Amendments to HKFRS 3	Reference to the Conceptual Framework [1]
Annual Improvements to HKFRSs	2018-2020 Cycle [1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [2]
Amendments to HKAS 1	Disclosure of Accounting Policies [2]
Amendments to HKAS 8	Definition of Accounting Estimates [2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [2]
HKFRS 17	Insurance Contracts [2]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] The effective date to be determined

The Directors do not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

5. SEGMENT REPORTING

The executive directors have been identified as the chief operating decision makers ("**CODM**") 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 executive 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) merchant acquiring business in Thailand (Discontinued); and

(iv) internet micro-credit business in the PRC (Discontinued).

In addition, the executive 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 CODM 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 (loss) on disposal of subsidiaries, associate and remaining interest in OPG (included in "Loss for the period/year from discontinued operations"), finance costs, general administrative expenses incurred by corporate office, impairment loss on intangible assets, share of results of associates and income tax.

5. SEGMENT REPORTING *(CONTINUED)*

Segment assets include property, plant and equipment, right-of-use assets, intangible assets, goodwill, interests in associates, deferred tax assets, inventories, tax recoverable, trade and other receivables, financial assets at FVPL, restricted funds and cash and bank balances. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include trade and other payables, tax payables, deferred tax liabilities, leases liabilities, other long-term liabilities and liability component of convertible bonds issued by a listed subsidiary. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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 two distinctive business activities under continuing operations are provided in the PRC.

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

Year ended 31 March 2022

	Continuing operations		Discontinued operations	
	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	Merchant acquiring business *HK$'000*	Consolidated *HK$'000*
Segment revenue				
Major customer A *(Note)*	—	—	—	—
Major customer B	23,046	—	—	23,046
Major customer C *(Note)*	—	—	—	—
Other customers	160,925	1,416	3,200	165,541
	183,971	1,416	3,200	188,587
Segment results	(14,277)	(15,691)	(6,393)	(36,361)
Impairment loss on intangible assets	—	(4,519)	—	(4,519)
Gain on deemed disposal of subsidiaries	—	—	31,046	31,046
Loss on disposal of remaining interests in OPG	—	—	(33,890)	(33,890)
Gain on disposal of associates				22,737
Unallocated other income				14,248
Unallocated finance costs				(30,154)
Unallocated other expenses and losses				(56,957)
Share of results of associates				
— Under segment	11,726	—	(571)	11,155
— Unallocated				(3,993)
Loss before tax				(86,688)
Income tax expenses				(100)
Loss for the year				(86,788)

Note: The customer contributed less than 10% of the total revenue of the Group for the year ended 31 March 2022.

5. SEGMENT REPORTING *(CONTINUED)*

Year ended 31 March 2021 (Re-presented)

	Continuing operations		Discontinued operations		
	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	Merchant acquiring business *HK$'000*	Internet micro-credit business *HK$'000*	Consolidated *HK$'000*
Segment revenue					
Major customer A	—	13,323	—	—	13,323
Major customer B *(Note)*	—	—	—	—	—
Major customer C	21,179	—	—	—	21,179
Other customers	12,468	8,703	12,369	15,453	48,993
	33,647	22,026	12,369	15,453	83,495
Segment results	(14,083)	(21,442)	(890)	5,415	(31,000)
Impairment loss on intangible assets	(4,399)	—	(5,600)	—	(9,999)
Gain on disposal of subsidiaries	—	—	—	1,133	1,133
Unallocated other income					10,921
Unallocated finance costs					(33,185)
Unallocated other expenses and losses					(63,329)
Share of results of associates					
— Under segment	10,805	—	(1,182)	—	9,623
— Unallocated					(2,676)
Loss before tax					(118,512)
Income tax credit					1,241
Loss for the year					(117,271)

Note: The customer contributed less than 10% of the total revenue of the Group for the year ended 31 March 2021.

5. SEGMENT REPORTING *(CONTINUED)*

Segment assets and liabilities

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

At 31 March 2022

	Continuing operations			
	Prepaid cards and internet payment business HK$'000	Prestige benefits business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Property, plant and equipment	5,531	–	468	5,999
Right-of-use assets	16,672	1,393	1,439	19,504
Intangible assets	173	–	–	173
Other assets	677,280	10,839	72,865	760,984
Total assets	699,656	12,232	74,772	786,660
Total liabilities	350,478	36,298	205,970	592,746
Additional segment information:				
Amortisation of intangible assets	22	2,793	–	2,815
Depreciation of property, plant and equipment	1,308	5	142	1,455
Depreciation of right-of-use assets	6,138	717	742	7,597
Impairment loss on intangible assets	–	4,519	–	4,519
Loss allowance on trade receivables	4,077	7,865	–	11,942
Loss allowance on loan receivables	2,779	–	6,102	8,881
Loss allowance on other receivables	–	–	55	55
Loss on disposal of property, plant and equipment	104	4	–	108
Share-based compensation costs	–	–	5,415	5,415
Write-off of other recievables	87	–	–	87
Write-off of inventories	133	–	–	133
Impairment loss on property, plant and equipment	–	9	–	9
Additions in intangible assets	208	–	–	208
Additions in property, plant and equipment	4,487	–	549	5,036
Additions in right-of-use assets	–	–	1,919	1,919

5. SEGMENT REPORTING *(CONTINUED)*

Segment assets and liabilities *(Continued)*

At 31 March 2021 (Re-presented)

	Continuing operations		Discontinued operations		
	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	Merchant acquiring business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Property, plant and equipment	2,338	18	7,595	129	10,080
Right-of-use assets	22,995	2,036	41	1,066	26,138
Intangible assets	8	6,909	5,966	—	12,883
Financial assets at FVPL	—	—	—	300	300
Other assets	577,177	22,831	19,832	160,348	780,188
Total assets	602,518	31,794	33,434	161,843	829,589
Total liabilities	349,502	38,753	9,687	247,972	645,914
Additional segment information:					
Amortisation of intangible assets	7,764	2,507	3,419	—	13,690
Depreciation of property, plant and equipment	1,206	49	4,670	50	5,975
Depreciation of right-of-use assets	4,583	1,034	1,377	1,050	8,044
Impairment loss on intangible assets	4,399	—	5,600	—	9,999
Loss allowance on trade receivables	—	4,824	—	—	4,824
Loss allowance on loan receivables	57	—	—	—	57
Loss allowance on other receivables	1,909	—	—	1,234	3,143
Share-based compensation costs	—	—	—	3,816	3,816
Write-off of prepayments	—	—	253	—	253
Write-off of property, plant and equipment	38	—	—	—	38
Additions in property, plant and equipment	1,200	—	784	—	1,984
Additions in right-of-use assets	22,491	2,094	965	—	25,550

6. REVENUE

Revenue for continuing operations is analysed by category as follows:

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
Revenue from contracts with customers within HKFRS 15		
Prepaid cards and internet payment business		
Card issuing service fee income	**51**	27
Management fee income of prepaid cards	**8,496**	6,247
Merchant and technical support service fee income	**174,608**	26,604
Sales and service fee income of POS machines	**—**	48
Prestige benefits business		
Issuance income of prestige benefits cards	**1,416**	21,967
Hotel and travelling booking agency service income	**—**	59
Internet revenue calculated using the effective interest method		
Prepaid cards and internet payment business		
Interest income from accumulated unutilised float funds	**816**	721
	185,387	55,673

Apart from management fee income of prepaid cards which are recognised over time, all remaining revenue from contracts with customers within HKFRS 15 generated by the Group was recognised at a point in time.

7. OTHER INCOME

Other income for continuing operations is analysed as follows:

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
Bank interest income from self-owned funds	**90**	63
Exchange gain, net	**2,456**	2,756
Government grants *(Note)*	**67**	579
Other interest income	**8,482**	1,965
Sundry income	**835**	1,031
Write-off of trade and other payables	**764**	922
	12,694	7,316

Note: During the year ended 31 March 2021, the amount of government grants included subsidies from the Employment Support Scheme (the "**ESS**") under the Anti-epidemic Fund which was launched by the HKSAR Government. The purpose of the ESS was to provide financial support to enterprises to retain their staff who would otherwise be made redundant. Under the terms of the ESS, the Group was required not to lay off their staff during the subsidy period and to spend all subsidies on paying wages to the staff.

In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

8. LOSS BEFORE TAX

Loss before tax from continuing operations is stated after charging (crediting):

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
(a) Finance costs		
Finance costs for financial liabilities at amortised cost	**5,224**	4,317
Finance costs on lease liabilities	**1,086**	333
Interest on bonds payables	**18,329**	25,666
	24,639	30,316
(b) Staff costs, including key management remuneration		
Salaries, allowances and other short-term employee benefits	**35,543**	41,145
Contributions to defined contribution plans *(Note)*	**8,588**	6,453
Share-based compensation costs	**5,415**	3,816
	49,546	51,414
(c) Key management remuneration, including directors' remuneration		
Salaries, allowances and other short-term employee benefits	**2,682**	3,877
Contributions to defined contribution plans *(Note)*	**48**	57
Share-based compensation costs	**1,284**	858
	4,014	4,792

Note: To support the PRC entities under COVID-19, from February 2020 to December 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the society security insurance.

For the years ended 31 March 2022 and 2021, there were no forfeited contribution which were available to reduce the Group's existing level of contribution to the MPF Scheme.

8. LOSS BEFORE TAX *(CONTINUED)*

	2022 **HK$'000**	2021 HK$'000 (Re-presented)
(d) Other items		
Auditor's remuneration	**2,087**	2,478
Amortisation of intangible assets (included in "General administrative expenses" and "Selling and distribution costs", as appropriate)	**2,815**	10,271
Cost of services rendered	**131,994**	27,428
Depreciation of property, plant and equipment (included in "General administrative expenses" and "Selling and distribution costs", as appropriate)	**1,455**	1,305
Depreciation of right-of-use assets	**7,597**	6,667
Exchange gain, net	**(2,456)**	(2,756)
Impairment loss on property, plant and equipment	**9**	—
Impairment loss on intangible assets	**4,519**	9,999
Loss on disposal of property, plant and equipment	**108**	—
Loss allowance on trade receivables *(Note 36(a)(iii))*	**11,942**	4,824
Loss allowance on loan receivables *(Note 36(a)(iii))*	**8,881**	57
Loss allowance on other receivables *(Note 36(a)(iii))*	**55**	3,143
Write-off of property, plant and equipment	**—**	38
Write-off of trade and other payables	**(764)**	(1,369)
Write-off of inventories	**133**	—
Write-off of other receivables	**87**	—

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

(a) Directors' remuneration

The aggregate amounts of remuneration received and receivable by the Directors are as follows:

	Directors' fees *HK$'000*	Salaries, allowances and other short-term employee benefits *HK$'000*	Contributions to defined contribution plans *HK$'000*	Share-based compensation costs *HK$'000*	Total *HK$'000*
Year ended 31 March 2022					
Executive directors					
Mr. Song Xiangping	–	240	–	517	757
Mr. Lin Xiaofeng	–	1,340	28	250	1,618
Mr. Wu Hao	–	240	–	517	757
Mr. Zhang Xi	–	600	–	–	600
	–	2,420	28	1,284	3,732
Independent non-executive directors					
Mr. Wang Yiming	120	–	–	–	120
Mr. Lu Dongcheng	120	–	–	–	120
Dr. Yuan Shumin	120	–	–	–	120
	360	–	–	–	360
	360	2,420	28	1,284	4,092

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(CONTINUED)*

(a) Directors' remuneration *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and other short-term employee benefits HK$'000	Contributions to defined contribution plans HK$'000	Share-based compensation costs HK$'000	Total HK$'000
Year ended 31 March 2021					
Executive directors					
Mr. Song Xiangping	—	240	—	—	240
Mr. Lin Xiaofeng	—	240	13	449	702
Mr. Wu Hao [1]	—	110	—	—	110
Mr. Zhang Xi [2]	—	283	—	—	283
Mr. Yan Dinggui [3]	—	120	—	—	120
Mr. Liu Liang [3]	—	120	—	—	120
Ms. Song Qian [4]	—	293	—	—	293
	—	1,406	13	449	1,868
Independent non-executive directors					
Mr. Wang Yiming	200	—	—	—	200
Mr. Lu Dongcheng	200	—	—	—	200
Dr. Yuan Shumin	200	—	—	—	200
	600	—	—	—	600
	600	1,406	13	449	2,468

1 Mr. Wu Hao was appointed as an executive director of the Company on 16 October 2020.

2 Mr. Zhang Xi was appointed as an executive director of the Company and the chairman of the Board on 12 October 2020.

3 Mr. Yan Dinggui and Mr. Liu Liang resigned from the position as an executive director of the Company on 20 September 2020.

4 Ms. Song Qian resigned from the position as an executive director of the Company on 5 February 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2022 and 2021. In addition, no emoluments were paid by the Group to any of the Directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 March 2022 and 2021.

(b) Loans, quasi-loans and other dealings in favour of directors

There were no other loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the years ended 31 March 2022 and 2021.

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(CONTINUED)*

(c) Directors' material interests in transactions, arrangements or contracts

After consideration, other than disclosed in Notes 12, 24(e), 31 and 34 to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which the Directors, or an entity connected with the Directors, had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 March 2022 and 2021.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two *(2021: one)* directors, Mr. Lin Xiaofeng and Mr. Song Xiangping *(2021: Mr. Lin Xiaofeng)*, whose remunerations are set out in Note 9 to the consolidated financial statements. Details of the remunerations of the remaining three *(2021: four)* non-director, highest paid employees for the years are as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries, allowances and other short-term employee benefits	**3,630**	4,722
Contributions to defined contribution plans	**50**	72
Share-based compensation costs	**—**	408
	3,680	5,202

The number of these non-director, highest paid employees whose remunerations fell within the following bands:

	Number of employees	
Band	**2022**	2021
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	4

During the years ended 31 March 2022 and 2021, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration for the years ended 31 March 2022 and 2021.

11. TAXATION

	2022 HK$'000	2021 HK$'000 (Re-presented)
Continuing operations		
Current tax		
PRC Enterprise Income Tax	**47**	27
Over provision in prior years	**(20)**	(2)
	27	25
Deferred tax (Note 25)		
Benefits of tax losses recognised	**–**	(4)
Reversal of temporary difference	**–**	(1,264)
	–	(1,268)
Income tax expenses (credit) for continuing operations	**27**	(1,243)

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as certain Group entities's estimated assessable profits for the period were absorbed by unrelieved tax losses brought forward from previous year, some incurred losses for taxation purposes, some had no assessable profits in Hong Kong for the years ended 31 March 2022 and 2021.

11. TAXATION *(CONTINUED)*

(ii) Income taxes outside Hong Kong

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

The Group's operations in the PRC are subject to enterprise income tax of the PRC ("**PRC Enterprise Income Tax**") at 25% *(2021: 25%)*, except for Open Union and Shanghai Jingyuan which are subject to PRC Enterprise Income Tax at a preferential rate of 15% *(2021: 15%)* for high and new technology enterprises.

The Group's operation in Singapore is subject to Singapore Income Tax at 17% *(2021: 17%)*.

The Group's operation in Korea is subject to Korea Corporate Income Tax ranged from 10% to 25% *(2021: 10% to 25%)*.

Dividends payable by a foreign invested enterprise in the PRC to its foreign investors are subject to a 10% *(2021: 10%)* withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

Reconciliation of income tax expenses (credit) for continuing operations

	2022 ***HK$'000***	2021 *HK$'000* (Re-presented)
Loss before tax	**(53,382)**	(92,410)
Income tax at applicable tax rate	**(8,510)**	(16,212)
Non-deductible expenses	**3,750**	13,458
Tax exempt revenue	**(4,175)**	(4,103)
Over provision in prior years	**(20)**	(2)
Unrecognised tax losses	**9,511**	6,265
Utilisation of previous unrecognised tax losses	**(542)**	(823)
Others	**13**	174
Income tax expenses (credit) for the year	**27**	(1,243)

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries in which the Group operates.

12. DISCONTINUED OPERATIONS

(a) Merchant acquiring business

During the year ended 31 March 2022, the Group entered into the subscription agreement with the subscriber (the "**OPG Placing Subscriber**"), pursuant to which Oriental Payment Group Holdings Limited ("**OPG**") has conditionally agreed to issue to the OPG Placing Subscriber, and the OPG Placing Subscriber has conditionally agreed to subscribe, being a total of 200,000,000 new ordinary shares of OPG (the "**Subscription**").

The Subscription has taken place on 22 February 2022. As a result, the equity interest of the Group in OPG will be diluted from 32.50% to approximately 27.08%. Accordingly, upon the dilution of equity interest of the Group in OPG immediately after the completion of the Subscription, and also considered other relevant factors on the assessment of the control over OPG, the Subscription is regarded as a loss of control over OPG (the "**Deemed Disposal**").

Upon completion the Subscription, OPG will cease to be a subsidiary of the Group, and the financial results and financial position of OPG and its subsidiaries (together the "**OPG Group**") will no longer be consolidated into the consolidated financial statement of the Group, and the remaining interest in OPG of the Group was subsequently disposed through placing agreement. Since the OPG Group carried out merchant acquiring business in Thailand, in the opinion of the Directors, the Deemed Disposal would cause the Group's merchant acquiring business to be discontinued. The Deemed Disposal was completed on 22 February 2022.

The consolidated results of the OPG Group have been presented separately in the consolidated income statement with the comparative figures re-presented to reflect a consistent presentation. The results of the OPG Group for the period from 1 April 2021 to 22 February 2022 and for the year ended 31 March 2021 are analysed as follows:

	Note	**2022** ***HK$'000***	2021 *HK$'000*
Revenue		**3,200**	12,369
Cost of services rendered		**(3,041)**	(7,897)
Gross profit		**159**	4,472
Other income		**1,554**	2,993
General administrative expenses		**(15,996)**	(16,964)
Selling and distribution costs		**(10,093)**	(11,977)
Impairment loss on intangible assets		**—**	(5,600)
Finance costs		**(5,515)**	(2,859)
Share of results of an associate		**(571)**	(1,182)
Loss before tax		**(30,462)**	(31,117)
Income tax (expenses) credit		**(73)**	462
Loss for the period/year		**(30,535)**	(30,655)
Gain on deemed disposal of subsidiaries	*33*	**31,046**	—
Loss on disposal of remaining interest in OPG	*33*	**(33,890)**	—
Loss for the period/year from discontinued operations		**(33,379)**	(30,655)

12. DISCONTINUED OPERATIONS *(CONTINUED)*

(a) Merchant acquiring business *(Continued)*

The cash flow information of the OPG Group for the period/year is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Net cash flow used in operating activities	**(15,439)**	(17,066)
Net cash flow used in investing activities	**(13,149)**	(776)
Net cash flow generated from financing activities	**13,775**	10,164
Net decrease in cash and cash equivalents	**(14,813)**	(7,678)

The loss per share information of the OPG Group for the period/year is as follows:

	2022 *HK cents*	2021 *HK cents*
Loss per share for the OPG Group attributable to owners of the Company		
Basic *(Note)*	**(0.56)**	(0.57)
Diluted *(Note)*	**(0.56)**	(0.57)

(b) Internet micro-credit business

On 13 March 2020, the Group entered into a sale and purchase agreement to dispose of its 75% equity interest of Keen Best Investment Limited ("**Keen Best**") and its subsidiaries, Union Evernew Investment Limited ("**Union Evernew**"), 重慶市眾網小額貸款有限公司 (Massnet Microcredit Company (Chongqing) Limited*, "**Massnet Microcredit**") and 上海洋芋信息科技有限公司 (Shanghai Yangyu Information Technology Company Limited*, "**Shanghai Yangyu**") (together the "**Keen Best Group**"), to an independent third party and a related company of the Company, which is beneficially owned by Mr. Yan Dinggui, an ex-executive director of the Company, who resigned during the year ended 31 March 2021, at a consideration of HK$105,000,000 and HK$120,000,000, respectively (the "**Disposal**").

Because the Keen Best Group carried out most of the Group's internet micro-credit business, in the opinion of the Directors, the Disposal would cause the Group's internet micro-credit business to be discontinued. The Disposal was completed on 29 September 2020.

* *English translation for identification purposes only.*

12. DISCONTINUED OPERATIONS *(CONTINUED)*

(b) Internet micro-credit business *(Continued)*

The consolidated results of the Keen Best Group for the period from 1 April 2020 to the date of disposal (i.e. 29 September 2020) were analysed as follows:

	2021 *HK$'000*
Revenue	15,453
Cost of services rendered	(4,488)
Gross profit	10,965
Other income	612
General administrative expenses	(7,685)
Finance costs	(10)
Profit before tax	3,882
Income tax expenses	(464)
Profit for the period	3,418
Gain on disposal of subsidiaries	1,133
Profit for the period from discontinued operations	4,551

The cash flow information of the Keen Best Group for the period was as follows:

	2021 *HK$'000*
Net cash flow used in operating activities	(47,346)
Net cash flow used in investing activities	(210)
Net cash flow used in financing activities	(10)
Net decrease in cash and cash equivalents	(47,566)

12. DISCONTINUED OPERATIONS *(CONTINUED)*

(b) Internet micro-credit business *(Continued)*

The earnings per share information of the Keen Best Group for the period was as follows:

	2021 *HK cents*
Earnings per share for the Keen Best Group attributable to owners of the Company	
Basic *(Note)*	0.26
Diluted *(Note)*	0.26

Note: The basic and diluted earnings (loss) per share for the OPG Group and the Keen Best Group are calculated by dividing the profit (loss) for the period/year from the OPG Group and the Keen Best Group attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings (loss) per share computation and weighted average number of ordinary shares for diluted earnings (loss) per share computation respectively. The denominators used are the same as those detailed in Note 13 to the consolidated financial statements.

13. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 2,270,320,063 *(2021: 1,720,765,543)* in issue during the year ended 31 March 2022.

For the years ended 31 March 2022 and 2021, the calculation of the diluted loss per share amounts attributable to discontinued operations and for the Group are based on the loss for the year attributable to equity holders of the Company for the discontinued operations and for the Group. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares is assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted loss per share attributable to equity holders of the Company is based on:

	2022 ***HK$'000***	2021 *HK$'000*
Loss		
Loss attributable to equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	**(54,908)**	(93,132)
From discontinued operations	**(12,768)**	(5,412)
Loss attributable to equity holders of the Company	**(67,676)**	(98,544)

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 March 2022 and 2021.

14. SUBSIDIARIES

In the opinion of the Directors, a complete list of the particulars of all subsidiaries will be of excessive length and therefore the table below lists the principal subsidiaries at the end of the reporting period, which materially affected the result for the year or formed a substantial portion of the net assets of the Group:

Name of the subsidiaries	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Effective ownership interests held by the Company		Principal activities/ place of operation
			2022	2021	
Indirectly held by the Company					
OPG	Cayman Islands, 19 January 2018	Ordinary, HK$10,000,000	**—** **<Note 12(a)>**	32.50% *<Note c>*	Investment holding/ Hong Kong
上海啟峻信息科技有限公司 Shanghai Qijun Information Technology Limited ("**Qijun Information Technology**")* *(Note (ii))*	The PRC, 11 August 2014	Paid up capital, RMB20,000,000	**100%**	100%	Prepaid cards and internet payment business/The PRC
上海啟峻投資咨詢有限公司 Shanghai Qijun Investments Consultancy Service Limited ("**Qijun Investments Consultancy Service**")* *(Note (i))*	The PRC, 20 December 2013	Paid up capital, RMB44,149,034	**100%**	100%	Software development and internet payment business/The PRC
Shanghai Jingyuan *(Note (ii))*	The PRC, 15 January 2013	Paid up capital, RMB10,000,000	**100%** **<Note b>**	100% *<Note b>*	Prestige benefits business/The PRC
Open Union *(Note (ii))*	The PRC, 8 November 2010	Paid up capital, RMB100,000,000	**100%** **<Note a>**	100% *<Note a>*	Prepaid cards and internet payment business/The PRC
Shanghai Aole *(Note (ii))*	The PRC, 16 August 2010	Paid up capital, RMB1,000,000	**100%** **<Note b>**	100% *<Note b>*	Hotel booking agency services/The PRC
上海誠富創業投資有限公司 Shanghai Chengfu Chuangye Investment Limited* ("**Chengfu Investment**") *(Note (ii))*	The PRC, 24 November 2008	Paid up capital, RMB65,299,200	**83.62%**	83.62%	Investment holding/ The PRC
OCG Thailand	Thailand, 27 September 2004	Ordinary, Thai Baht ("**Baht**") 25,000,000	**–** **<Note 12(a)>**	32.50%	Merchant acquiring business/Thailand
		Preference, Baht 25,500,000 *<Note d>*	**–**	—	

* *English translation for identification purposes only.*

14. SUBSIDIARIES *(CONTINUED)*

Except for the preference share capital issued by OCG Thailand, none of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the reporting period.

Notes:

(i) Registered under the laws of the PRC as wholly-owned foreign enterprise

(ii) Registered under the laws of the PRC as domestic enterprise

<Note a>

The Group's indirect wholly-owned subsidiary, Shenzhen Yongle, entered into the Shenzhen Yongle Structured Agreements with Shanghai Yongle and the legal owners of Shanghai Yongle which enable Shenzhen Yongle to:

- exercise effective financial and operational control over Shanghai Yongle;
- exercise the entire owners' voting rights of Shanghai Yongle;
- receive and be exposed to substantially all of the economic interest returns generated by Shanghai Yongle;
- have an irrevocable option to purchase the entire equity interests in Shanghai Yongle when and to the extent permitted under the PRC laws; and
- obtain pledges over the entire equity interests of Shanghai Yongle from the legal owners of Shanghai Yongle.

The Directors are of the opinion that, notwithstanding the lack of the equity ownership, the Shenzhen Yongle Structured Agreements give Shenzhen Yongle control over Shanghai Yongle in substance under the principles set out in HKFRS 10 where Shenzhen Yongle is exposed, or has rights, to variable returns from its involvement with Shanghai Yongle and has the ability to affect those returns through power over Shanghai Yongle. Therefore, the Group regards Shanghai Yongle together with its subsidiaries (i.e. Beijing Weike and Open Union) as indirect subsidiaries of the Group and Shanghai Yongle, Beijing Weike and Open Union are consolidated into the Group's consolidated financial statements.

<Note b>

The Group's indirect wholly-owned subsidiary, Colourful, entered into the Colourful Structured Agreements with Shanghai Jingyuan and the legal owners of Shanghai Jingyuan which enables Colourful to:

- exercise effective financial and operational control over Shanghai Jingyuan;
- exercise the entire owners' voting rights of Shanghai Jingyuan;
- receive and be exposed to substantially all of the economic interest returns generated by Shanghai Jingyuan;
- have an irrevocable option to purchase the entire equity interests in Shanghai Jingyuan when and to the extent permitted under the PRC laws; and
- obtain pledges over the entire equity interests of Shanghai Jingyuan from the legal owners of Shanghai Jingyuan.

The Directors are of the opinion that, notwithstanding the lack of the equity ownership, the Colourful Structured Agreements give Colourful control over Shanghai Jingyuan in substance under the principles set out in HKFRS 10 where Colourful is exposed, or has rights, to variable returns from its involvement with Shanghai Jingyuan and has the ability to affect those returns through power over Shanghai Jingyuan. Therefore, the Group regards Shanghai Jingyuan together with its subsidiary (i.e. Shanghai Aole) as indirect subsidiaries of the Group and Shanghai Jingyuan and Shanghai Aole are consolidated into the Group's consolidated financial statements.

14. SUBSIDIARIES *(CONTINUED)*

<Note c>

Before 22 February 2022, Charm Act Limited ("**Charm Act**") held 325,000,000 ordinary shares of OPG, representing 32.5% of the total issued share capital of OPG. The Directors considered that the Group shall remain as the controlling shareholder and control over OPG.

The Directors assessed that:

- the Group had control over OPG as the Group has the practical ability to direct the relevant activities of OPG unilaterally;
- other shareholders are passive in nature as demonstrated by their voting patterns at previous shareholders' meetings;
- the Group had sought declaration from several placees of the placing in the aggregate of 13.1% voting rights of OPG (the "**Declarations**") to confirm that they have no intention to vote and/or authorise any person to vote, in any circumstances, in any shareholder meetings for every decisions/resolutions of OPG; and
- the executive director of OPG, Mr. Lin Xiaofeng, is appointed by the Company who exercised effective and absolute control on the operating decisions of OPG at all material times.

After assessment, although the Group held 32.5% of the voting rights of OPG, the Group had determined that it had control over OPG on a de fecto power basis after considering all relevant facts and circumstances including the Group's absolute size of voting rights and the relative size and dispersion of the voting rights held by other shareholders.

Upon completion of the Subscription, termination of the Declarations on 22 February 2022 and additional directors/management team appointed to OPG by other shareholders, the OPG Group was deemed to be disposed and OPG ceased to be as subsidiary of the Company, which is detailed in Notes 12 and 33 to the consolidated financial statements.

<Note d>

At 31 March 2021, OCG Thailand's share capital was comprised of 2,500,000 ordinary shares with paid up amount of Baht 25,000,000 (equivalent to approximately HK$5,857,000) and 2,550,000 preference shares with paid up amount of Baht 25,500,000 (equivalent to approximately HK$6,327,000).

The holders of ordinary shares were entitled to receive dividends as declared from time to time and were entitled to one vote per share on any resolution of OCG Thailand.

The holder of preference shares, who is a Thai citizen, had the following rights:

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

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

Therefore, the results and financial position of OCG Thailand were included in the Group's consolidated financial statements, after accounting for the paid up value of the preference shares issued and its related cumulative dividend, to the extent of 32.5% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares indirectly held by the Company, taking into the effect of dilution of interest in OPG, the immediate holding company of OCG Thailand, as mentioned in Note 14(c) to consolidated financial statements.

On 22 February 2022, upon completion of the Subscription and considered other relevant factors, the Group's equity interests in OPG have been diluted and OCG Thailand was deemed disposed, which is detailed in Notes 12 and 33 to the consolidated financial statements.

14. SUBSIDIARIES *(CONTINUED)*

Financial information of subsidiaries with individually material NCI

The following table shows the information relating to each of the non wholly-owned subsidiaries that have material NCI. The summarised financial information represents amounts before inter-company eliminations.

	Chengfu Investment
At 31 March 2022	
Proportion of NCI's ownership interests	**16.38%**
	HK$'000
Current assets	**2,772**
Non-current assets	**292,265**
Current liabilities	**(1,603)**
Non-current liabilities	**—**
Net assets	**293,434**
Carrying amount of NCI	**48,050**
Year ended 31 March 2022	***HK$'000***
Revenue	**11,385**
Expenses	**(134)**
Profit	**11,251**
Other comprehensive income	**11,613**
Total comprehensive income	**22,864**
Profit attributable to NCI	**1,842**
Total comprehensive income attributable to NCI	**3,744**
Dividends paid to NCI	**(1,491)**
Net cash flows from (used in):	
Operating activities	**37**
Investing activities	**9,118**
Financing activities	**(8,758)**
Total cash inflows	**397**

14. SUBSIDIARIES *(CONTINUED)*

Financial information of subsidiaries with individually material NCI *(Continued)*

	Chengfu Investment	OPG
At 31 March 2021		
Proportion of NCI's ownership interests	16.38%	67.5%
	HK$'000	*HK$'000*
Current assets	2,311	66,609
Non-current assets	278,093	16,058
Current liabilities	(719)	(16,254)
Non-current liabilities	—	(18,965)
Net assets	279,685	47,448
Carrying amount of NCI	45,812	8,327
	HK$'000	*HK$'000*
Year ended 31 March 2021		
Revenue	12,403	12,369
Expenses	—	(43,024)
Profit (Loss)	12,403	(30,655)
Other comprehensive income	21,964	1,433
Total comprehensive income (expenses)	34,367	(29,222)
Profit (Loss) attributable to NCI	2,031	(20,692)
Total comprehensive income (expenses) attributable to NCI	5,628	(19,725)
Dividends paid to NCI	(1,453)	—
Net cash flows from (used in):		
Operating activities	372	(18,227)
Investing activities	8,596	(776)
Financing activities	(8,588)	10,164
Total cash inflows (outflows)	380	(8,839)

15. INTERESTS IN ASSOCIATES

	2022	2021
	HK$'000	*HK$'000*
Share of net assets	**92,133**	168,436
Goodwill	**227,074**	213,722
Less: impairment loss	**(83,029)**	(86,526)
	236,178	295,632

Details of all the associates at the end of the reporting period are as follows:

Name of the associates	Principal place of business and place of incorporation	Registered and paid-up capital	Proportion of value of registered and paid-up capital indirectly held by the Company		Principal activities
			2022	2021	
上海商酷網絡科技有限公司 Shanghai Koolcloud Technology Co. Limited* ("**Koolcloud**")	The PRC	RMB29,500,000	**22.21%** ***<Note a>***	22.21% *<Note a>*	Internet payment business
無錫酷銀科技有限公司 Wuxi Kuyin Technology Limited* ("**Kuyin**")	The PRC	RMB2,000,000	**22.21%** ***<Note a>***	22.21% *<Note a>*	Manufacturing and sales of POS machines
廈門市民生通電子商務有限公司 Xiamen Minshengtong E-commerce Limited* ("**Minshengtong**")	The PRC	RMB10,000,000	**38%**	38%	E-commerce business
游娃娃(大連)網絡科技有限公司 Dalian Youwawa Business Service Limited* ("**Dalian Youwawa**")	The PRC	RMB1,500,000	**20%**	20%	Smart tourism solutions services
北京支碼互聯科技有限公司 Beijing Zhima Hulian Technology Limited * ("**Beijing Zhima**")	The PRC	RMB15,000,000	**38.25%**	38.25%	Technology development, promotion and consulting services
上海銀商資訊有限公司 China Union Loyalty Co., Limited* ("**CUL**")	The PRC	RMB102,128,000	**48.88%** ***<Note b>***	48.88% *<Note b>*	POS machine data processing services
上海銀商電子商務有限公司 China Union Loyalty E-commerce Co., Limited* ("**CUL E-commerce**")	The PRC	RMB40,000,000	**48.88%** ***<Note b>***	48.88% *<Note b>*	Prepaid cards and value added services

* *English translation for identification purposes only.*

15. INTERESTS IN ASSOCIATES *(CONTINUED)*

Name of the associates	Principal place of business and place of incorporation	Registered and paid-up capital	Proportion of value of registered and paid-up capital indirectly held by the Company		Principal activities
			2022	2021	
Hong Kong Union Loyalty Co., Limited ("**HKUL**")	Hong Kong	HK$10,000	**48.88%** **<Note b>**	48.88% *<Note b>*	Inactive
浙江捷盈金融服務外包有限公司 Zhejiang Jie Ying Financial Contracting Service Limited* ("**Zhejiang Jie Ying**")	The PRC	RMB6,500,000	**30.88%**	30.88%	Leasing of POS machines
Alldebit Pte. Ltd. ("**Alldebit**")	Singapore	Singapore dollar 715,000	**–%** **<Note c>**	33% *<Note c>*	Development of e-commerce applications, and software and programmes
Keen Best	BVI	United States dollar 100	**–%** **<Note d>**	25% *<Note d>*	Investment holding
Union Evernew	Hong Kong	HK$30,000	**–%** **<Note d>**	25% *<Note d>*	Investment holding
Massnet Microcredit	The PRC	Paid up capital, RMB300,000,000	**–%** **<Note d>**	25% *<Note d>*	Internet micro-credit business
Shanghai Yangyu	The PRC	Paid up capital, RMB100,000,000	**–%** **<Note d>**	25% *<Note d>*	Information technology services

* *English translation for identification purposes only.*

All of the above associates are accounted for using the equity method in the consolidated financial statements. There are no capital commitment and contingent liabilities in relation to the associates themselves.

The Directors considered that the reasonably possible change in the key assumptions adopted on the determination of the recoverable amount of interests in associates would not cause an impairment loss.

The impairment assessment of goodwill of CUL and its wholly-owned subsidiaries including CUL E-commerce and HKUL (collectively referred to as the "**CUL Group**") is based on the valuation by an independent valuer.

15. INTERESTS IN ASSOCIATES *(CONTINUED)*

<Note a>

The Group owned 22.21% equity interests in Koolcloud and its wholly-owned subsidiary, Kuyin (together the "**Koolcloud Group**"). In view of continuous diminishing in the revenue growth by Koolcloud Group in recent years and coming future and profit will be diminishing significantly in the future, interests in associates of the Koolcloud Group amounting of approximately HK$16,041,000 was fully impaired in prior years.

<Note b>

The Group owned the equity interests in Chengfu Investment, which in turn holds 48.88% equity interests in CUL Group. The CUL Group belongs to prepaid cards and internet payment business segment, and implicit goodwill (before the impairment loss) of approximately HK$208,133,000 was recognised upon completion of acquisition of the CUL Group during the year ended 31 March 2018.

The Group carried out an impairment assessment for the interests in the CUL Group at 31 March 2022, with reference to a value-in-use calculation based on a cash flow projection of the CUL Group. The calculation uses cash flow projection based on financial budgets approved by the directors of the CUL Group covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 2% *(2021: 2%)* long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Management of the CUL Group determined the growth rate based on past performance and the expectation of market development. Goodwill was not impaired for the years ended 31 March 2022 and 2021. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the associates to significantly exceed the aggregate recoverable amount.

<Note c>

On 29 February 2020, the Group acquired 33% equity interests in Alldebit from two independent third parties at a cash consideration of approximately HK$2,200,000.

Upon the completion of the Deemed Disposal on 22 February 2022, Alldebit ceases to be an associate of the Group.

<Note d>

On 29 September 2020, the Group disposed its 75% equity interests of the Keen Best Group to an independent third party and a related party company of the Group. Upon the completion of the Disposal, Keen Best ceases to be a subsidiary and will only be accounted as an associate of the Group.

Further on 10 December 2021, the Group entered into the deed with the lender of the Company, an independent third party, pursuant to which the Group has conditionally agreed to transfer, and the lender has conditionally agreed to acquire an aggregate of 25 ordinary shares of Keen Best, representing 25% of the total issued share capital of Keen Best at a consideration of RMB74,302,082 (equivalent to approximately HK$89,163,000), which is equivalent to the total amount of the debt, for full and final settlement of the debt amount. Upon completion, a gain on disposal of interest in Keen Best of approximately HK$22,737,000 was resulted during the year ended 31 March 2022. Accordingly, the Group was no longer hold any equity interests in Keen Best and Keen Best ceased to be an associate of the Group.

15. INTERESTS IN ASSOCIATES *(CONTINUED)*

Relationship with associates

Koolcloud Group is engaged in the manufacturing and trading of cutting-edge smart POS machines and related hardware, which could facilitate the expansion of the prepaid cards and internet payment business of the Group.

Minshengtong, which is principally engaged in e-commerce business, could allow the market penetration of the Group to the PRC, mainly Fujian Province.

Dailian Youwawa is principally engaged in provision of smart tourism solutions services in the PRC, which could allow the Group to expand the smart tourism solution business to the PRC, mainly Liaoning Province.

Beijing Zhima is principally engaged in technology development, promotion and consulting services.

CUL Group is engaged in the provision of POS machine data processing services, prepaid cards and value added services, which could facilitate the expansion of POS machine data processing services, prepaid cards and value added services offered under the segment of "Prepaid cards and internet payment business" of the Group.

Zhejiang Jie Ying is principally engaged in leasing of POS machines in the PRC.

Alldebit, which is principally engaged in the business of development of e-commerce applications, specifically for online alternative payment and settlement and development of software and programmes, specifically software solution and internet content development, could bring a viable business opportunity for the Group to strengthen its merchant acquiring business. Also, Alldebit could allow the Group's existing services to provide more comprehensive, up-to-date and high-quality merchant acquiring services to its customers in Thailand and other countries in the Association of Southeast Asian Nations.

Keen Best Group is principally engaged in internet micro-credit business in the PRC.

Fair value of investments

All of the above associates are not listed and there is no quoted market price available for the investments.

15. INTERESTS IN ASSOCIATES *(CONTINUED)*

Financial information of individually material associates

Summarised financial information of each of the material associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	Dailian Youwawa *HK$'000*	CUL Group *HK$'000* *(Note (b))*	Zhejiang Jie Jing *HK$'000*	Alldebit *HK$'000* *(Note (c))*	Keen Best Group *HK$'000* *(Note (d))*
At 31 March 2022					
Gross amounts					
Non-current assets	453	8,645	55	—	—
Current assets	2,153	267,019	10,702	—	—
Current liabilities	(225)	(95,528)	—	—	—
Non-current liabilities	(320)	(2,352)	—	—	—
Equity	2,061	177,784	10,757	—	—
Reconciliation					
Gross amount of equity	2,061	177,784	10,757	—	—
Group's ownership interests and voting rights	20%	48.88%	30.88%	—	—
Group's share of equity	412	86,905	3,322	—	—
Goodwill	5,673	205,360	—	—	—
Impairment loss	—	(66,988)	—	—	—
Carrying amount of interests	6,085	225,277	3,322	—	—
Year ended 31 March 2022 (or since acquisition/initial recognition/upon disposal)					
Gross amounts					
Revenue	3,615	119,110	58	2,000	1,601
(Loss) Profit	(686)	23,988	143	(1,733)	(30,335)
Other comprehensive income (expenses)	1,228	18,187	421	(2)	14,702
Total comprehensive income (expenses)	542	42,175	564	(1,735)	(15,633)
Group's share of:					
(Loss) Profit	(137)	11,726	44	(571)	(7,584)
Other comprehensive income (expenses)	246	8,890	130	(1)	3,675
Total comprehensive income (expenses)	109	20,616	174	(572)	(3,909)
Dividends received from an associate	—	9,107	—	—	—

15. INTERESTS IN ASSOCIATES *(CONTINUED)*

Financial information of individually material associates *(Continued)*

	Dailian Youwawa *HK$'000*	CUL Group *HK$'000* *(Note (b))*	Zhejiang Jie Jing *HK$'000*	Alldebit *HK$'000* *(Note (c))*	Keen Best Group *HK$'000* *(Note (d))*
At 31 March 2021					
Gross amounts					
Non-current assets	1,537	7,147	74	937	4,671
Current assets	2,743	251,386	10,157	15,299	286,446
Current liabilities	(1,632)	(74,680)	(41)	(14,214)	(9,565)
Non-current liabilities	(424)	—	—	(129)	(219)
Equity	2,224	183,853	10,190	1,893	281,333
Reconciliation					
Gross amount of equity	2,224	183,853	10,190	1,893	281,333
Group's ownership interests and voting rights	20%	48.88%	30.88%	33%	25%
Group's share of equity	444	89,867	3,147	625	70,333
Goodwill	5,533	191,794	—	355	—
Impairment loss	—	(67,893)	—	—	—
Carrying amount of interests	5,977	213,768	3,147	980	70,333
Year ended 31 March 2021 (or since acquisition/initial recognition)					
Gross amounts					
Revenue	1,786	132,167	136	3,013	12,273
(Loss) Profit	(3,840)	7,108	(187)	(3,581)	(16,080)
Other comprehensive income	2,522	34,092	808	—	90
Total comprehensive (expenses) income	(1,318)	41,200	621	(3,581)	(15,990)
Group's share of:					
(Loss) Profit	(768)	3,474	(58)	(1,182)	(4,020)
Other comprehensive income	504	16,665	250	—	(22)
Total comprehensive (expenses) income	(264)	20,139	192	(1,182)	(3,998)
Dividends received from an associate	—	8,588	—	—	—

16. GOODWILL

	E-commerce CGU *HK$'000* *(Note (a))*	Prepaid Cards and Internet Payment CGU *HK$'000* *(Note (b))*	Prestige Benefits CGU *HK$'000* *(Note (c))*	Internet Payment Clearing CGU *HK$'000* *(Note (d))*	Total *HK$'000*
Reconciliation of carrying amount					
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	–	–	–	–	–
Cost	988	424,053	192,417	44,877	662,335
Accumulated impairment loss	(988)	(424,053)	(192,417)	(44,877)	(662,335)
At 31 March 2021	—	—	—	—	—
Cost	988	424,053	192,417	44,877	662,335
Accumulated impairment loss	(988)	(424,053)	(192,417)	(44,877)	(662,335)
At 31 March 2022	–	–	–	–	–

16(a) E-commerce CGU

Goodwill arising from the e-commerce business (the "**E-commerce CGU**") represented the acquisition of 100% equity interests in MCONE (HONG KONG) LIMITED at an aggregate consideration of HK$2,500,000 in January 2014. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$988,000 was recognised as goodwill.

Impairment loss of approximately HK$988,000 was made on goodwill associated with the E-commerce CGU in prior years.

16. GOODWILL *(CONTINUED)*

16(b) Prepaid Cards and Internet Payment CGU

On 23 September 2014 and 27 January 2015, Shanghai Yongle acquired 33% and 67% interests in Beijing Weike, respectively, at an aggregate consideration of RMB468 million (equivalent to approximately HK$588 million). Beijing Weike, through its subsidiary, Open Union, is engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service (the "**Prepaid Cards and Internet Payment CGU**"). The excess of the consideration transferred and the amount of NCI over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately RMB375,073,000 (equivalent to approximately HK$471,429,000) was recognised as goodwill.

Impairment loss of approximately HK$424,053,000 was made on goodwill associated with the Prepaid Cards and Internet Payment CGU in prior years.

16(c) Prestige Benefits CGU

On 8 July 2015, Firm Idea Limited ("**Firm Idea**") acquired the entire equity interests in AE Investment Consultancy Limited ("**AE Investment**") and its subsidiaries (i.e. Colourful and Shanghai Jingyuan) at an aggregate consideration of approximately HK$192,968,000. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$190,721,000 was recognised as goodwill. Further in September 2015, Shanghai Jingyuan acquired the entire equity interests in Shanghai Aole at an aggregate consideration of approximately HK$765,000. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately HK$1,696,000 was recognised as goodwill. AE Investment, through its subsidiaries, Colourful, Shanghai Jingyuan and Shanghai Aole, is engaged in the issuance of prestige benefits cards to premium consumers and financial institutions (the "**Prestige Benefits CGU**").

Impairment loss of approximately HK$192,417,000 was made on goodwill associated with the Prestige Benefits CGU in prior years.

16(d) Internet Payment Clearing CGU

On 21 August 2015, Qijun Information Technology acquired the entire equity interests in Rongyifu at an aggregate consideration of RMB37,500,000 (equivalent to approximately HK$45,743,000). Rongyifu is engaged in the provision of internet payment clearing services (the "**Internet Payment Clearing CGU**"). The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately RMB38,102,000 (equivalent to approximately HK$46,477,000) was recognised as goodwill.

Impairment loss of approximately HK$44,877,000 was made on goodwill associated with the Internet Payment Clearing CGU in prior years.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 April 2020	1,470	36,484	1,735	39,689
Additions	823	1,161	—	1,984
Disposals	—	(973)	—	(973)
Write-off	—	(40)	—	(40)
Exchange realignments	221	2,318	137	2,676
At 31 March 2021 and at 1 April 2021	2,514	38,950	1,872	43,336
Additions	3,069	3,101	—	6,170
Disposals	—	(596)	—	(596)
Deemed disposal of subsidiaries *(Note 33)*	(261)	(33,171)	—	(33,432)
Exchange realignments	158	(841)	73	(610)
At 31 March 2022	**5,480**	**7,443**	**1,945**	**14,868**
Accumulated depreciation				
At 1 April 2020	1,288	23,354	1,557	26,199
Charges	215	5,722	38	5,975
Disposals	—	(829)	—	(829)
Write-off	—	(2)	—	(2)
Exchange realignments	186	1,603	124	1,913
At 31 March 2021 and at 1 April 2021	1,689	29,848	1,719	33,256
Charges	904	3,767	—	4,671
Disposals	—	(488)	—	(488)
Deemed disposal of subsidiaries *(Note 33)*	(261)	(27,876)	—	(28,137)
Impairment	—	9	—	9
Exchange realignments	99	(603)	62	(442)
At 31 March 2022	**2,431**	**4,657**	**1,781**	**8,869**
Net carrying amount				
At 31 March 2022	**3,049**	**2,786**	**164**	**5,999**
At 1 April 2021	825	9,102	153	10,080

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Office premises *HK$'000*	**Machinery** *HK$'000*	**Total** *HK$'000*
Reconciliation of carrying amount — year ended 31 March 2021			
At the beginning of the reporting period	9,136	28	9,164
Additions	25,550	—	25,550
Termination of contract	(843)	—	(843)
Depreciation	(8,035)	(9)	(8,044)
Exchange realignment	310	1	311
At the end of the reporting period	26,118	20	26,138
Reconciliation of carrying amount — year ended 31 March 2022			
At the beginning of the reporting period	**26,118**	**20**	**26,138**
Additions	**2,808**	**—**	**2,808**
Lease modification	**1,211**	**—**	**1,211**
Deemed disposal of subsidiaries *(Note 33)*	**(1,740)**	**(11)**	**(1,751)**
Depreciation	**(8,779)**	**(8)**	**(8,787)**
Exchange realignment	**(114)**	**(1)**	**(115)**
At the end of the reporting period	**19,504**	**—**	**19,504**
At 31 March 2021			
Cost	32,718	39	32,757
Accumulated depreciation	(6,600)	(19)	(6,619)
Net carrying amount	26,118	20	26,138
At 31 March 2022			
Cost	**28,980**	**—**	**28,980**
Accumulated depreciation	**(9,476)**	**—**	**(9,476)**
Net carrying amount	**19,504**	**—**	**19,504**

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(CONTINUED)*

Lease liabilities

	2022	2021
	HK$'000	*HK$'000*
Current portion	**7,528**	7,367
Non-current portion	**12,953**	18,711
	20,481	26,078

The Group has recognised the following amounts for the year:

	2022	2021
	HK$'000	*HK$'000*
Finance cost on lease liabilities	**1,110**	350
Depreciation of right-of-use assets	**8,787**	8,044
Expenses relating to short-term leases	**1,282**	1,302
Total amount recognised in profit or loss	**11,179**	9,696

The Group leases various office premises and machinery for its daily operations and the lease terms ranging from one to five years *(2021: one to five years)*. The total cash outflow for leases was approximately HK$9,032,000 *(2021: approximately HK$9,892,000)* for the year ended 31 March 2022.

At 31 March 2022, the weighted average effective interest rate for the lease liabilities of the Group was 4.49% per annum *(2021: 4.62%)*.

COVID-19-related rent concessions

The amount recognised in profit or loss during the year ended 31 March 2021 to reflect changes in lease payments that arise from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions provided in Amendments to HKFRS 16 was approximately HK$136,000. None was noted during the year ended 31 March 2022.

Restrictions or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the leases.

Extension options

The lease contract of office premises contains an extension option. These options aim to provide flexibility to the Group in managing the leased assets with options to extend at the end of the term from 1 to 3 years *(2021: 1 to 2 years)*.

Commitment under leases

At 31 March 2022, the Group was committed to pay approximately HK$23,000 *(2021: approximately HK$162,000)* for short-term leases.

19. INTANGIBLE ASSETS

	Computer software HK$'000 <Note a>	Licence rights HK$'000	Payment network membership HK$'000 <Note b>	Total HK$'000
Cost				
At 1 April 2020	72,391	26	308	72,725
Derecognition	(50,298)	(29)	—	(50,327)
Exchange realignments	5,445	3	15	5,463
At 31 March 2021 and at 1 April 2021	27,538	—	323	27,861
Additions	208	—	—	208
Deemed disposal of subsidiaries *(Note 33)*	(9,023)	—	(310)	(9,333)
Exchange realignments	1,125	—	(13)	1,112
At 31 March 2022	**19,848**	**—**	**—**	**19,848**
Accumulated amortisation and impairment loss				
At 1 April 2020	38,989	15	—	39,004
Amortisation	13,687	3	—	13,690
Derecognition	(50,298)	(29)	—	(50,327)
Impairment loss	9,989	10	—	9,999
Exchange realignments	2,611	1	—	2,612
At 31 March 2021 and at 1 April 2021	14,978	—	—	14,978
Amortisation	4,493	—	—	4,493
Impairment loss	4,519	—	—	4,519
Deemed disposal of subsidiaries *(Note 33)*	(5,064)	—	—	(5,064)
Exchange realignments	749	—	—	749
At 31 March 2022	**19,675**	**—**	**—**	**19,675**
Net carrying amount				
At 31 March 2022	**173**	**—**	**—**	**173**
At 1 April 2021	12,560	—	323	12,883

Computer software represents costs incurred for the development of the technology systems which are used to support the prepaid cards and internet payment business, prestige benefits business and merchant acquiring business. The costs are capitalised and amortised under the straight-line method over 5 years.

19. INTANGIBLE ASSETS *(CONTINUED)*

Notes:

(a) At 31 March 2021, computer software mainly represents enhancement of host system to extend the payment processing services to cover other payment network associations with carrying amount of HK$4,900,000. The remaining amortisation period of the computer software is 3.5 years.

(b) The useful life of the payment network membership is determined to be indefinite because the Group is able to renew the payment network membership without incurring significant cost that there is no foreseeable limit to the period over which the payment network membership is expected to generate net cash inflows for the Group.

Impairment assessments

The intangible assets are tested for impairment where an indicator of impairment appears by comparing their recoverable amounts to their carrying amounts at the end of each reporting period.

At 31 March 2021, the management assessed that the software for the Prepaid Cards and Internet Payment CGU in the PRC (the "**Payment Software**") and acquiring and clearing system developed in prior years for the payment processing services via major payment networks in Thailand (the "**PN System**"), which was not used by the Group due to the change in the business operations and market development strategy of the Group, may not be able generate future economic benefits, in particular, after the outbreak of COVID-19 pandemic. Accordingly, the recoverable amount of the Payment Software and PN System was minimal. Impairment loss on the Payment Software and PN System of approximately HK$4,399,000 and HK$5,600,000, respectively, was recognised during the year ended 31 March 2021.

In view of the deteriorating economy and the outbreak of COVID-19 pandemic during the year ended 31 March 2022, the management considered that there is impairment indicator under the Prepaid Cards and Internet Payment CGU and Prestige benefits business CGU.

At 31 March 2022, the Group assessed the recoverable amount of the Prepaid Cards and Internet Payment CGU and Prestige Benefits CGU based on the value-in-use calculation using pre-tax cash flow projections covering a 5-year period respectively and the pre-tax discount rate used was 23.3% *(2021: 22.5%)* and 15.1% *(2021: 14.6%)*, respectively, which is provided by the management. The estimated revenue and costs for each individual intangible asset were based on management expectation. Cash flows beyond the projected period of the Prepaid Cards and Internet Payment CGU and Prestige Benefits CGU have been extrapolated using a 2% *(2021: 2%)* long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Management determined the growth rate based on past performance and the expectation of market development. Based on the result of impairment assessment, impairment loss of approximately HK$4,519,000 and HK$9,000 were recognised in relation to the intangible assets and property, plant and equipment allocated to the Prestige Benefits CGU. No impairment loss was recognised for the remaining non-current assets allocated to the Prepaid Cards and Internet Payment CGU at 31 March 2022.

20. FINANCIAL ASSET AT FVPL

	2022 HK$'000	2021 HK$'000
Unlisted equity investment in Hong Kong		
Mandatorily measured at FVPL	—	300

The amount represents 5.0332% interest in a private entity incorporated in Hong Kong at 31 March 2021. Its principal activities were sales of point of sales machines and provision of internet payment services. The investment was deemed to be disposed by the Group, which is detailed in Notes 12 and 33 to the consolidated financial statements.

21. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	202	324

22. TRADE AND OTHER RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Trade receivables		47,725	40,108
Less: Loss allowance	36(a)(iii)	(39,349)	(26,263)
	(a)	8,376	13,845
Loan and interest receivables		122,628	103,495
Less: Loss allowance	36(a)(iii)	(18,498)	(9,283)
	(b)	104,130	94,212
Other receivables			
Deposits on investments	35	—	—
Deposits paid to merchants	(c)	13,153	16,207
Deposits, prepayments and other debtors	(d)	32,808	28,266
Due from an associate	(e)	11,109	10,632
		57,070	55,105
		169,576	163,162

22. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

22(a) Trade receivables

The Group allows a credit period up to 45 days *(2021: 45 days)* to its trade debtors. At the end of the reporting period, the ageing analysis of the trade receivables (net of loss allowance) by invoice date is as follows:

	2022	2021
	HK$'000	*HK$'000*
Less than 1 month	**162**	2,859
1 month to 3 months	**10**	31
3 months to 6 months	**256**	2,382
6 months to 1 year	**6,830**	401
Over 1 year	**1,118**	8,172
	8,376	13,845

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance) by due date is as follows:

	2022	2021
	HK$'000	*HK$'000*
Current	**162**	2,859
Past due:		
Less than 1 month	**10**	31
1 month to 3 months	**256**	2,382
3 months to 6 months	**62**	—
6 months to 1 year	**6,830**	544
Over 1 year	**1,056**	8,029
	8,214	10,986
	8,376	13,845

22. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

22(b) Loan receivables

At the end of the reporting period, loan receivables:

(i) are unsecured *(2021: unsecured)*;

(ii) included an aggregate amount of approximately HK$82,094,000 *(2021: approximately HK$75,264,000)* which carries interest rates ranging from 10% to 12% per annum *(2021: 8% to 14% per annum)*, and the remaining balances are interest-free; and

(iii) have contractual loan period of 12 months *(2021: 6 and 12 months).*

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

	2022	2021
	HK$'000	*HK$'000*
Less than 1 month	**—**	17,230
1 month to 3 months	**—**	509
3 months to 6 months	**—**	52,355
Over 6 months	**104,130**	24,118
	104,130	94,212

At the end of the reporting period, the ageing analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	2022	2021
	HK$'000	*HK$'000*
Not yet past due	**88,196**	93,743
Past due:		
Less than 1 month	**—**	—
1 month to 3 months	**14,597**	—
3 months to 6 months	**1,337**	283
Over 6 months	**—**	186
	15,934	469
	104,130	94,212

22. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

22(c) 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.

22(d) Deposits, prepayments and other debtors

Included in balance with carrying amount of approximately HK$8,633,000 *(2021: Nil)* is deposit paid to banks in relation to handling charges of the prepaid cards and internet payment business.

22(e) Due from an associate

The amount due is unsecured, interest-free and repayable on demand.

23. RESTRICTED FUNDS

	Notes	2022 HK$'000	2021 HK$'000
Bank deposits in:			
Thailand	(a)	—	75
The PRC	(b)	324,137	250,905
		324,137	250,980

23(a) Thailand

Pursuant to the agreements signed with a merchant acquiring business partner, the amounts represent balances in banks in Thailand maintained solely for the purpose of settlement of outstanding trade payables for the merchant acquiring business and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Baht.

23(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 purposes. The deposits are denominated in RMB and represented savings/current/fixed deposits accounts maintained with banks. They bear interest rates ranged from 0.35% to 1.1% *(2021: 0.35%)* per annum.

24. TRADE AND OTHER PAYABLES

	Notes	2022 HK$'000	2021 HK$'000
Trade payables	(a)	**29,950**	14,078
Prestige benefits cards — provision of hotel and catering expenses	(b)	**13,602**	15,086
Unutilised float funds	(c)	**277,965**	212,351
		321,517	241,515
Other payables			
Accruals and other payables	(d)	**44,714**	132,820
Due to a director	(e)	**123**	118
Due to an associate	(e)	**—**	733
		44,837	133,671
		366,354	375,186

24(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:

	2022 HK$'000	2021 HK$'000
Less than 1 month	**23,422**	7,177
1 month to 3 months	**—**	—
Over 3 months	**6,528**	6,901
	29,950	14,078

24. TRADE AND OTHER PAYABLES *(CONTINUED)*

24(b) Prestige benefits cards — provision of hotel and catering expenses

	2022	2021
	HK$'000	*HK$'000*
At the beginning of the reporting period	**15,086**	9,206
Additions	**—**	17,111
Utilised	**(2,109)**	(10,450)
Exchange realignments	**625**	(781)
At the end of the reporting period	**13,602**	15,086

24(c) 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.

24(d) Accruals and other payables

Included in accruals and other payables are:

(i) other payable to a third party at 31 March 2021 approximately HK$1,392,000 which was guaranteed by a director of OPG, interest bearing at 8% per annum and repayable on 31 August 2022 and such amount was deemed to be disposed during the year ended 31 March 2022;

(ii) other borrowings from independent third parties at 31 March 2021 approximately HK$88,048,000 which were unsecured and repayable on 30 September 2021 and on demand in which carries interest rates of 9% and 12% per annum, respectively and such amount was deemed to be disposed during the year ended 31 March 2022;

(iii) interest payables at 31 March 2021 approximately HK$1,225,000 which are unsecured, interest-free and due within one year and such amount was deemed to be disposed during the year ended 31 March 2022; and

(iv) the remaining items are unsecured, interest-free and have no fixed repayment term.

24(e) Due to a director/an associate

The amounts due are unsecured, interest-free and repayable on demand.

25. DEFERRED TAXATION

The movement for the year in the Group's deferred tax assets (liabilities) was as follows:

	Tax losses	Provisions	Undistributed earnings	Fair value adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	185	(5,570)	(1,213)	(1,264)	(7,862)
Credit to profit or loss	98	—	445	1,264	1,807
Exchange realignments	—	(724)	—	—	(724)
At 31 March 2021 and at 1 April 2021	283	(6,294)	(768)	—	(6,779)
Credit to profit or loss	(73)	—	—	—	(73)
Deemed disposal of subsidiaries *(Note 33)*	(210)	—	768	—	558
At 31 March 2022	**—**	**(6,294)**	**—**	**—**	**(6,294)**

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		Liabilities	
	2022	2021	2022	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provisions	**9**	9	**(6,302)**	(6,303)
Tax losses	**—**	283	**—**	—
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**—**	—	**—**	(768)
Deferred tax assets (liabilities)	**9**	292	**(6,302)**	(7,071)
Amount expected to be recovered (settled) after more than 12 months	**9**	292	**(6,302)**	(7,071)

During the year ended 31 March 2022, derecognition of deferred tax liabilities of approximately HK$768,000 attributed to undistributed earnings and deferred tax assets of approximately HK$210,000 attributed to tax losses, respectively, as the OPG Group was deemed to be disposed by the Group, which is detailed in Notes 12 and 33 to the consolidated financial statements.

25. DEFERRED TAXATION *(CONTINUED)*

The accumulated profits of certain subsidiaries in the PRC would be subject to additional taxation if they are distributed. At 31 March 2022, the estimated withholding tax effect on the distribution of accumulated profits of these entities was approximately of HK$815,000 *(2021: approximately HK$921,000)*. In the opinion of the Directors, these accumulated profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

Unrecognised deferred tax assets

The Group has not recognised deferred tax assets in respect of the tax losses, as set out below, because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unrecognised tax losses will expire as follows:

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
Year 2022	**—**	93
Year 2023	**44**	41
Year 2024	**25,221**	24,290
Year 2025	**50,302**	47,800
Year 2026	**33,942**	32,820
Year 2027	**50,020**	—
No expiry	**7,022**	2,905
	166,551	107,949

26. OTHER LONG-TERM LIABILITIES

At 31 March 2021, other long-term liabilities represent preference shares issued by OCG Thailand. The Group had an outstanding amount due to a non-controlling shareholder of Baht 25,500,000 (equivalent to approximately HK$6,327,000) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum, with no accrued dividend payable.

During the year ended 31 March 2022, other long-term liabilities were deemed to be disposed by the Group, which is detailed in Notes 12 and 33 to the consolidated financial statements.

27. CONVERTIBLE BONDS ISSUED BY A LISTED SUBSIDIARY

On 26 June 2020 (the "**Bond Issue Date**"), OPG issued convertible bonds (the "**OPG CB**"), with a coupon interest rate of 7% per annum, in an aggregate principal amount of HK$11,850,000 to not less than six independent placees who, and where applicable, whose ultimate beneficial owners were independent third parties. The OPG CB will mature on the date (the "**Maturity Date**") falling upon the expiry of two years from the Bond Issue Date or if such date is not a business day, the immediate preceding business day.

The coupon interest is accrued on a day to day basis on the principal amount of the OPG CB outstanding and shall only be payable by OPG semi-annually in arrears on the dates falling six months and one year after the Bond Issue Date and on the anniversary(ies) of such dates for each year thereafter up to and including the Maturity Date. Bondholders will be entitled to receive an additional interest at the rate of 10% per annum from the Bond Issue Date up to and including the Maturity Date chargeable on the principal amount of the OPG CB, which will be payable by OPG on the Maturity Date, if they have not converted any of the OPG CB into new shares of OPG.

The OPG CB can be converted into a maximum number of 79,000,000 ordinary shares of OPG at the initial conversion price of HK$0.15 per share of OPG.

27. CONVERTIBLE BONDS ISSUED BY A LISTED SUBSIDIARY *(CONTINUED)*

Assuming all OPG CB were fully converted into the ordinary shares of OPG, the Company's shareholding in OPG would be diluted from 32.5% to 30.1% which would result in deemed disposal of the equity interest in OPG. Accordingly, the equity component of OPG CB is reported as "Potential non-controlling interests" in the consolidated financial statements.

At initial recognition, the OPG CB were separated into a liability component and an equity component representing the conversion options of the bondholders. The fair values of the liability component and the equity conversion component were determined at the Bonds Issue Date. The fair value of the liability component was calculated using market interest rates ranged from 21.33% to 21.44% per annum for instruments without a conversion option of comparable credit status which is referenced to professional valuation conducted by an independent professionally qualified valuer. The residual amount, representing the value of the equity conversion component, has been reported as potential non-controlling interests.

The liability component was amortised over the term of the OPG CB with the effective interest method. The effective interest rate of the liability component of the OPG CB on initial recognition is 21.93% per annum and is subsequently carried at amortised cost.

The OPG CB recognised at the end of the reporting period are calculated as follow:

	HK$'000
Liability component	
At 1 April 2020	—
Fair value of liability component at the Bond Issue Date	**10,951**
Issue costs	**(284)**
	10,667
Effective interest expenses	**1,823**
Interest paid	**(420)**
Interest accrued	**(211)**
At 31 March 2021 and 1 April 2021	**11,859**
Effective interest expenses	**2,319**
Interest accrued	**(757)**
Deemed disposal of subsidiaries *(Note 33)*	**(13,421)**
At 31 March 2022	—
Potential non-controlling interests	
At 1 April 2020	—
Nominal value of the OPG CB	**11,850**
Fair value of liability component at the Bond Issue Date	**(10,951)**
Issue costs	**(23)**
At the Bond Issue Date, 31 March 2021 and 1 April 2021	**876**
Deemed disposal of subsidiaries *(Note 33)*	**(876)**
At 31 March 2022	—

28. BONDS PAYABLES

In July 2016, the Company entered into subscription agreements with three independent third parties to issue bonds with coupon interest rate of 9% per annum (the "**First Bonds**") in the principal amount of US$32 million (equivalent to approximately HK$248 million) which will mature on the third anniversary of the issue date.

The issuance of the First Bonds were completed on 1 August 2016. Details of the subscription of the First Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 31 July 2016.

In August 2016, the Company entered into further subscription agreements with an independent third party to issue bonds with coupon interest rate of 9% per annum (the "**Second Bonds**") in the principal amount of US$16 million (equivalent to approximately HK$124 million) which will mature on the third anniversary of the issue date.

The issuance of the Second Bonds were completed on 4 August 2016. Details of the subscription of the Second Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 2 August 2016.

On 26 February 2020, the Company obtained consent in writing from each of the subscribers (the "**Bonds Subscribers**") to extend the maturity date to 1 August 2021. During the year ended 31 March 2022, the Company has redeemed partial of bonds in the principal amount of approximately US$2,620,000 (equivalent to approximately HK$20,436,000) *(2021: US$13,029,000 (equivalent to approximately HK$101,961,000))*. At 31 March 2022, the remaining principal amount of approximately US$24,352,000 (equivalent to approximately HK$189,949,000) *(2021: US$26,972,000 (equivalent to approximately HK$210,385,000))* is repayable on demand.

During the year ended 31 March 2022, another bond was issued to a third party with coupon rate of 10% per annum in the principal amount of HK$15,000,000 and accrued bond interest of approximately HK$1,147,000 which is derecognised upon the completion of the Deemed Disposal.

29. SHARE CAPITAL

	Number of shares	HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 April 2020 and 31 March 2021	2,000,000,000	20,000
Increase in authorised share capital *(Note b)*	8,000,000,000	80,000
At 31 March 2022	**10,000,000,000**	**100,000**
Issued and fully paid:		
At 1 April 2020	1,644,188,693	16,441
Issue of shares upon placing of shares *(Note a)*	328,830,000	3,289
At 31 March 2021 and 1 April 2021	1,973,018,693	19,730
Issue of shares upon placing of shares *(Note c)*	394,600,000	3,946
At 31 March 2022	**2,367,618,693**	**23,676**

Notes:

a) On 6 January 2021, the Company issued 328,830,000 ordinary shares by way of placing (the "**First Placing**"), at a placing price of HK$0.16 per share. The net proceeds from the First Placing after deducting related expenses were approximately HK$51,888,000 to repay part of its current debts (including but not limited to the partial repayment of the Bonds, together with the interest accrued thereon) and provide additional working capital. These shares rank pari passu with all existing shares in all respects.

b) On 13 May 2021, the authorised share capital Company was approved to be increased from HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 8,000,000,000 new Shares in the capital of the Company.

c) On 30 June 2021, the Company issued 394,600,000 ordinary shares by way of placing (the "**Second Placing**"), at a placing price of HK$0.18 per share. The net proceeds from the Second Placing after deducting related expenses were approximately HK$70,313,000 to repay part of its current debts (including but not limited to the partial repayment of the Bonds, together with the interest accrued thereon) and provide additional working capital. These shares rank pari passu with all existing shares in all respects.

30. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the registered capital of the companies comprising the Group less consideration paid to acquire the relevant interests, after adjusting the registered capital held by those attributable to the NCI and/or the deemed capital contribution from the former controlling party prior to the listing of the Company's shares on GEM of the Stock Exchange.

(c) Exchange reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries. The reserve is dealt with in accordance with the accounting policies as set out in Note 3 to the consolidated financial statements.

(d) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the "**PRC Subsidiaries**"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

(e) Dividend

The Directors do not recommend the payment of a dividend for the years ended 31 March 2022 and 2021.

31. SHARE OPTION SCHEME

Old Share Option Scheme

On 14 August 2009, the Company adopted a share option scheme (the "**Old Share Option 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 Old Share Option Scheme and any other schemes must not exceed 10% of the shares in issue at the date of adoption of the Old Share Option 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 Old Share Option 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 Old Share Option 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 Old Share Option 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 to the Company by way of consideration for the grant.

The exercise price for shares under the Old Share Option 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.

Subject to the early termination provisions of the Old Share Option Scheme, the Old Share Option Scheme will remain valid for a period of 10 years commencing from 14 August 2009 and had expired on 13 August 2019. The terms of the Old Share Option Scheme remained in force for those share options already granted under the Old Share Option Scheme and were outstanding during the year, if any.

31. SHARE OPTION SCHEME *(CONTINUED)*

New Share Option Scheme

On 13 May 2021, the Company adopted a share option scheme (the "**New Share Option Scheme**") for the purpose of attracting, retaining and encouraging the eligible persons to perform their best in achieving the goal of the Group and allow the eligible persons to enjoy the results of the Company attained through their efforts and contributions.

The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes must not exceed 10% of the shares in issue at the date of adoption of the New Share Option Scheme 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 New Share Option 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 New Share Option 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 New Share Option 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 to the Company by way of consideration for the grant.

The exercise price for shares under the New Share Option 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.

Subject to the termination provisions of the New Share Option Scheme, the New Share Option Scheme will remain valid for a period of 10 years commencing from 23 August 2021 and had expired on 22 August 2031. The terms of the New Share Option Scheme remained in force for those share options already granted under the New Share Option Scheme and were outstanding during the year, if any.

31. SHARE OPTION SCHEME *(CONTINUED)*

New Share Option Scheme *(Continued)*

As mentioned in Note 29 to the consolidated financial statements, upon the completion of placing of new shares on 30 June 2021, the total number of the shares which may be issued upon exercise of the options to be granted must not exceed 710,285,607 shares, representing 30% of the issued share capital of the Company.

At the end of the reporting period, options of 710,285,607 *(2021: 591,905,607)* of the Company, represent 30% *(2021: 30%)* of its issued share capital, are available for issue.

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

		Number of options	
	Notes	**2022**	2021
At the beginning of the reporting period		**21,000,000**	31,000,000
Granted during the year	*(i)*	**197,300,000**	—
Lapsed during the year	*(ii)*	**(21,000,000)**	(10,000,000)
At the end of the reporting period		**197,300,000**	21,000,000
Weighted average exercise price			
At the beginning of the reporting period		**HK$1.68**	HK$1.85
At the end of the reporting period		**HK$0.20**	HK$1.68
Exercisable		**HK$0.20**	HK$1.68
Weighted average remaining contractual life		**2.40 years**	0.42 years
Exercisable option at the end of the reporting period		**—**	19,055,556
Range of exercise price for option outstanding		**HK$0.20**	HK$1.68

31. SHARE OPTION SCHEME *(CONTINUED)*

Notes:

(i) The Company granted 197,300,000 share options of the Company under the New Share Option Scheme on 23 August 2021. The options granted are at an exercise price of HKD0.20 per share and shall vest in accordance with the timetable below, each with an exercise period commencing from the relevant vesting date and ending 10 years after the relevant vesting date:

Vesting date	Percentage of Share Options to vest
23 August 2022	33.3% of the total number of share options granted
23 August 2023	33.3% of the total number of share options granted
15 August 2024	33.4% of the total number of share options granted

Details of number of share options granted to the Directors are set out below:

Name of executive directors	Number of share options granted
Mr. Lin Xiaofeng	8,000,000
Mr. Song Xiangping	19,000,000
Mr. Wu Hao	19,000,000

(ii) Upon the expiry of the validity period under the Old Share Option Scheme, on 31 August 2021, options of 10,000,000 shares granted to the Group's employees and options of 11,000,000 shares granted to the Group's directors, to subscribe the Company's ordinary shares at an exercise price of HK$1.68 per share were lapsed.

<Remark>
The fair value of outstanding share options granted on 1 September 2016 and 23 August 2021 are calculated using the Binomial Option Pricing Model, with the following key inputs:

	Date of grant 1 September 2016	Date of grant 23 August 2021
Fair value	HK$0.86 - HK$0.93	HK$0.0661 - HK$0.0754
Share price immediately before the grant/fulfilment date	HK$1.68	HK$0.185
Share price at grant/fulfillment date	HK$1.68	HK$0.185
Exercise price	HK$1.68	HK$0.200
Expected volatility	67.40%	66.28%
Risk-free interest rate	0.631%	0.29%
Expected dividends	Nil	Nil
Voluntary exercise boundary multiple	2.47	1.60 - 2.47

The expected volatility was determined using the historical volatility of the Company's share prices. The values of above share options vary with different variables of certain subjective assumptions in regard to the limitation of calculation model applied.

During the year ended 31 March 2022, with reference to the fair value of the share options at grant date, the Group recognised approximately HK$5,415,000 *(2021: HK$3,816,000)* as the share-based compensation costs.

32. OTHER CASH FLOW INFORMATION

(a) Cash used in operations

	Notes	2022 HK$'000	2021 HK$'000 (Re-presented)
Loss before tax			
— Continuing operations		**(53,382)**	(92,410)
— Discontinued operations	12	**(33,306)**	(27,235)
Share of results of associates		**(7,162)**	(6,947)
Amortisation of intangible assets	19	**4,493**	13,690
Depreciation on property, plant and equipment	17	**4,671**	5,975
Depreciation on right-of-use assets	18	**8,787**	8,044
Loss on disposal of property, plant and equipment		**108**	—
Write-off of inventories		**133**	—
Write-off of prepayments		**—**	253
Write-off of property, plant and equipment		**—**	38
Write-off of other receivables		**87**	—
Gain on disposal of associates		**(22,737)**	—
Gain on deemed disposal of subsidiaries		**(31,046)**	—
Loss on disposal of remaining interests in OPG		**33,890**	—
Write-off of trade and other payables		**(764)**	(1,369)
Impairment loss on intangible assets	19	**4,519**	9,999
Impairment loss on property, plant and equipment		**9**	—
Loss allowance on trade receivables	36(a)(iii)	**11,942**	4,824
Loss allowance on loan receivables	36(a)(ii)	**8,881**	57
Loss allowance on other receivables	36(a)(iii)	**55**	3,143
Foreign exchange differences		**2,337**	1,012
Finance costs		**30,154**	33,185
Bank interest income		**(115)**	(168)
Other interest income		**(9,952)**	(3,844)
Rent concessions		**—**	(136)
Share-based compensation costs		**5,415**	3,816
Changes in working capital:			
Inventories		**—**	(3)
Restricted funds		**(62,811)**	66,707
Amounts due to related companies		**—**	(44,075)
Amount due from an associate		**(753)**	342
Trade and other receivables		**(49,808)**	50,047
Trade and other payables		**75,296**	(128,177)
Cash used in operations		**(81,059)**	(103,232)

32. OTHER CASH FLOW INFORMATION *(CONTINUED)*

(b) Reconciliation of liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

	At 1 April 2021 HK$'000	Net cash flow HK$'000	Non-cash changes: Foreign exchange movement HK$'000	Addition of right-of-use assets HK$'000	Deemed disposal HK$'000	Lease modification HK$'000	Interest accrued HK$'000	Effective interest expenses HK$'000	At 31 March 2022 HK$'000
Year ended 31 March 2022									
Bonds payables	210,385	(5,436)	–	–	(16,147)	–	–	1,147	189,949
Other long-term liabilities	6,327	–	(327)	–	(6,000)	–	–	–	–
Liability component of convertible bonds issued by a listed subsidiary	11,859	–	–	–	(13,421)	–	(757)	2,319	–
Lease liabilities	26,078	(7,750)	(108)	2,808	(1,758)	1,211	–	–	20,481
	254,649	(13,186)	(435)	2,808	(37,326)	1,211	(757)	3,466	210,430

	At 1 April 2020 HK$'000	Net cash flow HK$'000	Non-cash changes: Foreign exchange movement HK$'000	Rent concessions HK$'000	Disposal of subsidiaries HK$'000	Addition of right-of-use assets HK$'000	Classified as equity component HK$'000	Termination of lease contracts HK$'000	Interest accrued HK$'000	Effective interest expenses HK$'000	At 31 March 2021 HK$'000
Year ended 31 March 2021											
Bonds payables	314,012	(101,961)	(1,666)	–	–	–	–	–	–	–	210,385
Other long-term liabilities	6,050	–	271	–	–	–	–	–	(601)	607	6,327
Liability component of convertible bonds issued by a listed subsidiary	–	11,123	–	–	–	–	(876)	–	(211)	1,823	11,859
Lease liabilities	10,301	(8,590)	508	(136)	(974)	25,550	–	(581)	–	–	26,078
	330,363	(99,428)	(887)	(136)	(974)	25,550	(876)	(581)	(812)	2,430	254,649

(c) Major Non-Cash Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

- During the year ended 31 March 2022, other borrowings included in "Accruals and other payables" with accrued interest amounted of approximately HK$89,163,000 was fully settled by transferred 25% of equity interest of Keen Best to the lender.

- During the year ended 31 March 2022, the Group entered into lease agreements in respect of right-of-use assets with a total capital value at the inception of the leases of approximately HK$2,808,000 *(2021: HK$25,550,000)*.

33. DEEMED DISPOSAL OF SUBSIDIARIES/DISPOSAL OF REMAINING INTERESTS IN OPG

During the year ended 31 March 2022, upon the completion of the Subscription on 22 February 2022 which is detailed in Note 12 to the consolidated financial statements and considered other factors on the assessment of the control over OPG, OPG ceased to be a subsidiary of the Group and the financial results and financial position of the OPG Group will no longer be consolidated into the consolidated financial statement of the Group and remaining interests in OPG of the Group was subsequently disposed through placing agreement.

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

	2022 ***HK$'000***
Net assets disposed of	
Interest in an associate	**408**
Financial asset at FVPL	**300**
Property, plant and equipment	**5,295**
Right-of-use assets	**1,751**
Intangible assets	**4,269**
Deferred tax assets	**210**
Trade and other receivables	**34,943**
Due from former ultimate holding company	**2,375**
Tax recoverable	**70**
Restricted funds	**42**
Cash and bank balances	**14,424**
Trade and other payables	**(9,864)**
Bond payables	**(16,147)**
Liability component of convertible bonds	**(13,421)**
Other long-term liabilities	**(6,000)**
Deferred tax liabilities	**(768)**
Lease liabilities	**(1,758)**
	16,129
Non-controlling interest (Existing)	**12,813**
Non-controlling interest (Potential)	**(876)**
	28,066
Release of upon the Deemed Disposal	
Exchange reserves	**(619)**
	27,447
Gain on deemed disposal of subsidiaries	**31,046**
Fair values of the equity interests retained	**58,493**

33. DEEMED DISPOSAL OF SUBSIDIARIES / DISPOSAL OF REMAINING INTERESTS IN OPG *(CONTINUED)*

Analysis of net inflow of cash and cash equivalents in respect of the Deemed Disposal during the year ended 31 March 2022 is as follows:

	2022
	HK$'000
Cash consideration received	**—**
Cash and cash equivalents disposed of	**(14,424)**
Net outflow of cash and cash equivalents	**(14,424)**

The gain on the Deemed Disposal is included in the loss for the period/year from discontinued operations in Note 12 to the consolidated financial statements.

Disposal of remaining interests in OPG

Subsequent to the Deemed Disposal, on 2 March 2022, the Group has disposed all the remaining equity interests in OPG by placing of those shares to several independent third parties at HK$0.078 per share through placing agreement. The net proceed from the disposal is approximately HK$24,603,000.

In the opinion of the Directors, the change in carrying value the Group's interest in OPG during the period from 22 February 2022 to 2 March 2022 was minimal. Loss on disposal of remaining interests in OPG of approximately HK$33,890,000 was resulted during the year ended 31 March 2022 and is included in loss for the period/year from discontinued operations in Note 12 to the consolidated financial statements.

For details of the disposal, please refer to the announcements of the Company dated on 3 February 2022 and 2 March 2022.

34. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the consolidated financial statements, during the year, the Group had following transactions with related parties:

Related party relationship	Nature of transaction	2022 *HK$'000*	2021 *HK$'000*
Associates	Sales of POS machines	**128**	486
	Service fee income of POS machines	**26**	37
	Prestige benefit card income	**237**	—
Related companies controlled by ex-director, Mr. Yan Dinggui *(Note)*	Cost of services	**—**	2,465
	Prestige benefit card income	**—**	1,135

Note: The ex-director, Mr. Yan Dinggui, who was resigned during the year ended 31 March 2021.

(b) Details of the remuneration for key management personnel are set out in Note 8(c) to the consolidated financial statements.

35. CAPITAL EXPENDITURE COMMITMENTS

	2022 *HK$'000*	2022 *HK$'000*
Contracted but not provided for, net of deposits paid:		
Acquisition of equity interests in an associate *(Note)*	**14,800**	13,763
Acquisition of intangible assets in respect of further developing the acquiring host system	**—**	201
	14,800	13,964

Note: In prior years, Qijun Information Technology entered into a subscription agreement with a company registered in the PRC (the "**PRC Company**"), and an independent third party, pursuant to which Qijun Information Technology agreed to subscribe 23.08% of the enlarged issued share capital for the PRC Company at a consideration of RMB15 million (equivalent to approximately HK$18.5 million). At 31 March 2021, a deposit of RMB3 million (equivalent to approximately HK$3.7 million) paid in prior year was fully impaired.

36. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise of restricted funds, cash and bank balances, other long-term liabilities, liability component of convertible bonds issued by a listed subsidiary and bonds payables. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are (i) interest rate risk, (ii) liquidity risk and (iii) credit risk. The Directors meet regularly and co-operate closely with key management to identify and evaluate risks and generally adopt conservative strategies on the risk management and limit the Group's exposure to these risks to a minimum as follows:

(i) Interest rate risk

The Group's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets including certain other investments, restricted funds and cash and bank balances.

At the end of the reporting period, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the year would have been approximately HK$1,679,000 *(2021: approximately HK$2,222,000)* lower/higher.

The Group's sensitivity to interest rates would change in the same direction as the changes in its interest-bearing balances of financial assets as mentioned above.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the reporting period and had been applied to the exposure to interest rate risk for the average balances of the interest-bearing financial assets in existence during the reporting period. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(ii) Liquidity risk

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment and intangible assets. The Group finances its working capital requirements mainly by the funds generated from operations, public fund raisings and inception of interest-bearing borrowings (if any).

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Financial risk management objectives and policies *(Continued)*

(ii) ***Liquidity risk*** *(continued)*

The Group's financial liabilities and lease liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	Total contractual undiscounted cash flow	Within 1 year	After one year but within two years	More than five years	Upon winding up of OCG Thailand <Remark 1>	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2022						
Non-derivative financial liabilities						
Trade and other payables	**366,354**	**366,354**	**–**	**–**	**–**	**366,354**
Bonds payables	**189,949**	**189,949**	**–**		**–**	**189,949**
Lease liabilities	**21,962**	**8,327**	**13,635**	**–**	**–**	**20,481**
	578,265	**564,630**	**13,635**	**–**	**–**	**576,784**
At 31 March 2021						
Non-derivative financial liabilities						
Trade and other payables	378,209	378,209	—	—	—	375,186
Bonds payables	212,372	212,372	—	—	—	210,385
Lease liabilities	28,529	8,424	20,105	—	—	26,078
Other long-term liabilities <Remark 2>	6,327	—	—	—	6,327	6,327
Liability component of convertible bonds issued by a listed subsidiary	15,245	830	14,415	—	—	11,859
	640,682	599,835	34,520	—	6,327	629,835

<Remark 1>
In case of the winding up of OCG Thailand, the holder of preference shares has the right to the distribution of the residual assets of OCG Thailand prior to the ordinary shares, but limited to the paid up amount of the preference shares.

<Remark 2>
At 31 March 2021, the estimated annual finance cost of other long-term liabilities approximates to Baht 2,423,000 (equivalent to approximately HK$601,000), which is not included in the above summary.

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Trade receivables

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group has no significant concentration of credit risk arising from its ordinary course of business.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on historical observed loss rates over the expected life of the trade receivables and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at 31 March 2022 and 2021 is summarised below.

At 31 March 2022

	Expected loss rate *%*	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*	**Credit-impaired**
Not past due	—	162	—	162	No
Past due:					
Less than 1 month	—	10	—	10	No
1 month to 3 months	—	256	—	256	No
3 months to 6 months	—	62	—	62	No
6 months to 1 year	30%	9,731	(2,901)	6,830	No
Over 1 year	97%	37,504	(36,448)	1,056	No
		47,725	(39,349)	8,376	

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Financial risk management objectives and policies *(Continued)*

(iii) ***Credit risk*** *(continued)*

Trade receivables (Continued)

At 31 March 2021

	Expected loss rate %	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*	Credit-impaired
Not past due	—	2,859	—	2,859	No
Past due:					
Less than 1 month	—	31	—	31	No
1 month to 3 months	—	2,382	—	2,382	No
3 months to 6 months	—	—	—	—	No
6 months to 1 year	—	544	—	544	No
Over 1 year	77%	34,292	(26,263)	8,029	No
		40,108	(26,263)	13,845	

At 31 March 2022, the Group recognised loss allowance of approximately HK$39,349,000 *(2021: approximately HK$26,263,000)* on the trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	2022 ***HK$'000***	2021 *HK$'000*
At the beginning of the reporting period	**26,263**	19,617
Increase in allowance	**11,942**	4,824
Exchange realignments	**1,144**	1,822
At the end of the reporting period	**39,349**	26,263

At 31 March 2022, the significant increase in credit risk mainly refers to increase in rate for exposure at default due to the deterioration of financial performance of the customers in the prestige benefit business.

There was no change in the estimation techniques or other significant assumptions made during the years ended 31 March 2022 and 2021.

None of the trade receivables that have been written off during the year ended 31 March 2022 and 2021.

The Group does not hold any collateral over trade receivables at 31 March 2022 *(2021: Nil).*

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk *(continued)*

Loan receivables

The Group's loan receivables by geographical location are concentrated to debtors in the PRC and are influenced mainly by the individual characteristic of each customer. The Group has set up internal policies in determination of credit limits, credit approvals and other monitoring procedures to ensure that the follow-up action is taken to recover the overdue loan.

For the loan receivables, prior to the lending of loan, the Group reviews the financial strength, purpose of the borrowing and repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the borrowers and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case.

The information about the ECL for the loan receivables at 31 March 2022 and 2021 is summarised below. The gross carrying amounts of the financial assets, by credit risk rating grades, are as follows:

At 31 March 2022

Internal credit rating	**Gross carrying amount** *HK$'000*	**ECL**	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Performing *(Note i)*	**104,130**	**12-month**	**—**	**104,130**
Underperforming *(Note ii)*	**18,498**	**Lifetime**	**(18,498)**	**—**
	122,628		**(18,498)**	**104,130**

At 31 March 2021

Internal credit rating	Gross carrying amount *HK$'000*	ECL	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Performing *(Note i)*	94,212	12-month	—	94,212
Underperforming *(Note ii)*	9,283	Lifetime	(9,283)	—
	103,495		(9,283)	94,212

Notes:

(i) Performing *(normal credit quality)* refers to the loans that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised.

(ii) Underperforming *(significant increase in credit risk)* refers to the loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised.

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk *(continued)*

Loan receivables (Continued)

At 31 March 2022, the Group recognised loss allowance of approximately HK$18,498,000 *(2021: approximpately HK$9,283,000)* on the loan receivables. The movements in the loss allowance for loan receivables is summarised below.

	2022	2021
	HK$'000	*HK$'000*
At the beginning of the reporting period	**9,283**	8,673
Increase in allowance	**8,881**	57
Exchange realignments	**334**	553
At the end of the reporting period	**18,498**	9,283

At 31 March 2022, the significant increase in credit risk refers to increase in rate for exposure at default due to the deterioration of financial performance of the borrowers. There was no change in the estimation techniques or significant assumptions made during the years ended 31 March 2022 and 2021.

The Group does not hold any collateral over loan receivables at 31 March 2022 *(2021: Nil)*.

At the end of the reporting period, the Group had a concentration of credit risk as 25% *(2021: 22%)* and 81% *(2021: 66%)* of the total trade and loan receivables was due from the Group's largest debtors and the five largest debtors, respectively.

Other receivables

Other receivables include deposits on investments, deposits paid to merchants, deposits, prepayments and other debtors, due from a related party and an associate. Impairment on other receivables is measured on lifetime ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default.

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk *(continued)*

Other receivables (Continued)

At 31 March 2022, the Group recognised loss allowance of approximately HK$32,832,000 *(2021: approximately HK$31,869,000)*, which comprised approximately HK$3,700,000 *(2021: approximately HK$3,553,000)* in "deposits on investments" and approximately HK$29,132,000 *(2021: approximately HK$28,316,000)* for "deposits, prepayments and other debtors". The movement in the loss allowance for the balances is summarised below.

	2022	2021
	HK$'000	*HK$'000*
At the beginning of the reporting period	**31,869**	27,118
Increase in allowance	**55**	3,143
Exchange realignments	**908**	1,608
At the end of the reporting period	**32,832**	31,869

At 31 March 2022, due to the slow progress of investments and long overdue of balances, loss allowance was resulted. There was no change in the estimation techniques or significant assumptions made during the years ended 31 March 2022 and 2021.

The Group does not hold any collateral over such sums at 31 March 2022 *(2021: Nil)*.

Restricted funds and cash and bank balances

The management considers the credit risk on restricted funds and cash and bank balances is minimal because the counterparties are authorised financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

None of the Group's financial assets are securitised by collateral or other credit enhancements at the end of the reporting period.

36. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Categories of financial instruments

Categories of financial instruments of the Group are set out as follows:

	Notes	2022 HK$'000	2021 HK$'000
Financial assets			
Financial assets at FVPL:			
Equity investments unlisted in Hong Kong		**–**	300
Financial assets at amortised cost	*(a)*	**502,797**	465,222
Financial liabilities			
Financial liabilities measured at amortised cost	*(b)*	**556,303**	603,757

Notes:

(a) Financial assets at amortised cost include trade and other receivables, restricted funds and cash and bank balances.

(b) Financial liabilities at amortised cost include trade and other payables, bonds payables, other long-term liabilities and liability component of convertible bonds issued by a listed subsidiary.

37. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, "*Fair Value Measurement*" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

37. FAIR VALUE MEASUREMENTS *(CONTINUED)*

(i) Assets and liabilities measured at fair value

	Level 2	
	2022	2021
	HK$'000	*HK$'000*
Financial assets at FVPL		
Unlisted equity investment *(Note 20)*	–	300

During the years ended 31 March 2022 and 2021, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the unlisted equity investment is determined with reference to its net asset value.

(ii) Assets and liabilities not measured at fair value

The carrying amounts of financial assets and liabilities measured at amortised cost are carried at amounts not materially different from their fair values at 31 March 2022 and 2021.

38. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Directors consider the total equity as disclosed in the consolidated statement of financial position as the Group's capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2022 and 2021.

In accordance with the terms and condition of the Bonds, the Company is required to give the Relevant Covenant. If the Company breached the Relevant Covenant, it may constitute an event of default giving rise to the right of the Bonds Subscribers to redeem the outstanding Bonds and hence enforce the collateral. Therefore, the Company had obtained the consent in writing from the Bonds Subscribers for granting the personal guarantee from the Chairman of the Company, which is detailed in Note 3 to the consolidated financial statements.

Up to the date of the approval of the consolidated financial statements, the Chairman of the Company agreed to provide financial support to the Company, if in a position to meet the repayment obligation for settling the Bonds in accordance with the payment schedule aforementioned.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Interests in subsidiaries	14	**311,982**	258,928
Interests in an associate		**—**	—
Right-of-use assets		**1,439**	—
Property, plant and equipment		**408**	3
		313,829	258,931
Current assets			
Other receivables		**1,366**	514
Loan receivables		**3,185**	—
Cash and bank balances		**981**	2,750
		5,532	3,264
Current liabilities			
Bonds payables	28	**189,949**	210,385
Other payables		**17,726**	14,338
Lease liabilities		**685**	—
		208,360	224,723
Net current liabilities		**(202,828)**	(221,459)
Total assets less current liabilities		**111,001**	37,472
Non-current liabilities			
Lease liabilities		**884**	—
		884	—
NET ASSETS		**110,117**	37,472
Capital and reserves			
Share capital	29	**23,676**	19,730
Reserves	39(a)	**86,441**	17,742
TOTAL EQUITY		**110,117**	37,472

The statement of financial position was approved and authorised for issue by the Board of Directors on 19 August 2022 and signed on its behalf by

Zhang Xi
Director

Lin Xiaofeng
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(a) Movements of the reserves

	Notes	Share premium HK$'000 (Note 30(a))	Share option reserve HK$'000 (Note 31)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2020		1,562,367	21,581	(1,477,022)	106,926
Loss for the year and total comprehensive expenses for the year		—	—	(141,599)	(141,599)
Transactions with owners:					
Contribution and distribution					
Issue of shares upon placing of shares		48,599	—	—	48,599
Recognition of share-based compensation costs	31	—	3,816	—	3,816
Lapse of share options		—	(11,756)	11,756	—
Total transactions with owners		48,599	(7,940)	11,756	52,415
At 31 March 2021		1,610,966	13,641	(1,606,865)	17,742
At 1 April 2021		**1,610,966**	**13,641**	**(1,606,865)**	**17,742**
Loss for the year and total comprehensive expenses for the year		**—**	**—**	**(3,083)**	**(3,083)**
Transactions with owners:					
Contribution and distribution					
Issue of shares upon placing of shares		**66,367**	**—**	**—**	**66,367**
Recognition of share-based compensation costs	31	**—**	**5,415**	**—**	**5,415**
Lapse of share options	31(ii)	**—**	**(13,922)**	**13,922**	**—**
Total transactions with owners		**66,367**	**(8,507)**	**13,922**	**71,782**
At 31 March 2022		**1,677,333**	**5,134**	**(1,596,026)**	**86,441**

At the end of the reporting period, other than share premium as stated in Note 31(a) to the consolidated financial statements, no other distributable reserve is available for distribution to shareholders by the Company.

Financial Summary

	2022 **HK$'000**	2021 *HK$'000* (Re-presented)	2020 *HK$'000*	2019 *HK$'000*	2018 *HK$'000*
Continuing operations only					
RESULTS					
Revenue	**185,387**	55,673	203,867	629,437	598,482
Loss before Taxation from continuing operations	**(53,382)**	(92,410)	(716,458)	(297,421)	(356,101)
Income Tax (Expenses) Credit	**(27)**	(1,243)	(666)	(10,121)	(8,353)
Loss for the year from continuing operations	**(53,409)**	(91,167)	(717,124)	(307,542)	(364,457)
Total assets	**786,660**	829,589	1,056,178	1,883,719	2,432,613
Total liabilities	**(592,746)**	(645,914)	(851,235)	(847,497)	(1,030,856)
Non-controlling interests	**(46,883)**	(54,231)	(69,011)	(87,308)	(79,264)
Equity attributable to owners of the Company	**147,031**	129,444	135,932	948,914	1,322,493