China e-Wallet Payment Group Limited
中國錢包支付集團有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 802)

2018 INTERIM REPORT

* For identification only

CONTENTS

DIRECTOR'S STATEMENT

Dear shareholders,

On behalf of the Board of directors (the "Directors") of China e-Wallet Payment Group Limited (the "Company") and its subsidiaries (collectively known as the "Group"), I am pleased to present the Group's unaudited interim results for the six months ended 30 June 2018, which consists of reporting on the activities, results and strategies of the Company.

BUSINESS ENVIRONMENT

Through out the first half of 2018, the economic outlook for Asia remains strong, and the region continues to be the most dynamic of the global economy. Growth in many ASEAN (Association of Southeast Asian Nations) countries and China in the first half of 2018, has picked up on a strong trade rebound and resilient domestic consumption, while growth in India has edged downwards owing to taxation and monetary reforms. Premised on the current economic trends, over the medium term, however, downside risks dominate, including from a tightening of global financial conditions, a shift toward protectionist policies, and an increase in geopolitical tensions.

It is expected that the monetary authorities in the region are maintaining an accommodative monetary policy, hovering on moderate inflation, despite recent manifestations of renewed price pressures. Coupled with the perception that risk is low, this is supporting optimism in financial markets. Meanwhile, fiscal policy in many economies has been expansionary and looks set to continue as such in the near term with planned increases in infrastructure spending. A widening fiscal gap may be a concern in certain economies, but positions are generally stable.

Taking cognizance of the position of the Company in the current economy, we continued to be cautious but innovative in implementing our business strategies. Our focus had remained in the vast growing technology sector while investing our resources in innovating potential hybrid business solutions to suite the ever challenging economy.

FINANCIAL AND BUSINESS REVIEW

For the first half of 2018, the Company has recorded a gross profit, while in general, recorded a net loss in its current financial period. The Group has reported a total revenue of HK$46.2 million, representing an increase of 69.9% compared to the same period in 2017.

THANK YOU

I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continued support, as well as to the Group's management team and staff for their tireless dedication and efforts in developing the long term prospects of the Group.

Li Jinglong
Director

27 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2018, the Group recorded a revenue of HK$46.2 million, representing an increase of 69.9% compared to the same period in 2017. The increase in revenue was attributable to the income generated by continuous efforts in diversification into settlement application market.

Gross profit margin decreased to approximately 11.9% for the six months ended 30 June 2018, compared to 22.7% for the same period in 2017. The Group reported a net loss of HK$7.9 million for the six months ended 30 June 2018 which mainly attributable by the fair value loss on derivative financial assets of approximately HK$6.7 million.

Performance of business segments

The Group's business is divided generally into two categories: "Internet and Mobile's Application and Related Accessories" and "Trading of Security and Biometric Products".

The Group continues to believe that the "Internet and Mobile's Application and Related Accessories" segment as a key growth area, in-line with the rapid growth of the mobile and gaming industry and in particular in application development for merchants of settlement business, utilities applications for iOS and androids and mass advertising.

The Group's "Trading of Security and Biometric Products" segment consists of biometrics and RFID products for consumer applications.

	For the six months ended 30 June				HK$ y-o-y
	2018 (Unaudited)		2017 (Unaudited)		growth
Business Segment	HK$ m	%	HK$ m	%	%
Internet and Mobile's Application and Related Accessories	46.2	100.0	27.2	100.0	69.9
Trading of Security and Biometric Products	–	–	–	–	–
Total revenue	46.2	100.0	27.2	100.0	

The key contributor to the Group's revenue in the six months ended 30 June 2018 was the "Internet and Mobile's Application and Related Accessories" segment which contributed 100% of total revenue.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group reported a total revenue of HK$46.2 million representing an increase of 69.9% compared to HK$27.2 million in the same period in 2017. The increase was mainly due to the income generated by continuous efforts in diversification into settlement application market since 2016.

Cost of sales

Cost of sales increased 93.8% from HK$21.0 million in the six months ended 30 June 2017 to HK$40.7 million in the same period in 2018 was due to the increase in revenue.

Gross profit and gross profit margin

Gross profit in the first half of 2018 was HK$5.5 million which is a decrease, as compared to a gross profit of HK$6.2 million in the same period of 2017.

Realised and unrealised gain/(loss) on financial assets at fair value through profit or loss

Realised and unrealised gain/(loss) on financial assets at fair value through profit or loss mainly represent the gain on investing in shares of WLS Holdings Limited (stock code: 8021.HK) ("WLSH") of approximately HK$3.3 million.

Administrative expenses

Administrative expenses decreased by 83.2% from HK$66.7 million in the first half of 2017 to HK$11.2 million in the same period in 2018. The decrease was mainly due to in during the first half of 2017, a share-based payment amounting to HK$51.6 million was recognised.

Finance costs

Finance costs decreased from HK$2.5 million for the six months ended 30 June 2017 to HK$0.4 million in the same period in 2017 due to the decrease in interest arising from the convertible notes.

Loss before taxation

Loss before taxation is HK$7.4 million for the six months ended 30 June 2018, compared to a loss before taxation of HK$318.5 million in the same period in 2017. The loss before taxation in the first half year in 2018 was mainly attributable by the fair value loss on derivative financial assets of approximately HK$6.7 million.

Taxation

Income tax changed from HK$42.3 million credit in first half of 2017 to a HK$0.5 million expense in same period in 2018.

Loss for the period

The Group's loss for the period was HK$7.9 million compared to a loss of HK$276.3 million in the same period in 2017.

Loss attributable to owners of the Company

Loss attributable to owners of the Company changed from a loss of HK$276.2 million in the first half of 2017 to a loss of HK$7.7 million in the same period of 2018.

Financial assets at fair value through profit or loss

Name of investee	As at 1 January 2018 HK$'000 (Audited)	Realised gain on disposal HK$'000 (Unaudited)	Fair value gain/(loss) HK$'000 (Unaudited)	As at 30 June 2018 HK$'000 (Unaudited)	Percentage to the Group's total assets as at 30 June 2018	Number of shares held by the Group as at 1 January 2018	Percentage of shareholding held by the Group as at 1 January 2018	Number of shares held by the Group as at 30 June 2018	Percentage of shareholding held by the Group as at 30 June 2018
WLSH (note)	–	296	3,028	17,268	2.6%	–	–	203,150,000	1.41%
Other listed securities	11,454	2,397	(489)	10,872	1.7%				
Total	11,454	2,693	2,539	28,140	4.3%				

Note: WLSH is engaged in investment holding while the principal subsidiaries are principally engaged in the provision of scaffolding and fitting out services, and other services for construction and building work, money lending business, securities brokerage and margin financing and securities investment business and assets management business. Based on WLSH's annual report for the year ended 30 April 2018, revenue and loss of WLSH was approximately HK$152.2 million and HK$122.7 million respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Gearing ratio

As at 30 June 2018, the Group's gearing ratio was 2.5%, as compared to 2.4% as at 31 December 2017. The gearing ratio was calculated as the Group's total debt divided by its total capital. The total debt of the Group was approximately HK$14.4 million as at 30 June 2018. Total capital is calculated as total shareholder equity of HK$577.8 million plus debt.

LIQUIDITY AND CAPITAL RESOURCES

The Group funds its operations by internal financial resources. Key drivers in the Group's sources of cash are primarily the Group's sales, and their inflow depends on the Group's ability to collect payments. The Group has internal budgeting systems in place to ensure that if and when cash is committed to fund major expenditures there is sufficient cash flow to maintain the Group's daily operations and meet all of its contractual obligations. There have been no material changes in the Group's underlying drivers during the period under review.

The Group did not incur any material capital expenditure during the six months ended 30 June 2018 and 2017.

The Group had cash and cash equivalents of HK$42.1 million as at 30 June 2018 compared to HK$37.2 million as at 31 December 2017.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no contingent liabilities (31 December 2017: HK$ Nil).

FOREIGN EXCHANGE RISK MANAGEMENT

Certain of the Group's bank balances are denominated in Pounds, Ringgit, United States Dollars, United Arab Emirates Dirham and Renminbi, each of them is a currency other than the functional currency of the relevant group entities, which exposes it to foreign currency risk. The Group has not used any financial instruments to hedge against this currency risk. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGES ON GROUP'S ASSETS

As at 30 June 2018, none of the assets of the Group has been pledged to secure any loan granted to the Group.

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group did not hold any significant investments.

HUMAN RESOURCES

As at 30 June 2018, in addition to the directors of the Company (the "Directors"), there were approximately 48 employees (31 December 2017: 46) of the Group stationed in the Group's offices in Hong Kong, the People's Republic of China (the "PRC"), Macau and Malaysia. Total staff costs for the six months ended 30 June 2018 were HK$7.1 million, compared with HK$8.6 million in first half 2017.

The Group offers training and development courses for its employees to enhance the staff's working capabilities. Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration industry practices and market conditions, reviewed on an annual basis. Directors' remuneration is determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market conditions. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

MANAGEMENT OUTLOOK

The Group has continued the efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position. The Group will continue to work towards, attaining a sustainable growth.

CORPORATE GOVERNANCE CODE

The Company adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its additional code on corporate governance practices on 2 February 2009. The Company has complied with the CG Code throughout the six months ended 30 June 2018.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018.

DIRECTORS' DEALING IN THE COMPANY'S SECURITIES

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct for securities transactions by Directors and the relevant employees of the Group.

The Directors have confirmed, following a specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, none of the Directors or chief executives had any interests or short positions 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, Cap. 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save a disclosed below, as at 30 June 2018, none of the persons or companies (other than the Directors and chief executives) had interest or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

Name	Capacity	No. of issued ordinary shares of the Company	Approximate percentage of interest
Song Qifeng	Beneficial owner	226,590,000	8.7%

SHARE OPTION SCHEME

A post listing share option scheme (the "Post Listing Scheme") was adopted by the Company on 16 October 2008. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2013, the Post Listing Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted. Summary of principal terms of the Post Listing Scheme and New Share Option Scheme were outlined in the Company's annual report for the year ended 31 December 2017 under the section "Directors' Report".

Movements of the share options granted under the share option scheme of the Company during the period ended 30 June 2018 are as follows:

	Outstanding as at 1 January 2018	Granted	Exercised	Lapsed	Cancelled	Outstanding as at 30 June 2018	Date of grant	Vesting period	Exercisable period	Exercise price HK$
Post Listing Scheme										
Employees (note)	12,913	–	–	–	–	12,913	29.04.2010	1 year	29.04.2011 – 28.04.2020	25.44
New Share Option Scheme										
Eligible participants	5,000,000	–	–	–	–	5,000,000	26.01.2016	–	26.01.2016 – 25.01.2019	0.237
	152,320,000	–	–	–	–	152,320,000	01.06.2017	–	01.06.2017 – 31.05.2027	0.570
	248,370,000	–	–	–	–	248,370,000	28.07.2017	–	28.07.2017 – 27.07.2027	0.199
Total	405,702,913	–	–	–	–	405,702,913				

Note: The exercise price of the share options granted under the Post Listing Scheme and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options have been adjusted to HK$25.44 and 12,913 respectively, with effect from 25 August 2015, as a result of the share consolidation and open offer of ordinary shares of the Company.

CENSURED BY THE LISTING COMMITTEE OF THE STOCK EXCHANGE

Upon conclusion of an investigation into the conduct of the Company and the relevant directors in relation to their obligations under the Listing Rules and the Declaration and Undertaking with regard to Directors given to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the form set out in Appendix 5B to the Listing Rules, on 22 January 2018, the Listing Committee of the Stock Exchange ("Listing Committee") censured the Company and its directors (i.e. Mr. Li Jinglong, Mr. Zhang Ligong, Mr. Wang Zhongling and Mr. Kwan King Wah) and its former directors (i.e. Mr. Liu Wen and Mr. Tse Chin Pang) for breaching the relevant Listing Rules. For details, please refer to the regulatory announcement and news published by the Stock Exchange on 22 January 2018 ("Regulatory Announcement").

As stated in the Regulatory Announcement, the Listing Committee directed, among other things, that Mr. Li Jinglong, Mr. Zhang Ligong, Mr. Wang Zhongling, Mr. Kwan King Wah, Mr. Liu Wen and Mr. Tsz Chin Pang, should attend 24 hours of training on Listing Rule compliance and director's duties, including 4 hours of training on corporate governance and internal controls (the "Training"), to be provided by institutions such as the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors or other course providers approved by the Listing Department of the Stock Exchange (the "Listing Department"). Mr. Li Jinglong, Mr. Zhang Ligong, Mr. Wang Zhongling, Mr. Kwan King Wah, Mr. Liu Wen and Mr. Tsz Chin Pang then completed the Training and provided the Listing Department with the training provider's written certification of full compliance.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members, namely Mr. Kwan King Wah as chairman with Mr. Cheng Ruixiong and Ms. Lo Suet Lai, the independent non-executive Directors.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the six months ended 30 June 2018.

BOARD OF DIRECTORS

The Board comprises three executive Directors, namely Mr. Li Jinglong, Mr. Zhang Ligong and Mr. Wang Zhongling, and three independent non-executive Directors, namely Mr. Cheng Ruixiong, Mr. Kwan King Wah and Ms. Lo Suet Lai.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 HK$'000 (Unaudited)	 2017 HK$'000 (Unaudited)
Revenue	3	**46,153**	27,224
Cost of sales		**(40,658)**	(21,037)
Gross profit		**5,495**	6,187
Other revenue and gains	4	**151**	223
Fair value loss on derivative financial assets		**(6,670)**	(76,181)
Realised and unrealised gain/(loss) on financial assets at fair value through profit or loss, net		**5,232**	(166,453)
Impairment loss on available-for-sale financial assets, net		**(23)**	(13,175)
Administrative expenses		**(11,163)**	(66,700)
Loss from operations		**(6,978)**	(316,099)
Finance costs		**(443)**	(2,450)
Loss before taxation	5	**(7,421)**	(318,549)
Taxation	6	**(510)**	42,276
Loss for the period		**(7,931)**	(276,273)
Loss for the period attributable to:			
Owners of the Company		**(7,668)**	(276,183)
Non-controlling interests		**(263)**	(90)
		(7,931)	(276,273)
Loss per share			
– Basic and diluted (HK cents)	7	**(0.28)**	(11.4)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(7,931)**	(276,273)
Other comprehensive loss for the period:		
Items that may be reclassified to profit or loss:		
Reclassification adjustment relation to impairment loss on available-for-sale financial assets	**–**	(352)
Exchange differences on translating foreign operations	**(2,226)**	(2,312)
	(2,226)	(2,664)
Total comprehensive loss for the period	**(10,157)**	(278,937)
Total comprehensive loss for the period attributable to:		
Owners of the Company	**(9,894)**	(278,847)
Non-controlling interests	**(263)**	(90)
	(10,157)	(278,937)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,077	1,264
Derivative financial assets		6,905	13,575
Available-for-sale financial assets		–	4,678
Intangible assets		24,032	24,032
		32,014	43,549
Current assets			
Financial assets at fair value through profit or loss		28,140	6,776
Trade receivables	10	40,540	46,857
Deposits, prepayments and other receivables		514,487	523,392
Cash and bank balances		42,061	37,195
		625,228	614,220
Total assets		657,242	657,769
CAPITAL AND RESERVES			
Share capital		109,749	109,749
Reserves		468,040	477,934
Equity attributable to owners of the Company		577,789	587,683
Non-controlling interests		18,589	18,852
Total equity		596,378	606,535

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Convertible notes		14,444	14,185
Deferred tax liabilities		3,959	3,449
		18,403	17,634
Current liabilities			
Trade payables	11	19,047	20,953
Accruals and other payables		22,345	11,607
Tax payable		1,069	1,040
		42,461	33,600
Total liabilities		60,864	51,234
Total equity and liabilities		657,242	657,769
Net current assets		582,767	580,620
Total assets less current liabilities		614,781	624,169

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Available-for-sale securities revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Convertible equity reserve HK$'000	Translation reserve HK$'000	Legal reserve HK$'000	Accumulated loss HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2017 (audited)	93,749	2,698,881	352	5,247	(872)	160,245	(32,674)	48	(2,047,761)	877,215	20,762	897,977
Loss for the period	–	–	–	–	–	–	–	–	(276,183)	(276,183)	(90)	(276,273)
Other comprehensive loss for the period	–	–	–	–	–	–	(2,312)	–	–	(2,312)	–	(2,312)
Reclassification adjustments relating to available-for-sale financial assets	–	–	(352)	–	–	–	–	–	–	(352)	–	(352)
Total comprehensive loss for the period	–	–	(352)	–	–	–	(2,312)	–	(276,183)	(278,847)	(90)	(278,937)
Issue of shares upon conversion of convertible notes	6,400	13,471	–	–	–	(55,737)	–	–	–	(35,866)	–	(35,866)
As at 30 June 2017 (Unaudited)	100,149	2,712,352	–	5,247	(872)	104,508	(34,986)	48	(2,323,944)	634,234	20,672	654,906
As at 1 January 2018 (Audited)	109,749	2,828,249	–	82,420	(872)	20,902	(31,907)	48	(2,420,906)	587,683	18,852	606,535
Loss for the period	–	–	–	–	–	–	–	–	(7,668)	(7,668)	(263)	(7,931)
Other comprehensive loss for the period	–	–	–	–	–	–	(2,226)	–	–	(2,226)	–	(2,226)
Total comprehensive loss for the period	–	–	–	–	–	–	(2,226)	–	(7,668)	(9,894)	(263)	(10,157)
As at 30 June 2018 (Unaudited)	**109,749**	**2,828,249**	**–**	**82,420**	**(872)**	**20,902**	**(34,133)**	**48**	**(2,428,574)**	**577,789**	**18,589**	**596,378**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Net cash generated from/(used in) operating activities	**11,046**	(21,051)
Net cash generated from investing activities	**46**	13,667
Net cash generated from financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	**11,092**	(7,384)
Cash and cash equivalents at the beginning of the period	**37,195**	442,496
Effect of foreign exchange rate changes	**(6,226)**	(2,312)
Cash and cash equivalents as at 30 June	**42,061**	432,800
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**42,061**	432,800
Cash and cash equivalents as at 30 June	**42,061**	432,800

1. BASIS OF PREPARATION

The consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, ("**IAS 34**") issued by the International Accounting Standards Board ("**IASB**"). These interim financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(a) Statement of compliance

This unaudited consolidated financial information should be read in conjunction with Company's 2017 Annual Report, which has been prepared in accordance with IAS 34 except for adoption of new and revised IFRSs which are effective to the Group for accounting periods beginning on or after 1st January 2018. The adoption of the new IFRSs has no material impact on the Group's results and financial position for current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current period, that have no material impact on the Group.

(b) Basis of measurement

The unaudited consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currencies of the Company is Hong Kong dollars ("**HK$**"). For the purpose of presenting the consolidated financial statements, the Group adopted HK$ as its presentation currency. All financial information presented in HK$ has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and report amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the Company's 2017 Annual Report.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following new and amendments to International Financial Reporting Standards ("IFRSs")(which include all International Financial Reporting Standards, IASs and Interpretations) issued by the International Accounting Standards Board for the first time for these Interim Financial Statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Provision of online payment services and cross-border settlement services

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(a) Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" (Continued)

Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- 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.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(a) Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" (Continued)

Key changes in accounting policies resulting from application of IFRS 15 (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue of the Group is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements except for the presentation of deposits received from customers amounting to HK$Nil as at 30 June 2018 which included in "trade and other payable" is presented as "contract liabilities" on the condensed consolidated statement of financial position.

(b) Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments"

In the current period, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 6 months ECL ("6m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 6 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 6m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk 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.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Impairment under ECL model

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied IFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 6m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model (Continued)

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting HKFRS 9 is, as follows:

	Under HKAS 39	Reclassification	Re-measurement	Under HKFRS 9
Available-for-sale financial assets	4,678,000	(4,678,000)	–	–
Financial assets at fair value through profit or loss	–	4,678,000	–	4,678,000

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources. Key management has determined the operating segments based on these announcements.

The key management considers the business from both a business and geographic perspective. From a business perspective, key management assesses the performance of Internet & Mobile's Application & Related Accessories, and Trading of Security & Biometric Products, Solutions, Projects and Services opening segments.

- Internet & Mobile's Application & Related Accessories segment is mobile and gaming industry and in particular in Online gaming, Utilities Applications for iOS, Androids and Mass Advertising.
- Trading of security & Biometric Products segment consists of biometrics and RFID products for consumer applications. Examples include the biometric and RFID products and components for commercial use. The Group predominantly sells to distributors, system integrators and security system providers.

The accounting policies of the reportable segments are the same as the Group's accounting policies. The key management assesses the performance of the business segments based on a measure of gross loss. Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade payables, accruals and other payables except of current and deferred tax liabilities, other corporate liabilities attributable to the individual segments and other borrowings managed directly by the segments.

3. REVENUE AND SEGMENT INFORMATION (continued)

The following table presents the Group's revenue and segment results for the six months ended 30 June 2018 and 30 June 2017, and segment assets and segment liabilities as at 30 June 2018 and 31 December 2017:

	Internet & Mobile's Application & Related Accessories		Trading of Security & Biometric Products		Unallocated		Total	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue – external sales	46,153	27,224	–	–	–	–	46,153	27,224
Timing of revenue recognition								
At a point in time	46,153	27,224	–	–	–	–	46,153	27,224
Over time	–	–	–	–	–	–	–	–
	46,153	27,224	–	–	–	–	46,153	27,224
Segment results	5,495	6,187	–	–	–	–	5,495	6,187
Other operating income	–	–	–	–	151	223	151	223
Depreciation	–	–	(4)	(4)	(285)	(306)	(289)	(310)
Amortisation of intangible assets	–	(5,150)	–	–	–	–	–	(5,150)
Change in fair value of derivative financial assets	–	–	–	–	(6,670)	(76,181)	(6,670)	(76,181)
Realised and unrealised gain/(loss) on financial assets at fair value through profit or loss, net	–	–	–	–	5,232	(166,453)	5,232	(166,453)
Impairment loss on available-for-sale financial assets	–	–	–	–	(23)	(13,175)	(23)	(13,175)
Unallocated expenses					(10,874)	(61,240)	(10,874)	(61,240)
Finance costs					(443)	(2,450)	(443)	(2,450)
Loss before taxation					(12,912)	(319,582)	(7,421)	(318,549)
Taxation					(510)	42,276	(510)	42,276
Loss for the period					(13,422)	(277,306)	(7,931)	(276,273)
Segment assets	91,288	61,900	20	100	565,934	595,769	657,242	657,769
Segment liabilities	22,928	34,484	529	321	37,407	16,429	60,864	51,234

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2017: HK$Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by each segment without allocation of other revenue and gains, realised and unrealised gain/(loss) on financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, fair value change on derivative financial assets, administrative expenses, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Revenue from major products and services

The Group's revenue from its major products and services were as follow:

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Internet & Mobile's Application & Related Accessories	**46,153**	27,224

4. OTHER REVENUE AND GAINS

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other revenue		
Sundry income	**1**	216
Other gains		
Gain on disposal of property, plant and equipment	**150**	–
Reversal of impairment loss on trade receivables	**–**	7
	150	7
	151	223

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	For the six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Finance costs		
Bank charges	–	4
Interest expenses on convertible notes	443	2,446
	443	2,450
Other items		
Cost of inventories sold	38,278	309
Depreciation	289	310
Amortisation of intangible assets	–	5,150
Fair value loss on derivative financial assets	6,670	76,181
Realised and unrealised (gain)/loss on financial assets at fair value through profit or loss, net	(5,232)	166,453
Share-based payment	–	51,590
Impairment loss on available-for-sale financial assets	23	13,175

6. TAXATION

	For the six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Current tax – Hong Kong	–	–
Provision/(reversal) of deferred tax	510	(42,276)
	510	(42,276)

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period.

6. TAXATION (Continued)

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2017: 25%) of the estimated assessable profit for the period. The corporate tax rate for companies with paid-up capital of Malaysian Ringgit 2.5 million and below at the beginning of the basis period for the years of assessment are as follows: The first Malaysian Ringgit 500,000 chargeable income is charged at the rate of 20% (2017: 20%) for the period and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2017: 25%) for the period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the period (2017: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

No provision for Hong Kong Profits Tax and no provision for Malaysian Income Tax has been made for the six months ended 30 June 2018 (2017: HK$Nil) as the Company and its subsidiaries had no assessable profits arising in Hong Kong and Malaysia.

Deferred tax charges represent tax effects of amortisation and impairment of intangible assets and change on fair value of financial assets at fair value through profit or loss for the period ended 30 June 2018.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the Group's loss attributable to owners of the Company of HK$7,668,000 (2017: HK$276,183,000) and weighted average number of ordinary shares in issue of 2,743,729,744 (2017: 2,417,356,118).

The calculation of the diluted loss per share for the periods ended 30 June 2018 and 2017 did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

8. INTERIM DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend in respect of the period ended 30 June 2018 (2017: HK$Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK$104,000 (for the six months ended 30 June 2017: HK$828,000). Property, plant and equipment of approximately HK$1,289,000 was disposed during the six months ended 30 June 2018 (for six months ended 30 June 2017: HK$Nil).

10. TRADE RECEIVABLES

The aging analysis of the trade receivables is as follows:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
0–30 days	13,024	3,997
31–60 days	4,100	5,160
61–90 days	2,800	5,913
91–180 days	5,150	10,278
Over 180 days	15,466	21,663
	40,540	47,011
Impairment loss on trade receivables	–	(154)
	40,540	46,857

The Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers.

The trade receivables are generally on 30–180 days credit terms. The directors of the Company consider that the carrying amounts of trade receivables approximate to their fair values.

11. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
0–30 days	3,615	4,161
31–60 days	4,203	4,122
Over 60 days	11,229	12,670
	19,047	20,953

Trade payables are generally settled on 0–60 days terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

12. FINANCIAL INSTRUMENTS

(a) Fair values of financial assets and liabilities measured at amortised costs

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in condensed consolidated financial statement approximately their fair values.

(b) Financial instruments carried at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities.

	As at 30 June 2018	As at 31 December 2017
Level 1		
Financial assets at fair value through profit or loss:		
Listed equity securities at Hong Kong	28,140	6,776
Available-for-sales financial assets:		
Listed equity securities at Hong Kong	–	4,678
Level 3		
Derivative financial instruments:		
Redemption option of convertible notes	6,905	13,575
	35,045	25,029

Note: Convertible notes are measured at fair value at the end of each reporting period. Convertible notes are determined with Binomial option pricing model as valuation technique and all inputs are observable except the credit spread which should be considered as Level 2.

There were no transfers between Level 1 and 2 and 3 for the period ended 30 June 2018 and for the year ended 31 December 2017.

All of the financial instruments carried at fair value are value using quoted bid prices in an active market.

13. COMMITMENTS

The Group had no capital commitment as at 30 June 2018 and 31 December 2017.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation as in the opinion of the directors, the presentation would better reflect the financial performance of the Group.