China Smartpay Group Holdings Limited
中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of China Smartpay Group Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the annual results of the Group for the year ended 31 March 2020. This announcement, containing the full text of the 2020 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcements of the annual results.

By order of the Board
China Smartpay Group Holdings Limited
Song Qian
Chairlady

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises (i) five executive Directors, namely, Mr. Yan Dinggui, Ms. Song Qian, Mr. Song Xiangping, Mr. Lin Xiaofeng and Mr. Liu Liang; and (ii) three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at http://www.chinasmartpay.com.

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

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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. Yan Dinggui *(Executive Deputy Chairman)*
Mr. Song Xiangping
Ms. Song Qian *(Chairlady)*
(appointed on 20 January 2020)
Mr. Lin Xiaofeng (appointed on 16 December 2019)
Mr. Liu Liang (appointed on 16 December 2019)
Dr. Cao Guoqi (resigned on 20 January 2020)

Non-executive Director

Mr. Zhang Huaqiao (resigned on 20 January 2020)

Independent Non-executive Directors

Dr. Yuan Shumin
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Zhou Jinhuang (resigned on 21 August 2019)

REGISTERED OFFICE

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COMPANY SECRETARY

Mr. Tang Wai Leung, FCPA

COMPLIANCE OFFICERS

Dr. Yuan Shumin
Mr. Lin Xiaofeng (appointed on 20 January 2020)
Dr. Cao Guoqi (resigned on 20 January 2020)

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)*
(appointed on 20 January 2020)
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin
Dr. Cao Guoqi (resigned on 20 January 2020)

AUTHORISED REPRESENTATIVES

Mr. Lin Xiaofeng (appointed on 20 January 2020)
Mr. Tang Wai Leung
Dr. Cao Guoqi (resigned on 20 January 2020)

COMPANY WEBSITE

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STOCK CODE

08325

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AUDITOR

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Certified Public Accountants
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18 Harbour Road
Wan Chai
Hong Kong

Corporate Information

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Union Registrars Limited
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PRINCIPAL BANKERS

Dah Sing Bank Limited
Bank of Communications Co., Limited
Bangkok Bank Public Company Limited
China Merchants Bank Co., Limited
China Minsheng Bank

INVESTOR RELATIONS CONTACT

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Chairlady'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 year ended 31 March 2020 (the "**Reporting Period**" or "**2020**") to the shareholders of the Company.

For the Reporting Period, we recorded a net loss of approximately HK$717.12 million. The loss was due to factors such as (i) the impairment loss recognised on goodwill of approximately HK$491.91 million; (ii) the loss allowance and write-off of trade, loan and other receivables in an aggregate amount of approximately HK$77.04 million; (iii) the administrative penalty in an aggregate amount of approximately of HK$26.64 million imposed by the operation office of the People's Bank of China (the "**PBOC**") on 開聯通支付服務有限公司 (Open Union Payment Services Limited*) ("**Open Union**"); (iv) interest expenses related on our bonds of approximately HK$31.05 million; (v) the temporary suspension of access to new business by Open Union due to the investigation carried out by the operation office of the PBOC for the foregoing non-compliance incidents; and (vi) the adverse impact on the Group's overall business performance and financial results caused by the outbreak of the COVID-19 pandemic. If we were to strip out such factors and items, our net loss for the Reporting Period would be approximately HK$90.48 million.

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 response to the major adjustments to the regulatory policies in the People's Republic of China (the "**PRC**" or "**China**"), we will timely adjust the product models in each segment, integrate the Group's business resources and enhance the business collaboration across various segments. For the payment segment, we will focus on breakthroughs in the industry solutions, and swiftly establish and expand the payment scale in different regions. We have built and successively rolled out numerous product lines for different segments such as cross-border payment, 開聯有道, 海外聚合, 商圈卡 and 積分商城 to facilitate our business model of "payment + industry solutions" and the continuous development of B-end enabling business solutions. In regard to the prestige benefits segment, we have reinforced the channels of cooperation with banks, accelerated the expansion of new channels and established a flexible business model to maintain our advantages in product resources. Building on the existing basis of positioning bank card centres and credit card organisations as the major channel of cooperation, we have progressively explored more industry sectors to achieve more diversified and in-depth business collaboration with the channels of cooperation.

Currently, we are committed to integrating the Group's financial licensing resources to rapidly break through the development of our key industry business and realise steady growth in the Group's revenue and profit. We will continue to optimise the allocation of resources of the Group and different segments to create a sound and efficient operating system. We will continue to uphold the business direction of "enabling B-end" customers, with a focus on areas such as "human resources, cross-border e-commerce, payment aggregation" relying on the provision of scenarios and customer resources by our payment business. We will strive to solidify effective breakthroughs in business model innovation, product innovation, as well as industry resource integration and output.

* *English translation for identification purpose only*

We expect the global markets to be full of challenges in the near future in the midst of the trade war between the United States and the PRC with a possible trade truce, and the recent COVID-19 outbreak, affecting both capital markets and economic growth worldwide. We will continue to adopt and maintain cautious but proactive measures to manage the Group's investment portfolio.

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.

Song Qian
Chairlady

Hong Kong, 30 June 2020

BUSINESS REVIEW

China Smartpay Group Holdings Limited (the "**Company**") 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.

For internet payment business, the Group focuses on areas with rapid growth potentials and strives to establish partnerships with various parties to provide secure and convenient internet payment services for different financial institutions and bulk commodity trading platforms on the one hand, and 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.

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

For prestige benefits business, with the increased market demands and business cooperation needs, we launch the new official website and additional online sales channels to roll-out prestige benefits products directly to end customers in a gradual pace. In the prestige membership benefit service industry of banking and credit card organizations, in addition to the leading banks that issued more volume of the original credit cards, there are more and more small-and-medium banks concerned with benefit service for the cardholders and providing the customers of retail or credit card businesses with value-added benefit services. Besides, with the emerging consumption pattern of paid membership, there will be more demand for membership benefit in new retail sector and on internet platform. As to the industry ahead, there will be more service targets and larger market scale.

For internet micro-credit business, the Group entered into the sale and purchase agreement (as amended, supplemented or modified by the supplemental agreement dated 8 May 2020) with the purchasers, Geerong (HK) Limited and Oak Bay International Limited, pursuant to which Keen Best Investments Limited ("**Keen Best**") has conditionally agreed to sell 75% of the entire issued share capital of Keen Best and its indirect wholly-owned subsidiary, 重慶市眾網小額貸款有限公司(Massnet Microcredit Company (Chongqing) Limited*) ("**Massnet Microcredit**") at a total consideration of HK$225 million (the "**Disposal**"). During the past few years, the business environment for microcredit in the PRC has become more competitive with the tightening regulatory policies in the PRC. Massnet Microcredit's financial performance and position has been deteriorating as a result of the intense competition in the market and the increase in default risk. The Group will continue to hold 25% of the equity interests in Keen Best which would become an associate of the Group. Resolution in relation to the Disposal was passed by independent shareholders of the Company at the extraordinary general meeting of the company held on 12 June 2020.

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

* *English translation for identification purpose only*

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

During the year ended 31 March 2020 (the "**Reporting Period**" or "**2020**"), the merchant acquiring business continuously faced the risks of uncertainties in Thailand's economic outlook, its relationship with the PRC and the impact of Sino-US trade war and the impact of the COVID-19 pandemic, which would affect Chinese tourists' spending sentiments in Thailand. In particular, the COVID-19 pandemic which led to the suspension of Chinese tour groups to Thailand in the early 2020, resulted in material adverse effect to the income of the merchant acquiring business in the last quarter of the year. Even through the transaction volume on UnionPay dropped during the year, the merchant acquiring business has begun to support Chinese tourists using Alipay and WeChat Pay in Thailand. The management would continuously closely monitor the market conditions and adjust the business strategies to cope with the fluctuation in transaction value derived from its merchant network.

BUSINESS OUTLOOK

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

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

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

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The outbreak of the COVID-19 pandemic has a material adverse effect to the business operation of the Group and overall economy in the global business environment. 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.

In February 2020, a Singapore company has joined the Group which is principally engaged in payment processing services to merchants in Singapore. The Group will keep proactive to seek business opportunities that will contribute and sustain the Group's future development on generating better return to the shareholders of the Company.

FINANCIAL REVIEW (CONTINUING AND DISCONTINUED OPERATIONS)

Revenue

The internet micro-credit services, the merchant acquiring transaction fee income and the foreign exchange rate discount income generated from merchant acquiring business in Thailand, the prepaid cards and internet payment business and the prestige benefits business all contributed to the total revenue of the Group for the Reporting Period. Total revenue of the Group for the Reporting Period amounted to approximately HK$242 million *(2019: approximately HK$629 million)*, of which approximately HK$60 million *(2019: approximately HK$298 million)* was attributed to the prepaid cards and internet payment business; approximately HK$63 million *(2019: approximately HK$190 million)* was attributed to the prestige benefits business; approximately HK$38 million *(2019: approximately HK$29 million)* was attributed to the internet micro-credit business; and approximately HK$81 million *(2019: approximately HK$112 million)* was attributed to the merchant acquiring business in Thailand respectively.

The Group's revenue for the Reporting Period was approximately HK$242 million, representing an decrease of approximately 62% as compared to that of the previous financial year *(2019: approximately HK$629 million)* because of the significant decrease in the revenue of the prepaid cards and internet payment business and the prestige benefits business. Such decrease was mainly because the temporary suspension of access to new business by 開聯通支付服務有限公司 (Open Union Payment Services Limited*) ("**Open Union**"), an indirect wholly-owned subsidiary of the Company, due to the investigation carried out by the operation office of the People's Bank of China (the "**PBOC**") for the non-compliance incidents and the adverse impact on the Group's overall business performance and financial results caused by the outbreak of the COVID-19 pandemic.

The significant decrease in the revenue of prepaid cards and internet payment business was because the ongoing effects of prepaid cards policy in China and regular review by the PBOC led to a decrease in the value of prepaid cards issued, which directly affected the merchant service fee income of prepaid cards.

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

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

As for the internet micro-credit business, the loan interest income increased as compared to that for the previous financial year due to the temporary suspension of the lending business Massnet Microcredit in the PRC in the previous financial year. It was monitored by the supervisory authority of Chongqing Financial Office and needed to optimise the system to comply with the requirement of Chongqing Financial Office. In the Reporting Period, the full-year revenue was recognised.

* *English translation for identification purpose only*

As for the merchant acquiring business in Thailand, there was a decrease in MDR income and foreign exchange rate discount income by approximately HK$25 million and HK$7 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 the previous financial year as a result of the uncertainties of the overall Chinese tourists' spending sentiments in Thailand, the challenges brought about 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$179 million, representing an decrease of approximately 64% as compared with that recorded in the previous financial year. The cost of service rendered decrease in line with the decrease in revenue.

General Administrative Expenses

The general administrative expenses of the Group for the Reporting Period were approximately HK$169 million, representing a decrease of approximately 34% from that of the previous financial year. The decrease was primarily attributable to a decrease in share based compensation costs, salaries, for forfeiture of share option within the vesting period allowances and other short-term employee benefits.

Selling and Distribution Costs

The selling and distribution costs for the Reporting Period amounted to approximately HK$20 million, representing a decrease of approximately 34% from that in the previous financial year. The decrease was mainly because the Group employed new information technology staff for development of the systems instead of outsourcing the development to the service providers and hence resulted in a decrease in the agency fee. Meanwhile, Massnet Microcredit re-started its online micro-credit business and changed the marketing strategy to fully relying on the suppliers for the promotion of their products and referral of potential borrowers.

Finance Costs

The finance costs for the Reporting Period amounted to approximately HK$32 million, representing an decrease of approximately 33% from that in the previous financial year. The decrease was mainly due to the partial redemption of the outstanding principal amount of the bonds in an aggregate amount of approximately US$8 million in August 2019 and the decrease in the effective interest expenses on the convertible bonds and the secured interest bearing borrowings.

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$710 million. Basic loss per share was approximately 43.16 HK cents as compared with approximately 18.74 HK cents recorded in the previous financial year.

Impairment loss of goodwill

During the Reporting Period, goodwill of the business of Beijing Weike ("**Beijing Weike**") and its subsidiaries (the "**Beijing Weike Group**") was impaired by approximately HK$424 million (the "**2020 Beijing Weike Impairment**"), and goodwill of the business of AE Investment Consulting Limited ("**AE Investment**") and its subsidiaries (the "**AE Group**") was impaired by approximately HK$68 million (the "**2020 AE Impairment**") respectively.

The Beijing Weike Group

The Beijing Weike Group witnessed significant decrease in total revenue by approximately 79% in 2020. The decrease was chiefly attributable to the decrease in the revenue from the temporary suspension of access to new business by Open Union due to the investigation carried out by the operation office of the PBOC for the non-compliance incidents and the adverse impact on the prepaid cards and internet payment business (the "**Prepaid Cards and Internet Payment Business**") performance and financial results caused by the outbreak of the COVID-19 pandemic.

In view of the deteriorating economy, further decrease in revenue growth of Prepaid Cards and Internet Payment Business and the outbreak of COVID-19, the Group applied a lower growth rate in the cash flow projections for the valuation for the goodwill of the Prepaid Cards and Internet Payment Business by assessing the recoverable amount of the Prepaid Cards and Internet Payment Business cash generated units ("**CGU**") with reference to the value-in-use calculation based on the cash flow projection of the Beijing Weike Group, and thereby resulting in the 2020 Beijing Weike Impairment. The value-in-use calculation is based on the estimated future cash flows expected to be derived from the asset or CGU discounted to its present value that reflects current market assessments of the time value of money and the risks specific to the asset or CGU and taken into consideration of the financial budgets approved by the Directors, which the management considered that this is the most suitable method for the assessment on the recoverable amount of the Prepaid Cards and Internet Payment Business CGU. For details of the valuation method, major assumptions and the value of inputs used in the valuation, please refer to Note 16(b) to the consolidated financial statements.

The AE Group

The AE Group witnessed a year-on-year decrease in total revenue by 67% in 2020. The decrease was chiefly attributable to the decrease in the revenue from issuance income of prestige benefits cards and hotel booking agency service income (the "**Prestige Benefits Business**") which is facing a more competitive market. In addition, the AE Group stopped to cooperate with one of the major customers and some cold call centers because cold call marketing became less effective due to the PRC government's promotion and public awareness of telephone scam. The AE Group did not meet the expected revenue in the previous forecast due to keen competitions in both markets. In addition, due to the outbreak of COVID-19 pandemic, it caused the adverse impact on the Prestige Benefits Business performance and financial results during the year.

In light of the challenging business environment in the Prestige Benefits Business, the Group applied a lower growth rate in the cash flow projections for the valuation for the goodwill of the Prestige Benefits Business by assessing the recoverable amount of the Prestige Benefits CGU with reference to the value-in-use calculation based on the cash flow projection of the AE Group, and thereby resulting in the 2020 AE Impairment. The value-in-use calculation is based on the estimated future cash flows expected to be derived from the asset or CGU discounted to its present value that reflects current market assessments of the time value of money and the risks specific to the asset or CGU and taken into consideration of the financial budgets approved by the Directors, which the management considered that this is the most suitable method for the assessment on the recoverable amount of the Prestige Benefit CGU. For details of the valuation method, major assumptions and the value of inputs used in the valuation, please refer to Note 16(c) to the consolidated financial statements.

Reasons for the change in assumptions used in the valuation for the impairment for the year ended 31 March 2020 as compared with the year ended 31 March 2019

(i) Financial forecast

Beijing Weike Group

The main revenue source of Beijing Weike Group is from the merchant service fee income of prepaid cards (the "**Merchant Service Fee Income**"). The Merchant Service Fee Income recorded a decrease by 81% in 2020. The decrease in the revenue resulted from temporary suspension of access to new business by Open Union due to the investigation carried out by the operation office of the PBOC for the non-compliance incidents and the adverse impact on the Prepaid Cards and Internet Payment Business performance and financial results caused by the outbreak of the COVID-19 pandemic. Therefore, the management of the Group considers that a conservative financial forecast should be adopted for the Prepaid Cards and Internet Payment Business in coming few years.

AE Group

AE Group has two revenue sources, namely, issuance income of prestige benefits card and hotel and travelling booking agency service income. The issuance income of prestige benefits card and hotel and travelling booking agency service income recorded a decrease by 60% and 97%, respectively, in 2020. The decrease was chiefly attributable to the decrease in the revenue resulted from facing stricter regulations and more competitive market. In addition, The AE Group stopped to cooperate with one of the major customers and some cold call centers because cold call marketing became less effective due to the PRC government's promotion and public awareness of telephone scam. In addition, due to the outbreak of COVID-19 pandemic, the management of the Group considers that a conservative financial forecast should be adopted for the Prestige Benefits Business in coming few years.

(ii) Growth rate/Gross profit margin

Beijing Weike Group

During the Reporting Period, as mentioned, due to stricter regulations from the PRC government and more competitive market and the uncertainty on the recoverability in respect of outbreak of COVID-19 pandemic, it is expected that the revenue growth rate of the Prepaid Cards and Internet Payment Business would not be optimistic. Accordingly, the average growth rate has been slightly lowered to 15.2% *(2019: 16%)*.

Besides, the average gross profit margin increased to 44% *(2019: 38.4%)* since the Group will gradually focus on the prepaid cards business, with a lower cost of services and hence higher gross profit margin as compared to internet payment business, as a result, the average gross profit margin will be higher as compared with that of the previous financial year.

Meanwhile, as compared to the relevant industry growth forecast of the Prepaid Cards and Internet Payment Business, the long-term growth rate is maintained at 3% *(2019: 3%)*.

AE Group

During the Reporting Period, as mentioned, due to stricter regulations from the PRC government and more competitive market and the uncertainty on the recoverability in respect of outbreak of COVID-19 pandemic, it is expected that the revenue growth rate of the Prestige Benefits Business would not be optimistic. Accordingly, the average growth rate has been lowered to 4% *(2019: 5%)*.

Besides, based on the past performance on the increasing actual redemption rate of the hotel and catering entitlements, and expectation of market development, the average gross profit margin has also been lowered to 0.6% *(2019: 11.9%)*.

Meanwhile, as compared to the relevant industry growth forecast of the Prestige Benefits Business, the long-term growth rate is maintained at 3% *(2019: 3%)*.

(iii) Discount rate

Beijing Weike Group/AE Group

The discount rate applied was based on the same methodology in the previous financial year. The difference of discount rate between 2019 and 2020 is mainly because of the change in market parameter (i.e. the applied debt-to-equity ratio) and specific risk premium. The applied debt-to-equity ratio makes reference to comparable companies' trading data, while the specific risk premium was adjusted to reflect the uncertainty of business environment and market competitions.

Impairment loss on trade receivables/loan 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 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 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. At 31 March 2020, the Group recognised accumulated loss allowance of approximately HK$19,617,000 *(2019: approximately HK$9,534,000)* on the trade receivables.

(2) Loan receivables — Disposal Group

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.

The Group's customer base comprising a wide range of loan 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. 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. At 31 March 2020, the Group recognised accumulated loss allowance of approximately HK$8,673,000 *(2019: approximately HK$37,515,000)* on the loan receivables.

(3) 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. At 31 March 2020, the Group recognised accumulated loss allowance of approximately HK$27,118,000 *(2019: Nil)* on other receivables.

LIQUIDITY AND FINANCIAL RESOURCES

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

At as 31 March 2020, the Group's other long-term borrowings amounted to Baht 25,500,000 (equivalent to approximately HK$6,050,000) *(2019: Baht25,500,000 (equivalent to approximately HK$6,335,000))* because a non-controlling shareholder, holding the issued and paid up preference share capital of Oriental City Group (Thailand) Company Limited ("**OCG Thailand**"), carries a cumulative dividend at 9.5% per annum and such dividend was recorded as finance costs.

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for the Reporting Period and the previous financial year were approximately 29.7% and 19.7% respectively.

As at 31 March 2020, the Group had net current liabilities of approximately HK$42.56 million *(2019: net current assets of approximately HK$139.54 million)*. Current ratio as at 31 March 2020 was approximately 0.95 *(2019: approximately 1.17)*. The cash and cash equivalents of the Group as at 31 March 2020 were approximately HK$195.50 million *(2019: approximately HK$201.03 million)*.

CAPITAL STRUCTURE

The total equity attributable to equity holders of the Company amounted to approximately HK$135.93 million as at 31 March 2020 *(2019: approximately HK$948.91 million)*.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with the majority of business transactions being denominated and settled in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and Baht, which are the functional currencies of relevant subsidiaries. The Group's trade receivables arising from the operation of merchant acquiring business in Thailand are mainly denominated in United States dollars ("**US$**"). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 31 March 2020, the Group has outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$600,000 (equivalent to approximately HK$4,700,000) *(2019: US$5,400,000 (equivalent to approximately HK$42,386,000))*. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 31 March 2020.

RESULTS AND DIVIDENDS

For the Reporting Period the Group recorded a revenue of approximately HK$241.97 million *(2019: approximately HK$629.44 million)* and a loss attributable to equity holders of the Company of approximately HK$709.55 million as compared with approximately HK$308.14 million for the previous financial year. The basic loss per share was 43.16 HK cents *(2019: basic loss per share 18.47 HK cents)*.

The Board does not recommend the payment of a final dividend for the Reporting Period (2019: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total staff of 284 *(2019: 389)* of whom 25 *(2019: 20)* was based in Hong Kong, 240 *(2019: 351)* were based in the PRC, 18 *(2019: 17)* were based in Thailand and 1 *(2019: 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.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Disposal of 75% Equity Interests in Keen Best

On 13 March 2020, the Group entered into the sale and purchase agreement (as amended, supplemented or modified by the supplemental agreement dated 8 May 2020) ("**SPA**") with Geerong (HK) Limited and Oak Bay International Limited (collectively, the "**Purchasers**"), pursuant to which the Company conditionally agreed to sell, and the Purchasers conditionally agreed to buy, the ordinary shares, being an aggregate of 75 ordinary shares of Keen Best, representing 75% of the entire issued share capital of Keen Best, at a total consideration of HK$225 million in accordance with the terms and conditions of the SPA. Resolution in relation to the Disposal was passed by independent shareholders of the Company at the extraordinary general meeting of the Company held on 12 June 2020 and 20 June 2020. As agreed by both the Group and the purchasers, the long stop date will be postponed from 30 June 2020 to 31 August 2020. For details, please refer to the announcements of the Company dated 13 March 2020, 8 May 2020, 12 June 2020 and 30 June 2020, respectively.

Disposal of Existing Oriental Payment Group Holdings Limited ("OPG")(stock code: 8613) Shares by way of Placing (the "Placing")

On 13 January 2020 and 23 January 2020, Charm Act Group Limited ("**Charm Act**"), a wholly-owned subsidiary of the Company, respectively entered into a placing agreement and a side letter with the placing agent, pursuant to which Charm Act agreed to place through the placing agent up to 200,000,000 placing shares of OPG at the placing price HK$0.07 per placing share. The net proceeds of the placing was approximately HK$13.72 million. The Placing was completed on 3 February 2020. For details, please refer to the announcements of the Company dated 13 January 2020, 23 January 2020 and 3 February 2020.

Placing of convertible bonds under general mandate by OPG (the "Placing of CB")

On 10 June 2020, OPG, an indirect non-wholly owned subsidiary of the Group held by it as to 32.5% entered into the placing agreement with the placing agent, pursuant to which OPG conditionally agreed to place, through the placing agent, on a best effort basis, the convertible bonds in an aggregate principal amount of up to HK$11,850,000 at the initial conversion price of HK$0.15 per share of OPG. The net proceeds of approximately HK$11,650,000 are intended to be applied as general working capital for OPG's existing business operation, Accordingly, OPG intends to apply (i) approximately HK$9,000,000 of the net proceeds for exploring investment opportunities in online and offline payment related business in Asia Pacific so as to diversify and expand its existing merchant acquiring business; and (ii) the remaining parts of the net proceeds for general working capital. The Placing of CB was completed on 26 June 2020 (the "**Completion**"). Assuming that the convertible bands are converted in full and all 79,000,000 shares of OPG are allotted and issued by OPG, the shareholding interest of the Company in OPG will be diluted from 32.5% to approximately 30.12%. For details, please refer to the joint announcements of the Company and OPG dated 10 June 2020 and 26 June 2020, respectively.

Disposal of Properties

On 17 December 2019, Open Union entered into the sale and purchase agreement with Mr. Zhen Lianhai, pursuant to which Open Union agreed to sell three properties located in Beijing at a consideration of RMB20,500,000 (equivalent to approximately HK$23,033,708). For details, please refer to the announcement dated 17 December 2019.

CAPITAL COMMITMENTS

Save as disclosed in this annual report, as at 31 March 2020, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to approximately HK$13 million *(2019: 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 2020, the Group did not have any charges on assets.

CONTINGENT LIABILITIES

Save as disclosed in this annual report, as at 31 March 2020, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 40 to the consolidated financial statements.

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.

* *English translation for identification purpose only*

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, as 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, as 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.

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).

Undertaking: 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 one-off 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 RMB56,557,000 (equivalent to approximately HK$63,401,000) for the year ended 31 March 2020 *(2019: approximately RMB168,220,000 (equivalent to approximately HK$190,740,000))*. The total assets and net liabilities attributable to Shanghai Jingyuan (i.e. the Colourful Structured Agreements) amounted to approximately RMB38,231,000 (equivalent to approximately HK$41,737,000) *(2019: approximately RMB102,352,000 (equivalent to approximately HK$119,465,000))* and RMB38,011,000 (equivalent to approximately HK$41,496,000) *(2019: net assets of RMB28,197,000 (equivalent to approximately HK$32,911,000))* as at 31 March 2020.

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 as 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 as 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 RMB55,027,000 (equivalent to approximately HK$61,685,000) for the year ended 31 March 2020 *(2019: approximately RMB257,092,000 (equivalent to approximately HK$300,412,000))*. The total assets and net assets attributable to Shanghai Yongle (i.e. the Shenzhen Yongle Structured Agreements) amounted to approximately RMB293,741,000 (equivalent to approximately HK$324,641,000) *(2019: approximately RMB929,581,000 (equivalent to approximately HK$1,085,007,000))* and RMB275,897,000 (equivalent to approximately HK$301,197,000) *(2019: RMB537,424,000 (equivalent to approximately HK$627,282,000))* as at 31 March 2020.

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. As at the Latest Practicable Date, the PBOC has not yet stipulated any relevant rules and regulations nor granted any payment service licence to any foreign invested enterprise intending to be engaged in the provision of prepaid card 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 *(2019: 90%)* 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 *(2019: 90%)* 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. Yan Dinggui ("**Mr. Yan**"), aged 52, obtained a Master degree of Business Administration in 2016. He was appointed as the manager of the production department of 南京同創信息產業集團 (Nanjing Tongchuang Information Industry Group*) from May 1993 to July 1995 and was promoted as the deputy general manager of the Beijing Marketing Area of Nanjing Tongchuang Information Industry Group from July 1995 to December 1997. From January 1998 to December 1999, Mr. Yan served as the deputy director of Nanjing Tongchuang Information Industry Group Shanghai preparatory office. From January 2000 to December 2006, Mr. Yan was appointed as the general manager of 上海同天信息技術有限公司 (Shanghai Tongtian Information Technology Co., Ltd*). From March 2007 to December 2010, Mr. Yan served as the general manager of the Zhejiang Region of 北京天融信網絡安全技術有限公司. From September 2015, Mr. Yan was appointed as the Chairman of Shanghai Jiayin Financial Technology Co., Ltd. Mr. Yan is currently the chairman of Shanghai Jiayin Financial Technology Co., Ltd., and the executive director of Shanghai Niwodai Internet Financial Information Service Co., Ltd.

Ms. Song Qian ("**Ms. Song**"), aged 41, graduated from Fudan University with a master's degree in law in June 2008. For the periods from July 2001 to December 2003 and from December 2003 to July 2005, she worked at the People's Bank of China, Xi'an branch and the Shaanxi Provincial Regulatory Bureau*(陝西省監管局)of China Banking Regulatory Commission(中國銀行業監督管理委員會), respectively. Subsequently, she worked as a compliance management manager of Ping An Insurance (Group) Company of China, Ltd.(中國平安保 險(集團)股份有限公司), a company established in the PRC whose A shares and H shares are listed on the Shanghai Stock Exchange (stock code: 601318) and the Stock Exchange (stock code: 2318), respectively, during the period from July 2008 to July 2011. She then worked as a manager of the risk management department of 東方電子支付有限公司 (Oriental Electronic Payment Co., Ltd.*) during the period from July 2011 to July 2014. Ms. Song served 嘉銀征信服務有限公司 (Jiayin Credit Services Co., Ltd.*) ("Jiayin — 3 — Credit") as the chief internal control officer and the vice president during the period from July 2014 to November 2017. She has joined the Group since December 2017 as chief administrative officer and currently serves as the chief executive officer (the "CEO") of the Company (details of which are set out in the section headed "B. Appointment of Chief Executive Officer, Change of Chairman of the Board and Deviation from the Corporate Governance Code" in the announcement of the Company dated 20 January 2020). She was also qualified as a lawyer in the PRC since February 2008.

Mr. Lin Xiaofeng ("**Mr. Lin**"), aged 47, 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 Singyes Solar Technologies Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange. 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. Since October 2013, Mr. Lin has been working as the senior vice president of investment of the Company. He also served as an independent nonexecutive 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, and the chairman of the board of directors, of Oriental Payment Group Holdings Limited, whose shares are listed on GEM of the Stock Exchange (stock code: 8613), an indirect nonwholly owned subsidiary held by the Company as to 32.5%. Mr. Lin has extensive experience in corporate finance and venture capital investment.

* *English translation for identification purpose only*

Mr. Song Xiangping ("**Mr. Song**"), aged 56, 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.

Mr. Liu Liang ("**Mr. Liu**"), aged 47, graduated from Beihang University（北京航空航天大學）with a bachelor's degree in aircraft design and applied mechanics in July 1994. During the period from August 1994 to April 2001, he worked as a researcher in Shanghai Aircraft Design & Research Institute (currently known as Shanghai Aircraft Design & Research Institute of Commercial Aircraft Corporation of China, Ltd.)（上海飛機設計研究所(現稱為中國商用飛機有限責任公司上海飛機設計研究院)）and was responsible for, among others, conducting research on aircraft design and engaging in other military and/or civil projects. From April 2001 to March 2009, he served various positions in Shanghai Fushan Media Co., Ltd.*（上海浮山媒體有限公司）including but not limited to software engineer, project manager, head of research and development department, director of technology, director of marketing and an assistant to the President. During the period from April 2009 to May 2015, he worked as the general manager of the Smart City Technology Product and Engineering Center*（智 慧城市技術產品與工程中心）of Shanghai Huabo Information Services Co., Ltd.(上海華博信息服 務有限公司)("Shanghai Huabo"), a subsidiary of Shanghai Huabo Technology Group Co., Ltd.*（上海華博科技集團有限公司)and was in charge of various projects including but not limited to various government information technology projects, internet platforms and financial and taxation services platforms. During his employment with Shanghai Huabo, he was registered as a registered associate constructor (mechanical engineering)*(註冊二級建造師(機電工程))in February 2013. He also obtained his qualification as a system integration project management engineer (intermediary level)*(系統集成項目管理工程師(中級))in May 2011 and was subsequently qualified as a system integration project management engineer (advanced level)*(系統集成項目管理工程師(高級))in January 2015.

Independent Non-executive Directors

Mr. Wang Yiming ("**Mr. Wang**"), aged 53, 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.*).

* *English translation for identification purpose only*

Mr. Lu Dongcheng ("**Mr. Lu**"), aged 53, 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 69, 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. Tang Wai Leung ("**Mr. Tang**") was appointed as the company secretary of the Company in February 2014. 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 13 years of experience in accounting and auditing.

* *English translation for identification purpose only*

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 2020 (the "**Reports 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 2020 are set out in the consolidated financial statements which appear on page 81 to page 189 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 180 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 30 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 41(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2020, 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	30.00%
– The total of five largest customers	52.18%
Cost of services rendered/cost of goods sold	
– The largest supplier	30.00%
– The total of five largest suppliers	51.16%

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. Yan Dinggui *(Executive Deputy Chairman)*
Mr. Song Xiangping
Ms. Song Qian (appointed on 20 January 2020) *(Chairlady and Chief Executive Officer)*
Mr. Lin Xiaofeng (appointed on 16 December 2019)
Mr. Liu Liang (appointed on 16 December 2019)
Dr. Cao Guoqi (resigned on 20 January 2020)

Non-executive Director ("NED"):

Mr. Zhang Huaqiao (resigned on 20 January 2020)

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

Dr. Yuan Shumin
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Zhou Jinhuang (resigned on 21 August 2019)

In accordance with Article 84(1) of the Company's articles of association, Mr. Yan Dinggui ("**Mr. Yan**"), 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. Yan will offer himself for re-election as an executive Director, and Mr. Wang and Mr. Lu will offer themselves for re-election as independent non-executive Directors.

In accordance with Article 83(3) of the Company's article of association, Ms. Song Qian ("**Ms. Song**") who was appointed as an executive Director on 20 January 2020, and Mr. Lin Xiaofeng ("**Mr. Lin**") and Mr. Liu Liang ("**Mr. Liu**") who were appointed as executive Directors on 16 December 2019, shall hold office only until the forthcoming annual general meeting of the Company. Being eligible, Ms. Song, Mr. Lin and Mr. Liu will offer themselves for re-election as executive Directors.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographic information of the Directors and senior management of the Group are set out on page 40 to page 42 of this annual report.

DIRECTOR'S SERVICE CONTRACTS/LETTER OF APPOINTMENT

Mr. Yan Dinggui ("**Mr. Yan**") was appointed as an executive Director for an initial term of three years commencing from 15 September 2017 and expiring on 14 September 2020, subject to retirement by rotation and re-election under the articles of association of the Company. Mr. Yan is entitled to receive a remuneration of HK$20,000 per month payable in arrears.

Mr. Song Xiangping ("**Mr. Song**"), an executive Director, entered into a service contract for a term of three years commencing from 16 January 2018 and expiring to 15 January 2021, 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.

Ms. Song Qian ("**Ms. Song**"), an executive Director, entered into a service contract for a term of three years commencing from 20 January 2020 to 19 January 2023, subject to retirement by rotation and re-election under the articles of association of the Company. Ms. Song is entitled to receive a remuneration of HK$46,000 per month payable in arrears.

Mr. Lin Xiaofeng ("**Mr. Lin**"), an executive Director, entered into a service contract 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.

Mr. Liu Liang ("**Mr. Liu**"), the executive Director of the Company, entered into a service contract 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. Liu is entitled to receive a remuneration of HK$20,000 per month payable in arrears.

The current basic annual salaries approximately of the executive Directors are as follows:

Name	**HK$**
Mr. Yan Dinggui	240,000
Mr. Song Xiangping	320,000
Ms. Song Qian	109,000
Mr. Lin Xiaofeng	923,000
Mr. Liu Liang	70,520

Mr. Wang and Mr. Lu entered into a letter of appointment as INEDs of the Company for a term of three years commencing from 2 August 2020 and expiring on 1 August 2023. Their respective directors' fee was HK$240,000 per annum. Dr. Yuan entered into a letter of appointment as an INED of the Company for a term of three year commencing from 19 May 2018 and expiring to 18 May 2021. His director's fee was HK$240,000 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 CONTRACTS

No Director had material interest, either directly or indirectly, in any 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.

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 notes 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 2020, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Yan	Interest in controlled corporations *(Note 1)*	490,019,430	29.80%
Mr. Song	Beneficial owner (*Note 2)*	5,000,000	0.30%

Notes:

1. These 490,019,430 shares of the Company were held by Invech Holdings Limited ("**Invech**"). Invech was wholly owned by Bright New Vision Inc. ("**BNV**") which was in turn wholly owned by Jiayin Asia Limited ("**Jiayin**"). Jiayin was wholly owned by 上海嘉凝信息技術有限公司 ("**上海嘉凝**") which was in turn wholly owned by 上海嘉銀金融服務有限公司 ("**上海嘉銀**"). 上海嘉銀 was held by Mr. Yan as to 75%. Accordingly, Mr. Yan, 上海嘉銀, 上海嘉凝, Jiayin and BNV were deemed to be interested in such 490,019,430 shares of the Company held by Invech pursuant to Part XV of the SFO.

2. These shares of the Company represent the share options granted to Mr. Song pursuant to the Company's share option scheme. Accordingly pursuant to Part XV of the SFO, they are taken to be interested in the underlying shares of the Company that they are entitled to subscribe for subject to the exercise of the share options granted.

Save as disclosed above, as at 31 March 2020, so far as is known to any of the Directors or the chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, 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 in the share option scheme of the Company, 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.

The Company has arranged Directors & Officers Liability Insurance for the directors and officers of the Company and its subsidiaries.

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

As at 31 March 2020, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Zhang Chang ("**Mr. Zhang**")	Interest of controlled corporation *(Note 1)*	170,000,000 (L)	10.34%
	Beneficial owner *(Note 1)*	93,090,000 (L)	5.66%
Sino Starlet Limited ("**Sino Starlet**")	Beneficial owner *(Note 1)*	170,000,000 (L)	10.34%
Vered Capital Limited ("**Vered Capital**")	Person having a security interest in shares *(Note 2)*	260,090,000 (L)	15.82%
上海嘉銀	Interest of controlled corporation *(Note 3)*	490,019,430 (L)	29.80%
上海嘉凝	Interest of controlled corporation *(Note 3)*	490,019,430 (L)	29.80%
Jiayin	Interest of controlled corporation *(Note 3)*	490,019,430 (L)	29.80%
BNV	Interest of controlled corporation *(Note 3)*	490,019,430 (L)	29.80%
Invech	Beneficial owner *(Note 3)*	490,019,430 (L)	29.80%

Notes:

1. Out of these 263,090,000 shares of the Company, 170,000,000 shares of the Company were held by Sino Starlet, which was In turn wholly owned by Mr. Zhang. Accordingly, Mr. Zhang is deemed be interested in these 170,000,000 shares of the Company held by Sino Starlet pursuant to Part XV of the SFO.

2. On 27 July 2018 Vered Capital acquired the security interests of 170,000,000 shares of the Company from Sino Starlet and 90,090,000 shares of the Company from Mr. Zhang.

3. These 490,019,430 shares of the Company were held by Invech. Invech was wholly owned by BNV which was in turn wholly owned by Jiayin. Jiayin was wholly owned by 上海嘉凝 which was in turn wholly owned by 上海嘉銀. 上海嘉銀 was held by Mr. Yan, an executive Director of the Company, as to 75%. Accordingly, Mr. Yan, 上海嘉銀, 上海嘉凝, Jiayin and BNV were deemed to be interested in such 490,019,430 Shares held by Invech pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 March 2020, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 14 August 2009, the Company adopted a share option scheme (the "**Scheme**") for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries and/or Invested Entity (as defined below). Pursuant to the Scheme, the Board may grant options to (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Company or any of its subsidiaries holds an equity interests, including any executive director but excluding any non-executive director of the Company, any of its subsidiaries or any Invested Entity; (ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any shareholder of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; (iv) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity; (v) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity; or (vi) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity.

The total number of the shares of the Company (the "**Shares**") which may be issued upon exercise of all options to be granted under the Scheme and any other scheme must not exceed 493,256,608 Shares, representing 30% of the Shares in issue as at the date of Annual General Meeting (i.e. 15 September 2017) approving the refreshment of 30% Limit. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

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

The exercise price for Shares under the Scheme will be a price determined by the Board 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 quotation 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 Scheme, the Scheme would remain valid for a period of 10 years commencing from 14 August 2009 and had expired on 13 August 2019. The terms of the Scheme remained in force for those share options already granted under the Scheme and were outstanding during the Reporting Period.

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 2019	Options granted since 1 April 2019	Options exercised since 1 April 2019	Options lapsed/ forfeited since 1 April 2019	Options outstanding as at 31 March 2020
Directors, chief executives and substantial shareholders									
Mr. Song	21 April 2015	*(Note 2)*	2.22	2.20	5,000,000	—	—	—	5,000,000
Mr. Zhang Huaqiao (resigned on 20 January 2020)	21 April 2015	*(Note 2)*	2.22	2.20	20,000,000	—	—	(20,000,000)	—
	1 September 2016	*(Note 3)*	1.68	1.68	5,000,000	—	—	(5,000,000)	—
Dr. Cao Guoqi (resigned on 20 January 2020)	21 April 2015	*(Note 2)*	2.22	2.20	5,000,000	—	—	(5,000,000)	—
	1 September 2016	*(Note 3)*	1.68	1.68	10,000,000	—	—	(10,000,000)	—
Dr. Zhou (resigned 21 August 2019)	1 September 2016	*(Note 3)*	1.68	1.68	1,400,000	—	—	(1,400,000)	—
Mr. Lin (appointed on 16 December 2019)	21 April 2015	*(Note 2)*	2.22	2.22	68,680,000	—	—	(63,680,000)	5,000,000
	1 September 2016	*(Note 3)*	1.68	1.68	11,000,000	—	—	—	11,000,000
Employees and senior management	22 September 2014	*(Note 1)*	1.55	1.40	30,500,000	—	—	(30,500,000)	—
	1 September 2016	*(Note 3)*	1.68	1.68	66,000,000	—	—	(56,000,000)	10,000,000
Others	22 September 2014	*(Note 1)*	1.55	1.40	32,900,000	—	—	(32,900,000)	—
					255,480,000	—	—	(224,480,000)	31,000,000

Notes:

1. The validity period of five years of the share options shall be from 22 September 2014 to 21 September 2019. All share options have been lapsed on 22 September 2019.

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

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

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

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

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

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.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 53 to page 61 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 page 6 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.hkex.com.hk and on the website of the Company.

ON BEHALF OF THE BOARD

Song Qian
Executive Director

Hong Kong, 30 June 2020

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 2020 (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 2019 to 31 March 2020.

BOARD OF DIRECTORS

Board composition

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

Executive Directors:

Mr. Yan Dinggui *(Executive Deputy Chairman)*
Mr. Song Xiangping
Ms. Song Qian *(Chairlady and Chief Executive Officer)*
Mr. Lin Xiaofeng
Mr. Liu Liang

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 2020, there were eight members in the Board comprising five 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 40 to page 42 of this annual report. Their role and function 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.

Diversity of Board

The Company has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Reporting Period, a total of 14 Board meetings and 1 annual general meeting of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

	Attendance of meetings	
	Board meetings	Annual general meeting
Executive Directors		
Mr. Yan Dinggui *(Executive Deputy Chairman)*	14/14	1/1
Mr. Song Xiangping	14/14	1/1
Ms. Song Qian (appointed on 20 January 2020) (Chairlady)	4/4	N/A
Mr. Lin Xiaofeng (appointed on 16 December 2019)	6/6	N/A
Mr. Liu Liang (appointed on 16 December 2019)	6/6	N/A
Dr. Cao Guoqi (resigned on 20 January 2020)	10/10	1/1
Non-executive Director		
Mr. Zhang Huaqiao (resigned on 20 January 2020)	10/10	1/1
Independent Non-executive Directors		
Mr. Wang Yiming	14/14	1/1
Mr. Lu Dongcheng	14/14	1/1
Dr. Yuan Shumin	14/14	1/1
Dr. Zhou Jinhuang (resigned on 21 August 2019)	4/4	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. Yan Dinggui *(Executive Deputy Chairman)*	✓	✓
Mr. Song Xiangping	✓	✓
Ms. Song Qian (appointed on 20 January 2020) *(Chairlady)*	✓	✓
Mr. Lin Xiaofeng (appointed on 16 December 2019)	✓	✓
Mr. Liu Liang (appointed on 16 December 2019)	✓	✓
Independent non-executive Directors		
Mr. Wang Yiming	✓	✓
Mr. Lu Dongcheng	✓	✓
Dr. Yuan Shumin	✓	✓

CHAIRLADY 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. Ms. Song Qian was the chairlady and the chief executive officer of the Company (the "**CEO**") during the period between 20 January 2020 and 31 March 2020 following her appointment as an executive Director. The Board believes that vesting the roles of both the CEO and the chairlady in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate under such circumstances. In addition, the Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

– the audit committee of the Company (the "**Audit Committee**") composes exclusively of INEDs;

– the INEDs have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

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 non-executive Director and 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 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 2020 are set out below:

Audit committee

The Audit Committee members of the Company are as follows:

Independent non-executive Directors	Attendance at 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 9 March 2016 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 meetings**
Mr. Lu Dongcheng *(Chairman)*	3/3
Mr. Wang Yiming	3/3
Dr. Yuan Shumin	3/3

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 not less than 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 meetings**
Dr. Yuan Shumin *(Chairman)*	2/2
Mr. Wang Yiming	2/2
Mr. Lu Dongcheng	2/2

The meetings of the Remuneration Committee shall be held not less than 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. Remuneration payable to members of senior management (including Directors) fell within the following bands:

	Number
Nil to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	4
	12

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 meetings**
Dr. Yuan Shumin (Chairman)	4/4
Mr. Wang Yiming	4/4
Mr. Lu Dongcheng	4/4

The meetings of the Internal Control Committee shall be held quarterly. The Internal Control Committee held four meetings during the Reporting Period. 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)* (appointed on 16 December 2019)
– 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	**Fees paid/ payable** *HK$'000*
Audit service	2,080
Audit-related service (including agreed upon procedures on quarterly and interim result, professional services on major disposal transaction)	430
Total	2,510

* *The auditor's remuneration disclosed in note 8(d) to the consolidated financial statements included approximately HK$358,000, 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 Office No. 01, 31st Floor, Hong Kong Plaza, 188 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 is the company secretary of the Company. He is a full-time employee 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.

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.

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.

We are pleased to present this Environmental, Social and Governance Report (the "**ESG report**") in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") published by the Stock Exchange, as contained in Appendix 20 to the GEM Listing Rules. The information stated in this report covers the period from 1 April 2019 to 31 March 2020 (the "**Reporting Period**") which aligns with the financial year as the 2020 annual report of the Group.

The Group's headquarters office is located in Shanghai, PRC, and its trading network covers the whole country, with branches in Hong Kong, Beijing, Shanghai and Thailand. The scope of this ESG report mainly includes data and activities of the office in Hong Kong, Beijing, Shanghai and Thailand which are the key operation sites of the Group.

This report describes the Group's policies that were designed to fulfil the Group's obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide.

STAKEHOLDER ENGAGEMENT

The Group attaches great importance to the stakeholders and their comments on the ESG issues. In order to understand the demands and recommendations of different parties as well as to fulfill all kinds of responsibilities, the Group maintained on-going communication through various channels and means. The communication channels between the Group and key stakeholders and their expectations are as follows:

Stakeholders	Communication Channels	Expectations
Customers	• Customer service hotline and email • Company website	• High quality products and services • Customer services and complaint handling
Employees	• Trainings and workshops • Performance evaluation or appraisal • Employee suggestion boxes	• Remuneration and benefits • Occupational health and safety • Career development
Investors and shareholders	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars	• Financial performance • Information transparency • Operating risks management • Corporate sustainability
Suppliers	• Suppliers performance assessment • Tele-conferences	• Fair and open procurement • Supply chain management
Community	• Community participation • ESG reports	• Community investment • Environmental protection awareness • Compliant operations

A ENVIRONMENT

Protecting environment is one of our key concerns; we are committed to protecting environment and focusing on environmental protection in our operation, hoping that through rigorous supervision and control to reduce our long-term negative impact on environment. The key environmental impacts from our operations mainly related to the energy consumption, sewage and waste management.

- **Emissions**

  The Group complies with the laws and regulations relating to environmental protection in the regions where it operates, including but not limited to:

  – Waste Disposal Ordinance of Hong Kong; and

  – Environmental Protection Law of the PRC.

  During the year, the Group did not involve in any matters that violate the environmental-related laws and regulations.

- **Greenhouse Gases ("GHG") and Air emissions**

  The emissions of GHG are directly contributing to climate change and global warming. As a responsible corporation, we are dedicated to reducing carbon emissions in office and during business operation. During the year, the Group's main sources of GHG emissions included the direct emissions from combustion of vehicle fuel, energy indirect emissions from purchased electricity, and other indirect emissions from business travel and disposal of paper at landfills. Meanwhile, the combustion of vehicle fuel also produced air emissions.

A.1.1 Emissions Data from Gaseous Fuel Consumption

During the year, the Group's GHG emissions and air emissions produced from vehicles are as below:

a) since the Company did not have town fuel and town gas consumption during the year, therefore no emissions data from gaseous fuel consumption applied.

b) the Company has motor vehicle during the year, the emissions data from vehicle applied are set out below:

Key performance indicator ("KPI")

	2020	**Unit**	**%**
NOx	43	kg	91%
SOx	0.85	kg	2%
PM	3.16	kg	7%
Total	47.01	kg	100%

A1.2. Greenhouse Gas Emission

KPI

	2020	**Unit**	**%**
Scope 1: Direct Emission	0.98	Tonnes	1%
Scope 2: Indirect Emission	46.58	Tonnes	36%
Scope 3: Other Indirect Emission	81.94	Tonnes	63%
Total	129.5	Tonnes	100%

During the year, there is 130 tonnes of carbon dioxide equivalent GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation.

The annual emission intensity was 0.45Kg CO2e/staff.

For the year ended 31 March 2020, there is no material non-compliance issue with relevant laws and regulations related to the environment.

- **Sewage**

  Wastewater produced by the Group is mainly generated from the daily water usage from its staff during working hours in the office, which is further discharged to the municipal wastewater treatment plant through the sewage pipe work. No hazardous wastewater is produced from daily operation.

- **Solid Wastes Management**

  During the year ended 31 March 2020, the Group only disposed domestic solid wastes and no hazardous solid waste, which includes but not limited to chemical wastes, clinical wastes and hazardous chemicals, was produced from the Group.

A2 Use of Resources

The indirect greenhouse gas emission which generated from our daily electricity power consumption, is the main source of the Group's carbon footprint, we will keep monitoring and disclosing the Company's carbon footprint to find out and control the impact of our daily operation on environment. We implement the following energy-saving and energy efficiency measures at various office locations to reduce greenhouse gas emission:

– Install high-performance electrical equipment;

– Select and purchase high energy efficiency products;

– The employees must turn off light and unnecessary energy device to reduce energy consumption and avoid unnecessary waste of energy;

– Deploy natural light as much as possible;

– Monitor and review electricity consumption;

– Keeping all the doors and windows closed when the air conditioners are running, and setting and maintaining the office room temperature at 24 to 26°C.

The resources used by the Group are principally electricity, water and paper that are consumed in our offices.

A.2.1 Energy consumption

The water consumption of the Group is minimal because electricity is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, functioning of office equipment, functioning of equipment relating to repair and maintenance, etc. As mentioned in Section A2, the Group has established energy saving procedures that are in place to help reduce the Group's use of resources.

During the year ended 31 March 2020, the Group's consumption in electricity were:

KPI	2020	Unit	%
Electricity consumed	57,504	kWh	42%
Fuel consumed	78,227	kWh	58%
Total energy consumed	135,731	kWh	100%
Total no. of staff	284		
Energy consumed per staff	478	kWh/staff	

A.2.2 Water consumption

The Group does not consume significant water in its business activities. Regardless of limited water consumption, the Company still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

During the year ended 31 March 2020, the Group's consumption in water cannot be measured reliably since the majority of water consumption were taken place in public area of the rental office.

A.2.3 Paper reduction

We encourage employees to reduce the use of paper by accessing the necessity of printing and where appropriate, using duplex printing and reprinting on single-sided printed paper. The Group also encourages electronic communication where advertisements and promotional materials are made in electronic form and delivered to customers via "WeChat".

The Group engages third parties for collection and handling of waste paper. The Group did not generate any hazardous waste and we are committed to reducing our paper consumption and waste. In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

The Company has covered some of the resources conservation guidelines in the employees' handbook and requested every employee to save water and electricity. In addition, the Company has implemented a number of specific measures to conserve resources, such as:

- Recycling and reusing old computer accessories and electrical appliances;
- Replacing disposable batteries with rechargeable ones;
- Setting up recycling stations to encourage our employees to recycle waste papers, toner cartridges, rechargeable batteries, light bulbs and fluorescent tubes, etc;
- Using daylight whenever possible and installing energy efficient lighting in the office;

– Encouraging our employees to communicate electronically (e.g. by email) to reduce paper consumption;

– Encouraging our employees to use methods such as electronic scanning or electronic fax to reduce photocopying;

– Promoting two-sided printing of documents, and posting labels on all printers and copiers to remind employees to reduce paper consumption;

– Replacing plastic bags for office waste less frequently; and

– Actively implementing 3R initiatives of "reduce, reuse and recycle" in the ordinary course of business.

Water used by the Group is listed below:

Types of natural resources	Unit	Consumption	Intensity (Per staff)
Paper	kg	1021	4

A3 Environment and natural resources

The Group pursues the best practice between the development and the environment, and takes into careful consideration of all the aspects and activities within the value chain to mitigate the impact on the environment. To achieve the sustainable development of the environment, the Group regularly provides environmental protection information and practical advice related to environmentally friendly living style to staff for circulation.

B SOCIETY

B1 Employment

Employees are regarded as the greatest and most valuable assets and core competitive advantages of the Group who continuously provide the source of innovation for the Group. The Group offers competitive remuneration and welfare, and implements comprehensive performance appraisal scheme to award and praise the staff with excellent performance and assists them with their career development and promotion within the Group by providing appropriate trainings and opportunities. Meanwhile, in order to create a favorable and fair working environment for employees and protect their physical and psychological health, the Group will give careful consideration to all the valuable suggestions for improving the working efficiency and harmonizing the working atmosphere proposed by employees, thereby establishing a united, harmonious and professional team for the Group.

The Group strictly complied with the regulations and provisions of laws in the PRC and Hong Kong, formulated and strictly implemented the relevant management system and measures, and expressly specified the employment, labor relations, treatment, promotion, benefits and retirement of the staff to safeguard their interests.

The Group strictly complied with the PRC laws and regulations and policies associated with social insurance, and made full contributions to various social insurance and housing provident fund for all the staff in a timely manner.

During the year ended 31 March 2020, the Group did not aware of any material non-compliance relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, discriminations.

	No. of staff	Percentage of total staff
Total number of employees	284	100
Gender		
Male	132	46
Female	152	54
Age Group		
18-30	102	36
31-50	172	60
51 or above	10	4
Geographical region		
PRC	240	84
Thailand	18	6
Hong Kong	25	9
Singapore	1	1
Service period		
Less than 5 years	243	86
5 years to 10 years	39	13
Over 10 years	2	1

B2 Health and Safety

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees. The operation of the Group belongs to general office operation and does not involve high-risk or high hazard work. However, the Company identifies potential safety risk in the workplace and establish various safety practices. All staff must adhere to the safety guidelines. The Group provides its staff with relevant health and safety training such as fire safety and first aid knowledge training. In addition to the international labor standards and laws, the Group has created internal guidelines and systems specific to its industry to make sure that the employees would discharge their duties effectively.

During the year ended 31 March 2020, the Group has complied with relevant rules and regulations in the PRC, including the Law of the PRC on Work Safety and Occupational Disease Prevention and Control Law of the PRC, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance. Meanwhile, the Group was not aware of any non-compliance with the health and safety laws and regulations.

B3 Development and Training

The Group adopts the principle of unified management and stratified training for the education and training of its staff. Upon joining the Company, new employees must participate in pre-service training focusing on the Company's corporate culture, corporate policies and goals, production safety, necessary skills, etc. A series of tailor-made training courses are provided to senior management and middle management on anti-corruption practices for leaders as well as trainings for middle and senior management of listed companies. The Company will evaluate the training effects subsequently, so as to enhance the pertinence and effectiveness of training, which will further enhance the technical skills and professional quality of the Company's employees of each level achieving satisfactory results.

B4 Labor Standards

All employees are made aware of the Group's employment policies and guidelines, which are in compliance with the relevant laws and regulations. The Group has committed to maintaining a work environment that is free of discrimination and all employees are treated fairly regardless of age, marital status, pregnancy, race and religion. We strictly comply with the relevant PRC and Hong Kong labour regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. Employees are not encouraged to work beyond working hours and are entitled to overtime pay in accordance with the local regulations.

During the Reporting Period, the Group has complied with all relevant labour standards. The Group has not been notified of any violation regarding the age of employment or labour dispute.

B5 Supply Chain Management

Given that the Group does not engage in production and consumption of raw materials, it is unnecessary to categorise the region of suppliers and record the number of suppliers. Our procurements are mainly office supplies. While purchasing products, impacts on environment will be considered during procurement process and products made from renewable materials are preferred.

B6 Product Responsibility

We are committed to providing the customers with high-quality products and services and settling customer complaints effectively, continuously improving service level and ensuring customer satisfaction.

– Make sure that the products and services comply with related laws and guidelines;

– Provide the customers with accurate product information and high-quality products, and develop recovery policy and after-sale service for related products;

– If there is a problem with a product, we will take the initiative to explain the problem and find a mutually satisfactory solution for the customers;

– After handling a customer complaint, a document should be archived properly, and the relevant department shall review the complaint and develop measures to prevent the recurrence of similar complaints, so that the Company's service quality keeps improving; and

– Customer information will only be used for business purpose, not for other unrelated purposes. All employees should handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law.

B7 Prevention of Corruption and Fraud

All of the Group's operations are in compliance with local and national legislation on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislation on anti-corruption and bribery in mainland China.

The Group requires employees to strictly conform to code of business ethics and forbids any corruption bribe behavior as stipulated in the employment contracts. In case of any conflict of interest, it must be reported to the Group's management immediately. Employees, who engage in business operations and represent the Company's professional image, are strictly prohibited to use business opportunities or power for personal interest or benefit.

B8 Community Investment

The Group always seeks to become a positive momentum in the communities in which it operates and maintains close communications and interactions with the communities in order to contribute to local development.

The Group believes that the creation of a beautiful and peaceful community relies on the cooperation of people, corporations and the government. By working together with various community partners, the Group believes it can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will also actively encourage the staff to volunteer their time and skills to benefit local communities. It provides the employees with the opportunities to explore more issues of the society and environment and reinforce the Group's corporate values.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("**comply or explain**")	The types of emissions and respective emissions data.	Emissions – GHG emissions, Wastes management
KPI A1.2 ("**comply or explain**")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG emissions
KPI A1.3 ("**comply or explain**")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Wastes management (not applicable – explained)
KPI A1.4 ("**comply or explain**")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Wastes management
KPI A1.5 ("**comply or explain**")	Description of reduction initiatives and results achieved.	Emissions – GHG emissions, Wastes management

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
KPI A1.6 ("**comply or explain**")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Wastes management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("**comply or explain**")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy management
KPI A2.2 ("**comply or explain**")	Water consumption in total and intensity.	Use of Resources – Water management
KPI A2.3 ("**comply or explain**")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy management
KPI A2.4 ("**comply or explain**")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water management
KPI A2.5 ("**comply or explain**")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of packaging materials (not applicable – explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("**comply or explain**")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1 (Recommended Disclosures)	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2 (Recommended Disclosures)	Lost days due to work injury.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1 (Recommended Disclosures)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility (not applicable – explained)
KPI B6.2 (Recommended Disclosures)	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3 (Recommended Disclosures)	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual property right
KPI B6.5 (Recommended Disclosures)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Customer data and privacy protection

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Prevention of Corruption and Fraud
KPI B7.1 (Recommended Disclosures)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Prevention of Corruption and Fraud
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

MAZARS

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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 81 to 191, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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$698,757,000 for the year ended 31 March 2020 and, as at that date, the Group had net current liabilities of approximately HK$42,558,000. In addition, the Company is required to settle the fixed rate senior secured bonds in the aggregate principal amount of approximately US$40,002,000 (equivalent to approximately HK$314,012,000), which will be due on or before 1 August 2020, in accordance with the agreed schedule set out in Note 29(c) to the consolidated financial statements. 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 2020. 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 Notes 14(a) and 14(c) 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 and internet micro-credit business *Refer to significant accounting policy in Note 3 and the disclosures of revenue (continuing and discontinued operations), loan receivables and unutilised float funds in Notes 6, 12, 22(b) and 25(c) to the consolidated financial statements respectively*	
The Group maintains sophisticated information technology ("IT") systems in (1) 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; and (2) internet micro-credit business, in order to review the creditability of each borrower, monitor each outstanding loan balance and calculate interest income arising from the loans. Revenue recognition in both businesses 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 management'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 borrowers and capturing and recording of the revenue transactions; d) reconciling revenue recognised in the 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 systems; f) performing analytical procedures on revenue from prepaid cards and internet payment business and internet micro-credit 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 and borrowers to assess if there were any terms and conditions that may affect the accounting treatment of the related revenue.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill and interests in associates *Refer to significant accounting policy and critical accounting estimate and judgement in Note 3 and the disclosures of interests in associates and goodwill in Notes 15 and 16 to the consolidated financial statements respectively*	
At 31 March 2020, the Group had goodwill (net of impairment loss) of nil *(2019: approximately HK$505,352,000)* arising from acquisitions of businesses in prior years. In addition, the Group had interests in associates (net of impairment loss) of approximately HK$206,351,000 *(2019: approximately HK$223,280,000)*. For the purpose of assessing impairment on goodwill arising from business combination, goodwill is allocated to cash generating units ("CGUs") and the recoverable amount of each CGU identified was determined with reference to value-in-use (the "VIU") calculations using cash flow projections. In addition, the Group was also required to estimate the recoverable amount of interests in associates, with reference to the VIU calculations, when an impairment indication existed. In carrying out the impairment assessments, significant management judgement was used to identify and evaluate indication of impairment, identify each CGU and determine the key assumptions underlying the VIU calculations. Management has engaged an independent professional valuer to provide assistance in estimating the recoverable amount of certain significant CGUs and the interests in associates. Accordingly, impairment loss of approximately HK$424,053,000 and HK$67,853,000 on goodwill arising from the prepaid cards and internet payment CGU and the prestige benefits CGU have been recognised for the current reporting period, respectively *(2019: approximately HK$8,651,000 and HK$87,202,000 on goodwill arising from internet payment clearing CGU and the prestige benefits CGU, respectively)*. On the other hand, no impairment loss *(2019: approximately HK$18,654,000)* 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 estimation of recoverable amount of CGUs and interests in associates and assessment of impairment indication on each investment in associate involved a significant degree of management judgement 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 CGUs and 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) challenging 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 37(a)(iii) to the consolidated financial statements*	
At 31 March 2020, the Group had trade and other receivables of approximately HK$148,435,000 *(2019: approximately HK$477,914,000)*, net of loss allowances of approximately HK$55,408,000 *(2019: approximately HK$47,049,000)*. 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 operate. 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 assessed 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 was considered available forward-looking information, the debtors' ageing analysis, settlement record and history of default; and d) in respect of receivables of individual customers which had not been identified by management as potentially impaired, 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 year 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 2020 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- 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 the audit committee and the directors 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 the audit committee and the directors 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, related safeguards.

From the matters communicated with the audit committee and the directors, 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, 30 June 2020

The engagement director on the audit resulting in this independent auditor's report is:
Fung Shiu Hang
Practising Certificate number: P04793

Consolidated Income Statement

Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000 (Re-presented)
Continuing operations			
Revenue	6	**203,867**	600,982
Cost of services rendered		**(167,229)**	(495,330)
Gross profit		**36,638**	105,652
Other income	7	**5,406**	7,070
General administrative expenses		**(122,624)**	(193,236)
Selling and distribution costs		**(19,615)**	(29,652)
Finance costs	8	**(32,161)**	(48,365)
Waiver of contingent consideration	26	**—**	37,766
Loss on early redemption of convertible bonds	29	**—**	(31,751)
Fair value gain on derivative financial instruments		**—**	1,527
Loss on disposal of subsidiaries	34	**—**	(9,564)
Gain on deregistration of a subsidiary		**249**	—
Gain on disposal of financial assets at FVPL		**—**	7,112
Loss on disposal of equity interests in a joint venture		**—**	(29)
Loss allowance on trade and other receivables		**(40,209)**	(7,212)
Loss allowance on loan receivables		**(8,673)**	—
Impairment loss on goodwill	16	**(491,906)**	(95,853)
Impairment loss on interests in associates	15	**—**	(18,654)
Penalty expense	8	**(26,637)**	—
Share of results of associates		**839**	8,665
Loss before tax from continuing operations	8	**(698,693)**	(266,524)
Income tax expenses	11	**(64)**	(10,121)
Loss for the year from continuing operations		**(698,757)**	(276,645)
Discontinued operations			
Loss for the year from discontinued operations	12	**(18,367)**	(30,897)
Loss for the year		**(717,124)**	(307,542)
Attributable to:			
Equity holders of the Company		**(709,551)**	(308,140)
Non-controlling interests		**(7,573)**	598
		(717,124)	(307,542)

Consolidated Income Statement

Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000 (Re-presented)
From continuing and discontinued operations			
Loss per share attributable to equity holders of the Company			
Basic	13	**(43.16) HK cents**	(18.74) HK cents
Diluted	13	**(43.16) HK cents**	(18.74) HK cents
From continuing operations			
Loss per share attributable to equity holders of the Company			
Basic		**(42.04) HK cents**	(16.86) HK cents
Diluted		**(42.04) HK cents**	(16.86) HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Loss for the year	**(717,124)**	(307,542)
Other comprehensive (expenses) income		
Item that will not be reclassified to profit or loss:		
Designated FVOCI — net movement in fair value reserve (non-cycling)	**—**	(10,463)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive expenses of associates — exchange difference on translation	**(14,321)**	(16,660)
Share of other comprehensive expenses of joint ventures — exchange difference on translation	**—**	(458)
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	**—**	120
Exchange difference on translation of foreign subsidiaries	**(47,418)**	(82,005)
Total comprehensive expenses for the year	**(778,863)**	(417,008)
Total comprehensive expenses attributable to:		
Equity holders of the Company	**(766,424)**	(412,722)
Non-controlling interests	**(12,439)**	(4,286)
	(778,863)	(417,008)

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Interests in associates	15	**206,351**	223,280
Goodwill	16	**—**	505,352
Property, plant and equipment	17	**13,490**	45,353
Right-of-use assets	18	**9,164**	—
Intangible assets	19	**33,721**	61,372
Financial assets at FVPL	20	**300**	—
Other receivables	22	**—**	75,832
Deferred tax assets	27	**194**	265
		263,220	911,454
Current assets			
Inventories	21	**296**	648
Tax recoverable		**2,287**	1,530
Trade and other receivables	22	**148,435**	402,082
Restricted funds	23	**292,970**	366,971
Cash and bank balances	24	**65,524**	201,034
		509,512	972,265
Assets of disposal group classified as held for sale	12	**283,446**	—
		792,958	972,265
Current liabilities			
Trade and other payables	25	**495,993**	452,196
Tax payables		**8,467**	9,128
Bonds payables	29	**314,012**	371,406
Lease liabilities	18	**7,753**	—
		826,225	832,730
Liabilities associated with disposal group classified as held for sale	12	**9,291**	—
		835,516	832,730
Net current (liabilities) assets		**(42,558)**	139,535
Total assets less current liabilities		**220,662**	1,050,989

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	27	**8,056**	8,432
Other long-term liabilities	28	**6,050**	6,335
Lease liabilities	18	**1,613**	—
		15,719	14,767
NET ASSETS		**204,943**	1,036,222
Capital and reserves			
Share capital	30	**16,441**	16,441
Reserves		**119,491**	932,473
Equity attributable to equity holders of the Company		**135,932**	948,914
Non-controlling interests		**69,011**	87,308
TOTAL EQUITY		**204,943**	1,036,222

These consolidated financial statements on pages 81 to 191 were approved and authorised for issue by the Board of Directors on 30 June 2020 and signed on its behalf by

Song Qian
Director

Lin Xiaofeng
Director

	Attributable to equity holders of the Company											
	Share capital *(Note 30)*	Share premium *(Note 31(a))*	Capital reserve *(Note 31(b))*	Exchange reserve *(Note 31(c))*	Statutory reserve *(Note 31(d))*	Fair value reserve (recycling) *(Note 31(e))*	Fair value reserve (non-recycling) *(Note 31(f))*	Share option reserve *(Note 32)*	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018	16,441	1,562,367	5,498	48,494	7,336	24,965	–	234,837	(577,445)	1,322,493	79,264	1,401,757
Impact on initial application of HKFRS 9	–	–	–	–	–	(24,965)	24,965	–	–	–	–	–
At 1 April 2018 (adjusted)	16,441	1,562,367	5,498	48,494	7,336	–	24,965	234,837	(577,445)	1,322,493	79,264	1,401,757
Loss for the year	–	–	–	–	–	–	–	–	(308,140)	(308,140)	598	(307,542)
Other comprehensive (expenses) income:												
Item that will not be reclassified to profit or loss												
Change in fair value of equity investments at Designated FVOCI	–	–	–	–	–	–	(10,463)	–	–	(10,463)	–	(10,463)
Items that may be reclassified subsequently to profit or loss												
Share of other comprehensive expenses of associates – exchange difference on translation	–	–	–	(16,660)	–	–	–	–	–	(16,660)	–	(16,660)
Share of other comprehensive expenses of joint ventures – exchange difference on translation	–	–	–	(458)	–	–	–	–	–	(458)	–	(458)
Derecognition of exchange reserve upon disposal of equity interests in a joint venture	–	–	–	120	–	–	–	–	–	120	–	120
Exchange difference on translation of foreign subsidiaries	–	–	–	(77,121)	–	–	–	–	–	(77,121)	(4,884)	(82,005)
Total comprehensive expenses for the year	–	–	–	(94,119)	–	–	(10,463)	–	(308,140)	(412,722)	(4,286)	(417,008)
Realisation of fair value reserve upon disposal of a subsidiary	–	–	–	–	–	–	(14,502)	–	14,502	–	–	–
Transactions with owners:												
Contributions and distributions												
Recognition of share-based compensation costs *(Note 32)*	–	–	–	–	–	–	–	16,824	–	16,824	–	16,824
Forfeiture of share options *(Note 32(ii))*	–	–	–	–	–	–	–	(11,853)	11,853	–	–	–
Lapse of share options *(Note 32(iii))*	–	–	–	–	–	–	–	(23,938)	23,938	–	–	–
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,454)	(2,454)
Transfer to statutory reserve	–	–	–	–	3,498	–	–	–	(3,498)	–	–	–
	–	–	–	–	3,498	–	–	(18,967)	32,293	16,824	(2,454)	14,370
Changes in ownership interests												
Deemed disposal of partial interest in OPG (as defined in Note 3)	–	–	–	–	–	–	–	–	20,872	20,872	20,638	41,510
Acquisition of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	1,447	1,447	(2,268)	(821)
	–	–	–	–	–	–	–	–	22,319	22,319	18,370	40,689
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(3,586)	(3,586)
At 31 March 2019	16,441	1,562,367	5,498	(45,625)	10,834	–	–	215,870	(816,471)	948,914	87,308	1,036,222

Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Attributable to equity holders of the Company									
	Share capital *(Note 30)* *HK$'000*	Share premium *(Note 31(a))* *HK$'000*	Capital reserve *(Note 31(b))* *HK$'000*	Exchange reserve *(Note 31(c))* *HK$'000*	Statutory reserve *(Note 31(d))* *HK$'000*	Share option reserve *(Note 32)* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2019	16,441	1,562,367	5,498	(45,625)	10,834	215,870	(816,471)	948,914	87,308	1,036,222
Loss for the year	–	–	–	–	–	–	(709,551)	(709,551)	(7,573)	(717,124)
Other comprehensive expenses:										
Items that may be reclassified subsequently to profit or loss										
Share of other comprehensive expenses of associates – exchange difference on translation	–	–	–	(14,321)	–	–	–	(14,321)	–	(14,321)
Exchange difference on translation of foreign subsidiaries	–	–	–	(42,552)	–	–	–	(42,552)	(4,866)	(47,418)
Total comprehensive expenses for the year	–	–	–	(56,873)	–	–	(709,551)	(766,424)	(12,439)	(778,863)
Transactions with owners:										
Contributions and distributions										
Recognition of share-based compensation costs *(Note 32)*	–	–	–	–	–	9,253	–	9,253	–	9,253
Forfeiture of share options *(Note 32(iv) and (v))*	–	–	–	–	–	(171,831)	153,827	(18,004)	–	(18,004)
Lapse of share options *(Note 32(vi))*	–	–	–	–	–	(31,711)	31,711	–	–	–
Dividends paid to non-controlling interests of non-wholly owned subsidiary	–	–	–	–	–	–	–	–	(893)	(893)
Transfer to statutory reserve	–	–	–	–	1,129	–	(1,129)	–	–	–
	–	–	–	–	1,129	(194,289)	184,409	(8,751)	(893)	(9,644)
Changes in ownership interests										
Deemed disposal of partial interest in OPG (as defined in Note 3) *(Note 14(d))*	–	–	–	–	–	–	4,678	4,678	9,322	14,000
Acquisition of non-controlling interest in a subsidiary *(Note 14(b))*	–	–	–	–	–	–	(42,485)	(42,485)	(14,287)	(56,772)
	–	–	–	–	–	–	(37,807)	(37,807)	(4,965)	(42,772)
At 31 March 2020	16,441	1,562,367	5,498	(102,498)	11,963	21,581	(1,379,420)	135,932	69,011	204,943

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Cash from (used in) operations	33(a)	**66,074**	(41,204)
Interest paid		**(20,333)**	(34,452)
Interest received		**2,748**	2,275
Income tax paid		**(1,575)**	(7,823)
Net cash from (used in) operating activities		**46,914**	(81,204)
INVESTING ACTIVITIES			
Disposal of subsidiaries	34	**—**	7,123
Additions in property, plant and equipment	17	**(4,825)**	(5,802)
Proceeds from disposal of property, plant and equipment		**49**	279
Additions in intangible assets	19, 33(c)	**(6,777)**	(16,948)
Acquisition of investment in an associate	15(d)	**(2,200)**	—
Proceeds from disposal of right-of-use assets		**26,461**	—
Purchase of financial assets at FVPL	20	**(300)**	(969,127)
Redemption of financial assets at FVPL		**—**	969,208
Proceeds from disposal of financial assets at FVPL		**—**	90,424
Deposits on investments refunded		**—**	9,162
Deposits paid for acquisition of intangible assets	22	**—**	(11,636)
Dividend income from an associate	15	**5,596**	5,833
Proceeds from disposal of equity interests in a joint venture		**—**	8,082
Net cash from investing activities		**18,004**	86,598
FINANCING ACTIVITIES			
Interest on convertible bonds paid		**—**	(3,815)
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	14	**(893)**	(2,454)
Repayment of bonds payables	29(c), 33(b)	**(62,787)**	—
Repayment of convertible bonds	29(b)	**—**	(119,661)
Repayment of lease liabilities	18, 33(b)	**(8,421)**	—
Proceeds from deemed disposal of partial interest in OPG (as defined in Note 3)	14(d)	**14,000**	41,510
Acquisition of non-controlling interest in a subsidiary	33(c)	**—**	(821)
Proceeds from capital injection from a preference shareholder of non-wholly owned subsidiary		**—**	4,434
Net cash used in financing activities		**(58,101)**	(80,807)
Net increase (decrease) in cash and cash equivalents		**6,817**	(75,413)
Cash and cash equivalents at the beginning of the reporting period		**201,034**	289,223
Effect on exchange rate changes		**(10,353)**	(12,776)
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances	24	**197,498**	201,034

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 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 2019 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:

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements to HKFRSs – 2015–2017 Cycle

HKFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

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

HKFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

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

HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

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

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of HK(IFRIC)-Int 23 does not have any significant impact on the consolidated financial statements.

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

Adoption of new/revised HKFRSs *(continued)*

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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

Amendments to HKAS 28: Investments in Associate and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using HKFRS 9.

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

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

Amendments to HKFRS 9 clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss ("FVPL") if specified conditions are met.

The adoption of the amendments to HKFRS 9 does not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new/revised HKFRSs *(continued)*

HKFRS 16: Leases *(continued)*

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either:

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rates applied to the lease liabilities at the DIA ranged from 2.65% to 4.75% per annum.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows:

	HK$'000
Operating lease commitments at 31 March 2019	14,884
Less: Liabilities for short-term leases reflected under operating lease commitments	(462)
Add: Liabilities for termination option previously not reflected in operating lease commitments	3,150
Gross lease liabilities at 1 April 2019	17,572
Less: Total future interest expenses	(890)
Lease liabilities at 1 April 2019, discounted using the incremental borrowing rates at the DIA	16,682

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

Adoption of new/revised HKFRSs *(continued)*

HKFRS 16: Leases *(continued)*

As a result, adjustments were made at the DIA to reflect the changes in presentation:

	Carrying amounts on 31 March 2019 under HKAS 17	Adjustments	Carrying amounts on 1 April 2019 under HKFRS 16
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	—	42,568	42,568
Leasehold land and buildings (included in property, plant, and equipment)	26,449	(26,449)	—
Current liabilities			
Other payables	(563)	563	—
Lease liabilities	—	(8,107)	(8,107)
Non-current liabilities			
Lease liabilities	—	(8,575)	(8,575)
	25,886	—	25,886

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$42,558,000 at 31 March 2020 and the settlement of the Bonds (as defined in Note 29(c)) which will be matured on or before 1 August 2020 as set out in Note 29(c) to the consolidated financial statements. In addition, the Group incurred a loss from continuing operation of approximately HK$698,757,000 for the year ended 31 March 2020. 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) the Group is in the process to dispose of 75% equity interests in Keen Best Investments Limited ("Keen Best") at a cash consideration of HK$225 million (before transaction costs), as detailed in Note 12 to the consolidated financial statements;

(b) the Group placed certain convertible bonds by Oriental Payment Group Holdings Limited ("OPG"), subsidiary of the Company, in an aggregate principal amount of HK$11,850,000 (before transaction costs), as detailed in Note 40(c) to the consolidated financial statements, which was completed on 26 June 2020;

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Going concern *(continued)*

(c) a shareholder of the Company has committed and has 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;

(d) a shareholder of the Company would not call upon the Group to repay the remaining balance due to its related parties within the next twelve months from the date of approval of consolidate financial statements, unless the Group has obtained funding from other sources, including but not limited to the cash proceeds from the disposal of equity interests in Keen Best, and is in a position to meet all repayment obligations at that time;

(e) the Group is negotiating and discussing with the Subscribers (as defined in Note 29 (b)) 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

(f) 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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.

Changes in ownership interests

Changes in the Group's ownership interests 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 41 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.

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

Associates

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.

The Group's investment in associate 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 post-acquisition 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 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. Such goodwill is included in interests in associates. 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.

Unrealised profits and losses resulting from transactions between the Group and its associates 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 an associate becomes an investment in a joint venture, 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, 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 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 is regarded as the fair value on initial recognition as a financial asset.

Contingent consideration

Contingent consideration to be transferred by the Group as the acquirer in a business combination is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

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.

Before 1 April 2019, as the Group's lease payments for its leasehold land and buildings cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

Before 1 April 2019:

Leasehold land and buildings	Over the short of unexpired term of lease and their estimated useful life

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

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.

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 ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); 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 (the "reclassification date").

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 bank balances and cash.

2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, 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, lease liabilities and other long-term liabilities. All financial liabilities, except for financial liabilities at FVPL, 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.

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss (including interest expenses) recognised in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses. Interest expenses are presented separately from fair value gain or loss.

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

(i) incurred principally for the purpose of repurchasing 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.

Financial liabilities are designated at initial recognition at FVPL only if:

(i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;

(ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items under HKFRS 9

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, except in the case of Mandatory FVOCI, 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 under HKFRS 9 *(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.

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

Financial instruments *(continued)*

Impairment of financial assets and other items under HKFRS 9 *(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, 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 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

(a) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital 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 the convertible bonds 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. 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 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. The equity component is recognised in a separate reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the amount previously recognised in equity, 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, the consideration paid and any transaction costs for the repurchase or redemption are allocated to the liability and equity components of the instrument at the date of the transaction.

(b) Other convertible bonds

Convertible bonds that do not contain an equity component are accounted for as follows:

At initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently re-measured in accordance with the accounting policies applicable to "Derivative financial instruments" set out below. 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.

If the convertible bonds are converted, the carrying amounts of the derivative and the liability components, 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 amounts of both components is recognised in profit or loss.

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) Internet micro-credit business

(iv) Merchant acquiring business

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 service fee income is 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.

- 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 are recognised at a point in time at which the service is provided, which generally coincides with the time when the transactions are approved and executed.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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.

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;

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

Foreign currency translation *(continued)*

- 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.

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")).

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets, other than goodwill *(continued)*

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 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.

Leases

Applicable from 1 April 2019

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.

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

Leases *(continued)*

Applicable from 1 April 2019 *(continued)*

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:

Leasehold land and buildings	Over the shorter of unexpired term of lease and their estimated useful life
Office premises	Over the term of lease
Machinery	Over the term of lease

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.

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

Leases *(continued)*

Applicable from 1 April 2019 *(continued)*

As lessee (continued)

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)*

Applicable from 1 April 2019 *(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.

Applicable before 1 April 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives received are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 profit or 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, associates and joint ventures, 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(e) 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 accounts for OCG Thailand as a subsidiary on the ground that it is 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 – 上海雍勒信息技術有限公司 (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(c) 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) Subsidiary – OPG

Although the Group owns less than half of the ownership interests and voting rights in OPG, the Group has determined that it has control over OPG on a de facto 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.

More details can be found in Note 14(d) 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 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

The management determines whether the Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets, which is equal to the higher of the fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iv) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGU to which the goodwill is allocated. Estimating the recoverable amount requires the management to choose a suitable valuation model and make estimation of the key valuation parameter and other relevant business assumptions. Details of the estimates used to calculate the recoverable amount are given in Note 16 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

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

(v) 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.

(vi) 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.

(vii) 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 37 to the consolidated financial statements.

(viii) 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 relevant to the Group and not yet effective for the current year, which the Group has not early adopted.

Amendments to HKASs 1 and 8	Definition of Material [1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform [1]
Amendments to HKFRS 3	Definition of Business [2]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions [3]
Amendments to HKAS 16	Proceeds before Intended Use [4]
Amendments to HKAS 37	Cost of Fulfilling a Contract [4]
Amendments to HKFRS 3	Reference to the Conceptual Framework [4]
Annual Improvements to HKFRSs	2018-2020 Cycle [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 June 2020
4 Effective for annual periods beginning on or after 1 January 2022
5 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 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) internet micro-credit business in the PRC;

(iv) merchant acquiring business in Thailand; and

(v) securities investment business in Hong Kong.

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 the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of other income, other gain or loss, gain on deregistration of a subsidiary, finance costs, general administrative expenses incurred by corporate office, waiver of contingent consideration, loss on early redemption of convertible bonds, loss on disposal of equity interests in a joint venture, impairment loss on goodwill, impairment loss on interests in associates, share of results of associates and income tax.

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 and other long-term liabilities. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. SEGMENT REPORTING *(continued)*

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

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

Year ended 31 March 2020

	Continuing operations				Discontinued operations	
	Prepaid cards and internet payment business HK$'000	Prestige benefits business HK$'000	Merchant acquiring business HK$'000	Securities investment business HK$'000	Internet micro-credit business HK$'000	Consolidated HK$'000
Segment revenue						
Major customer A	–	27,267	–	–	–	27,267
Major customer B	–	–	34,046	–	–	34,046
Other customers	59,981	36,134	46,439	–	38,107	180,661
	59,981	63,401	80,485	–	38,107	241,974
Segment results	(38,027)	(42,926)	9,225	–	(3,032)	(74,760)
Impairment loss on goodwill	(424,053)	(67,853)	–	–	–	(491,906)
Penalty expense	(26,637)	–	–	–	–	(26,637)
Unallocated other income						8,265
Unallocated finance costs						(32,213)
Unallocated other expenses and losses						(100,295)
Gain on deregistration of a subsidiary						249
Share of results of associates						
— Prepaid cards and internet payment business	1,209	–	–	–	–	1,209
— Unallocated	–	–	–	–	–	(370)
Loss before tax						(716,458)
Income tax expenses						(666)
Loss for the year						(717,124)

5. SEGMENT REPORTING *(continued)*

Year ended 31 March 2019 (Re-presented)

	Continuing operations					Discontinued operations	
	Prepaid cards and internet payment business HK$'000	Prestige benefits business HK$'000	Internet micro-credit business HK$'000	Merchant acquiring business HK$'000	Securities investment business HK$'000	Internet micro-credit business HK$'000	Consolidated HK$'000
Segment revenue							
Major customer A	—	112,043	—	—	—	—	112,043
Other customers	297,908	78,697	532	111,802	—	28,455	517,394
	297,908	190,740	532	111,802	—	28,455	629,437
Segment results	260	(44,677)	(3,881)	(1,646)	7,112	(20,457)	(63,289)
Impairment loss on goodwill	(8,651)	(87,202)	—	—	—	—	(95,853)
Impairment loss on interests in associates	(18,654)	—	—	—	—	—	(18,654)
Unallocated other income							10,527
Unallocated finance costs							(48,365)
Unallocated other expenses and losses							(88,401)
Fair value gain on derivative financial instruments							1,527
Waiver of contingent consideration							37,766
Loss on early redemption of convertible bonds							(31,751)
Loss on disposal of a subsidiary							(9,564)
Loss on disposal of equity interests in a joint venture							(29)
Share of results of associates							
— Prepaid cards and internet payment business	9,302	—	—	—	—	—	9,302
— Unallocated	—	—	—	—	—	—	(637)
Loss before tax							(297,421)
Income tax expenses							(10,121)
Loss for the year							(307,542)

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 2020

	Continuing operations				Disposal group		
	Prepaid cards and internet payment business HK$'000	Prestige benefits business HK$'000	Merchant acquiring business HK$'000	Securities investment business HK$'000	Internet micro-credit business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Property, plant and equipment	2,297	71	10,959	–	–	163	13,490
Right-of-use assets	5,675	931	129	–	–	2,429	9,164
Intangible assets	10,218	8,565	14,938	–	–	–	33,721
Financial assets at FVPL	–	–	–	–	–	300	300
Other assets	560,940	32,641	38,182	–	–	84,294	716,057
Assets of disposal group classified as held for sale	–	–	–	–	283,446	–	283,446
Total assets	579,130	42,208	64,208	–	283,446	87,186	1,056,178
Total liabilities	307,289	41,497	16,266	–	9,291	476,892	851,235
Additional segment information:							
Amortisation	7,656	2,506	1,872	–	9,386	–	21,420
Depreciation of property, plant and equipment	1,602	74	4,449	–	911	178	7,214
Depreciation of right-of-use assets	5,871	1,045	1,343	–	248	1,131	9,638
Impairment loss on goodwill	424,053	67,853	–	–	–	–	491,906
Loss allowance on trade receivables	4,967	8,124	–	–	–	–	13,091
Loss allowance on loan receivables	6,496	–	–	–	16,075	2,177	24,748
Loss allowance on other receivables	6,168	–	–	–	–	20,950	27,118
Share-based compensation costs	–	–	–	–	–	9,253	9,253
Forfeiture of share options within the vesting period	–	–	–	–	–	(18,004)	(18,004)
Write-off of trade receivables	–	–	–	–	5,079	–	5,079
Write-off of loan receivables	–	–	–	–	7,008	–	7,008
Write-off of property, plant and equipment	713	–	–	–	–	–	713
Additions in intangible assets	2,820	–	15,593	–	–	–	18,413
Additions in property, plant and equipment	757	–	4,042	–	26	–	4,825
Additions in right-of-use assets	2,281	–	–	–	–	3,445	5,726

5. SEGMENT REPORTING *(continued)*

Segment assets and liabilities *(continued)*

At 31 March 2019 (Re-presented)

	Continuing operations				Disposal group		
	Prepaid cards and internet payment business	Prestige benefits business	Merchant acquiring business	Securities investment business	Internet micro-credit business	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	30,662	166	11,809	—	2,490	226	45,353
Intangible assets	16,839	11,848	1,241	—	31,444	—	61,372
Goodwill	437,499	67,853	—	—	—	—	505,352
Other assets	667,203	67,816	78,768	—	325,390	132,465	1,271,642
Total assets	1,152,203	147,683	91,818	—	359,324	132,691	1,883,719
Total liabilities	359,962	44,157	53,656	—	7,143	382,579	847,497
Additional segment information:							
Amortisation	7,599	1,369	282	—	9,447	—	18,697
Depreciation of property, plant and equipment	4,792	471	3,978	—	1,130	165	10,536
Impairment loss on goodwill	8,651	87,202	—	—	—	—	95,853
Impairment loss on interests in associates	18,654	—	—	—	—	—	18,654
Loss allowance on trade receivables	2,279	4,933	—	—	2,332	—	9,544
Loss allowance on loan receivables	—	—	—	—	29,222	—	29,222
Loss on early redemption of convertible bonds	—	—	—	—	—	31,751	31,751
Share-based compensation costs	—	—	—	—	—	16,824	16,824
Spin-off expenses	—	—	14,559	—	—	—	14,559
Waiver of contingent consideration	—	(37,766)	—	—	—	—	(37,766)
Write-off of other receivables and deposits	—	—	—	1,016	—	3,322	4,338
Write-off of property, plant and equipment	573	839	—	—	59	—	1,471
Operating lease charges on premises	6,982	2,935	1,071	—	1,287	649	12,924
Additions in intangible assets	3,477	13,226	240	—	5	—	16,948
Additions in property, plant and equipment	1,561	93	4,005	—	102	41	5,802

6. REVENUE

Revenue for the continuing operations is analysed by category as follows:

	2020	2019
	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	**334**	537
Management fee income of prepaid cards	**3,945**	1,109
Merchant service fee income	**55,494**	293,099
Sales and service fee income of POS machines	**81**	1,873
Prestige benefits business		
Issuance income of prestige benefits cards	**62,306**	154,121
Hotel and travelling booking agency service income	**1,095**	36,619
Merchant acquiring business		
MDR income	**61,540**	86,250
Marketing and distribution service income	**1,445**	670
Revenue from other sources		
Merchant acquiring business		
Foreign exchange rate discount income	**17,500**	24,882
Internet revenue calculated using the effective interest method		
Prepaid cards and internet payment business		
Interest income from accumulated unutilised float funds	**127**	1,290
Internet micro-credit business		
Loan interest income	**—**	532
	203,867	600,982

Apart from management fee income of prepaid cards which is 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

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Bank interest income from self-owned funds	**1,138**	1,480
Gain on disposal of property, plant and equipment	**—**	30
Gain on disposal of right-of-use assets	**1,997**	—
Government grants	**807**	1,087
Investment income arising from principal unguaranteed funds	**46**	454
Other interest income	**193**	—
Sundry income	**1,225**	1,802
Wavier of other payable	**—**	2,217
	5,406	7,070
Discontinued operations		
Bank interest income from self-owned funds	**1,610**	795
Government grants	**1,211**	—
Investment income arising from principal unguaranteed funds	**—**	1,977
Sundry income	**38**	685
	2,859	3,457
	8,265	10,527

8. LOSS BEFORE TAX

This is stated after charging (crediting):

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
(a) Finance costs		
Continuing operations		
Effective interest expenses on convertible bonds	**—**	13,075
Finance costs on other long-term liabilities	**588**	178
Finance costs on lease liabilities	**528**	—
Interest on bonds payables	**31,045**	35,112
	32,161	48,365
Discontinued operations		
Finance costs on lease liabilities *(Note 12)*	**52**	—
	32,213	48,365

8. **LOSS BEFORE TAX** *(continued)*

	2020 HK$'000	2019 HK$'000 (Re-presented)
(b) Staff costs, including key management remuneration		
Continuing operations		
Salaries, allowances and other short-term employee benefits	**58,532**	65,571
Discretionary bonus (included in "Spin-off expenses")	**—**	1,287
Contributions to defined contribution plans	**16,809**	13,430
Share-based compensation costs	**9,253**	16,399
Forfeiture of share options within the vesting period	**(18,004)**	—
	66,590	96,687
Discontinued operations		
Salaries, allowances and other short-term employee benefits	**3,503**	4,916
Contributions to defined contribution plans	**1,110**	1,702
	4,613	6,618
	71,203	103,305
(c) Key management remuneration, including directors' remuneration – continuing operations		
Salaries, allowances and other short-term employee benefits	**4,440**	6,873
Discretionary bonus (included in "Spin-off expenses")	**—**	484
Contributions to defined contribution plans	**49**	36
Share-based compensation costs	**3,361**	5,023
Forfeiture of share options within the vesting period	**(4,699)**	—
	3,151	12,416

8. LOSS BEFORE TAX *(continued)*

	2020 HK$'000	2019 HK$'000 (Re-presented)
(d) Other items		
Continuing operations		
Auditor's remuneration	**2,366**	2,457
Amortisation of intangible assets (included in "General administrative expenses" and "Selling and distribution costs", as appropriate)	**12,034**	9,250
Depreciation of property, plant and equipment (included in "General administrative expenses" and "Selling and distribution costs", as appropriate)	**6,303**	9,406
Depreciation of right-of-use assets	**9,390**	—
Exchange losses, net	**4,989**	6,022
Loss (Gain) on disposal of property, plant and equipment	**3**	(30)
Penalty expense *(Note i)*	**26,637**	—
Loss allowance on trade receivables *(Note 37(a)(iii))*	**13,091**	7,212
Loss allowance on loan receivables *(Note 37(a)(iii))*	**8,673**	—
Loss allowance on other receivables *(Note 37(a)(iii))*	**27,118**	—
Share-based compensation costs to service providers	**—**	425
Spin-off expenses *(Note ii)*	**—**	14,559
Write-off of other receivables and deposits *(Note iii)*	**—**	4,338
Write-off of property, plant and equipment	**713**	1,412
Discontinued operations		
Auditor's remuneration	**72**	58
Amortisation of intangible assets	**9,386**	9,447
Depreciation of property, plant and equipment	**911**	1,130
Depreciation of right-of-use assets	**248**	—
Operating lease charges on premises	**—**	1,287
Loss allowance on trade receivables	**—**	2,332
Loss allowance on loan receivables	**16,075**	29,222
Write-off of trade receivables *(Note iii)*	**5,079**	—
Write-off of loan receivables *(Note iii)*	**7,008**	—
Write-off of property, plant and equipment	**—**	59

Notes:

(i) Included in the penalty expense is a penalty of approximately Renminbi ("RMB") 23,242,000 (equivalent to approximately HK$26,054,000) charged by the People's Bank of China (the "PBOC") under the《行政處罰決定書》(銀管罰[2020]4號)(the "Penalty Notice") to Open Union on 17 January 2020 due to non-compliance of anti-money laundering and internet payment business rules. Details of the Penalty Notice are set out in the announcement of the Company dated 28 February 2020.

(ii) The amount represents expenses incurred for processing the spin-off and separate listing of OPG on GEM of the Stock Exchange.

(iii) During the year ended 31 March 2020, the Group had written-off certain trade and loan receivables *(2019: other receivables)* and deposits as management considered that these amounts are uncollectible.

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	Discretionary bonus HK$'000	Contributions to defined contribution plans HK$'000	Share-based compensation costs HK$'000	Total HK$'000
Year ended 31 March 2020						
Executive directors						
Dr. Cao Guoqi [1]	–	200	–	–	–	200
Mr. Song Xiangping	–	320	–	–	–	320
Mr. Yan Dinggui	–	240	–	–	–	240
Mr. Liu Liang [2]	–	71	–	–	–	71
Mr. Lin Xiaofeng [2]	–	907	–	16	398	1,321
Ms. Song Qian [2]	–	109	–	–	–	109
	–	1,847	–	16	398	2,261
Non-executive director						
Mr. Zhang Huaqiao [1]	–	400	–	–	–	400
Independent non-executive directors						
Mr. Wang Yiming	240	–	–	–	–	240
Mr. Lu Dongcheng	240	–	–	–	–	240
Dr. Yuan Shumin	240	–	–	–	–	240
Dr. Zhou Jinhuang [1]	30	–	–	–	–	30
	750	–	–	–	–	750
	750	2,247	–	16	398	3,411

1 Resigned during the year ended 31 March 2020
2 Appointed during the year ended 31 March 2020

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*	Discretionary bonus *HK$'000*	Contributions to defined contribution plans *HK$'000*	Share-based compensation costs *HK$'000*	Total *HK$'000*
Year ended 31 March 2019						
Executive directors						
Dr. Cao Guoqi	—	240	—	—	1,761	2,001
Mr. Song Xiangping	—	1,200	—	—	49	1,249
Mr. Yan Dinggui	—	240	—	—	—	240
Mr. Fung Weichang[1]	—	70	—	—	—	70
Mr. Xiong Wensen[1]	—	1,500	—	—	—	1,500
	—	3,250	—	—	1,810	5,060
Non-executive directors						
Mr. Zhang Huaqiao	480	—	—	—	1,051	1,531
Mr. Xie Zhichun[1]	280	—	—	—	—	280
	760	—	—	—	1,051	1,811
Independent non-executive directors						
Mr. Wang Yiming	72	—	—	—	—	72
Mr. Lu Dongcheng	72	—	—	—	—	72
Dr. Yuan Shumin	72	—	—	—	—	72
Dr. Zhou Jinhuang	72	—	—	—	240	312
	288	—	—	—	240	528
	1,048	3,250	—	—	3,101	7,399

1 Resigned during the year ended 31 March 2019

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2020 and 2019. 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 2020 and 2019.

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

(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 2020 and 2019.

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

After consideration, other than disclosed in Notes 12, 22(f) 25(d), 25(e), 32 and 35 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 2020 and 2019.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one *(2019: three)* director, Mr. Lin Xiaofeng *(2019: Dr. Cao Guoqi, Mr. Xiong Wensen and Mr. Zhang Huaqiao)*, whose remunerations are set out in Note 9 to the consolidated financial statements. Details of the remunerations of the remaining four *(2019: two)* non-directors, highest paid employees for the years are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and other short-term employee benefits	**3,942**	2,460
Contributions to defined contribution plans	**66**	36
Share-based compensation costs	**991**	3,634
	4,999	6,130

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

	Number of employees	
Band	**2020**	2019
Nil to HK$500,000	**—**	—
HK$500,001 to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**2**	—
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**—**	—
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**—**	1
	4	2

10. FIVE HIGHEST PAID EMPLOYEES *(continued)*

During the years ended 31 March 2020 and 2019, 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 2020 and 2019.

11. TAXATION

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Current tax		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax	**—**	1,704
Thailand Enterprise Income Tax	**947**	1,855
Withholding tax on dividend declared by a foreign subsidiary	**141**	568
Over-provision in prior year	**(1,095)**	—
	(7)	4,127
Deferred tax *(Note 27)*		
Utilisation of tax losses	**71**	23
Origination of temporary difference	**—**	5,971
	71	5,994
Income tax expenses for continuing operations	**64**	10,121
Discontinued operations		
Current tax		
PRC Enterprise Income Tax *(Note 12)*	**602**	—
Total income tax expenses for continuing and discontinued operations	**666**	10,121

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as some group entities' estimated assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous year, some incurred a loss for taxation purpose, and others had no assessable profits in Hong Kong for the years ended 31 March 2020 and 2019.

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% *(2019: 25%)*, except for Open Union and Shanghai Jingyuan which are subject to PRC Enterprise Income Tax at a preferential rate of 15% *(2019: 15%)* for high and new technology enterprises.

The Group's operations in Thailand are subject to Thailand Enterprise Income Tax at 20% *(2019: 20%)*.

The Group's operation in Singapore is subject to Singapore Income Tax at 17% *(2019: 17%)*.

The Group's operation in Korea is subject to Korea Corporate Income Tax ranged from 10% to 25% *(2019: 10% to 25%)*.

The Group's operation in Cambodia is subject to Cambodia Corporate Income Tax at 20% *(2019: 20%)*.

Dividends payable by a foreign invested enterprise in the PRC or Thailand to its foreign investors are subject to a 10% *(2019: 10%)* withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the PRC or Thailand that provides for a different withholding arrangement.

Dividends payable by an enterprise in Cambodia to its foreign investors are subject to a 14% *(2019: 14%)* withholding tax.

Reconciliation of income tax expenses for continuing operations

	2020 ***HK$'000***	2019 *HK$'000* (Re-presented)
Loss before tax	**(698,693)**	(266,524)
Income tax at applicable tax rate	**(115,520)**	(38,258)
Non-deductible expenses	**115,532**	47,420
Tax exempt revenue	**(3,063)**	(11,376)
Over-provision in prior year	**(1,095)**	—
Unrecognised tax losses	**9,823**	11,848
Utilisation of previously unrecognised tax losses	**(5,757)**	(35)
Recognition of previously unrecognised deferred tax assets	**—**	(1)
Withholding tax on dividends declared by a foreign subsidiary	**141**	568
Others	**3**	(45)
Income tax expenses for the year	**64**	10,121

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

Internet micro-credit business

On 13 March 2020, the Group entered into a sale and purchase agreement to dispose its 75% equity interest of 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 (together the "Disposal Group"), to an independent third party and a related company of the Company, which is beneficially owned by Mr. Yan Dinggui, an executive director of the Company, at a consideration of HK$120,000,000 and HK$105,000,000, respectively (the "Disposal"). Because the Disposal 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 not yet completed up to the date of approving these consolidated financial statements.

The results of the Disposal Group have been presented separately in the consolidated income statement with the comparative figures re-presented to reflect a consistent presentation.

* *English translation for identification purpose only.*

The results of the Disposal Group for the years ended 31 March 2020 and 2019 are analysed as follows:

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue		**38,107**	28,455
Cost of services rendered		**(12,213)**	(6,141)
Gross profit		**25,894**	22,314
Other income		**2,859**	3,457
General administrative expenses		**(46,466)**	(56,668)
Finance costs	8(a)	**(52)**	—
Loss before tax	8	**(17,765)**	(30,897)
Income tax expenses	11	**(602)**	—
Loss for the year		**(18,367)**	(30,897)

12. DISCONTINUED OPERATIONS *(continued)*

Internet micro-credit business *(continued)*

In accordance with HKFRS 5, the Group has reclassified the following assets and liabilities of the Disposal Group at 31 March 2020 as assets of and liabilities associated with the Disposal Group classified as held for sale, which are measured at lower of carrying amount and fair value less costs to sell, in the Group's consolidated statement of financial position. The analysis is as follows:

	Notes	2020 HK$'000
Assets of the Disposal Group classified as held for sale:		
Property, plant and equipment		1,368
Intangible assets		21,781
Right-of-use assets	18	549
Trade and other receivables		127,704
Tax recoverable		70
Cash and bank balances	24	131,974
		283,446
Liabilities associated with the Disposal Group classified as held for sale:		
Trade and other payables		8,356
Lease liabilities		935
		9,291

The cash flow information of the Disposal Group is as follows:

	2020 HK$'000	2019 HK$'000
Net cash flow from (used in) operating activities	35,762	(45,843)
Net cash flow used in investing activities	(26)	(108)
Net cash flow used in financing activities	(392)	—
Net increase (decrease) in cash and cash equivalents	35,344	(45,951)

12. DISCONTINUED OPERATIONS *(continued)*

Internet micro-credit business *(continued)*

The loss per share information of the Disposal Group is as follows:

	2020	2019
	HK cents	*HK cents*
Loss per share for the Disposal group attributable to owners of the Company		
Basic	**(1.12)**	(1.88)
Diluted	**(1.12)**	(1.88)

The basic and diluted loss per share for the Disposal Group are calculated by dividing the loss for the year of the Disposal Group attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted 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

Basic loss per share is calculated based on the loss for the year ended 31 March 2020 attributable to the equity holders of the Company of approximately HK$709,551,000 *(2019: HK$308,140,000)* and on the weighted average number of 1,644,188,693 ordinary shares *(2019: 1,644,188,693 ordinary shares)* in issue during the year ended 31 March 2020.

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 2020 and 2019.

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 principally 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**
			2020	2019	
Directly held by the Company					
Koolcard Technology Limited	Hong Kong, 20 January 2016	Ordinary, HK$25,000,000	**100%**	100%	Prepaid cards/The PRC
Indirectly held by the Company					
OPG	Cayman Islands, 19 January 2018	Ordinary, HK$10,000,000	**32.50%** *<Note d>*	52.50% *<Note d>*	Investment holding/ Hong Kong

14. SUBSIDIARIES *(continued)*

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
			2020	2019	
Massnet Microcredit *(Note (i))*	The PRC, 8 August 2016	Paid up capital, RMB300,000,000	**100%**	100%	Internet micro-credit business/The PRC
Smartpay Korea Co. Limited	Korea, 26 May 2016	Paid up capital, South Korean Won 176,325,000	**100%**	100%	Provision of travel package/Korea
Union Evernew	Hong Kong, 29 May 2015	Ordinary, HK$30,000	**100%**	100%	Investment holding/ Hong Kong
上海啟峻信息科技有限公司 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
深圳市融易付電子商務有限公司 Shenzhen Rongyifu Electronic Business Limited* ("Rongyifu") *(Note (ii))*	The PRC, 29 January 2014	Registered capital, RMB3,000,000	**–** *<Note f>*	100%	N/A *(2019: Internet payment clearing services/ The PRC)*
上海啟峻投資咨詢有限公司 Shanghai Qijun Investments Consultancy Service Limited* *(Note (i))*	The PRC, 20 December 2013	Paid up capital, RMB44,149,034	**100%**	100%	Software development and internet payment business/The PRC
Million Promise Limited	Hong Kong, 9 July 2013	Ordinary, HK$1	**100%**	100%	Trade financing/Hong Kong
Shanghai Jingyuan *(Note (ii))*	The PRC, 15 January 2013	Paid up capital, RMB10,000,000	**100%** *<Note c>*	100% *<Note c>*	Prestige benefits business/The PRC
Open Union *(Note (ii))*	The PRC, 8 November 2010	Paid up capital, RMB100,000,000	**100%** *<Note a>* *<Note b>*	90% *<Note a>* *<Note b>*	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 c>*	100% *<Note c>*	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

14. SUBSIDIARIES *(continued)*

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 2020	2019	Principal activities/ place of operation
OCG Thailand	Thailand, 27 September 2004	Ordinary, Thai Baht ("Baht") 25,000,000	**32.50%**	52.50%	Merchant acquiring business/Thailand
		Preference, Baht 25,500,000 *<Note e>*	**–**	—	

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

* *English translation for identification purpose only.*

<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>

On 8 December 2015, Beijing Weike and 開聯信息技術有限公司 (Open Union Message Technology Limited*, "Open Union Message"), a non-controlling shareholder of Open Union, entered into an agreement for Beijing Weike to acquire from Open Union Message the remaining 10% equity interests of Open Union at the aggregate consideration of RMB52.0 million (equivalent to approximately HK$56.8million). On 1 March 2020, Beijing Weike entered into a supplementary agreement with Open Union Message, 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.

14. SUBSIDIARIES *(continued)*

<Note c>

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.

<Note d>

In January 2020, Charm Act Group Limited ("Charm Act"), a wholly-owned subsidiary of the Company and the controlling shareholder holding 52.5% of the total issued share capital of OPG, entered into a placing agreement (the "Placing Agreement") with a placing agent to place up to 200,000,000 shares (the "Placing Share(s)") of OPG at the placing price of HK$0.07 per Placing Share on a best effort basis (the "Placing"). After the completion of the Placing on 3 February 2020, the Group received approximately HK$14,000,000 from the Placing and Charm Act holds 325,000,000 ordinary shares of OPG, representing 32.5% of the total issued share capital of OPG. The Directors consider that the Group shall remain as the controlling shareholder and continue to control over OPG.

The Directors assessed that:

- whether or not the Group has control over OPG would base on whether 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 has sought declaration from several placees of the Placing in the aggregate of 13.1% voting rights of OPG 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 sole 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 during the year.

After assessment, although the Group holds 32.5% of the voting rights of OPG, the Group has determined that it has 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.

14. SUBSIDIARIES *(continued)*

<Note d> (continued)

As a result, the non-controlling interests in OPG are increased while the equity attributable to owners of the Company is decreased. The effect of dilution of interest in OPG without loss of control is as follows:

	HK$'000
Carrying amount of interest diluted	(9,322)
Consideration received from non-controlling interests	14,000
Gain recognised in accumulated losses within equity	4,678

<Note e>

At the end of the reporting period, OCG Thailand's share capital is comprised of 2,500,000 ordinary shares with paid up amount of Baht25,000,000 (equivalent to approximately HK$5,857,000) *(2019: Baht25,000,000 (equivalent to approximately HK$5,857,000))* and 2,550,000 preference shares with paid up amount of Baht25,500,000 (equivalent to approximately HK$6,050,000) *(2019: Baht25,500,000 (equivalent to approximately HK$6,335,000))*.

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

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

- one vote for every ten 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 are classified as liabilities instead of equity in the consolidated financial statements in accordance with applicable accounting standards because, although they are 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 is 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 are 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% *(2019: 52.5%)* 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(d) to consolidated financial statements.

<Note f>

On 28 February 2020, the deregistration of Rongyifu was completed. A gain on deregistration of a subsidiary approximately of HK$249,000 was recognised in profit or loss during the year ended 31 March 2020.

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	OPG
At 31 March 2020		
Proportion of NCI's ownership interests	16.38%	67.5%
	HK$'000	*HK$'000*
Current assets	1,811	64,326
Non-current assets	258,492	29,774
Current liabilities	(668)	(11,005)
Non-current liabilities	—	(7,303)
Net assets	259,635	75,792
Carrying amount of NCI	42,516	28,052
Year ended 31 March 2020	*HK$'000*	*HK$'000*
Revenue	1,357	80,485
Expenses	—	(86,062)
Profit (Loss)	1,357	(5,577)
Other comprehensive expenses	(17,899)	(1,257)
Total comprehensive expenses	(16,542)	(6,834)
Profit (Loss) attributable to NCI	222	(3,422)
Total comprehensive expenses attributable to NCI	(2,709)	(4,255)
Dividends paid to NCI	(893)	—
Net cash flows (used in) from:		
Operating activities	(169)	(4,739)
Investing activities	5,597	(10,507)
Financing activities	(5,404)	(1,436)
Total cash inflows (outflows)	24	(16,682)

14. SUBSIDIARIES *(continued)*

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

	Chengfu Investment	OPG	Open Union
At 31 March 2019			
Proportion of NCI's ownership interests	16.38%	47.50%	10%
	HK$'000	*HK$'000*	*HK$'000*
Current assets	1,885	111,957	524,857
Non-current assets	274,957	24,818	31,123
Current liabilities	(665)	(46,601)	(356,507)
Non-current liabilities	—	(7,548)	—
Net assets	276,177	82,626	199,473
Carrying amount of NCI	45,225	22,987	19,947
Year ended 31 March 2019	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	10,879	111,802	300,412
Expenses	—	(119,907)	(288,261)
Profit (Loss)	10,879	(8,105)	12,151
Other comprehensive expenses	(19,246)	(503)	(13,034)
Total comprehensive expenses	(8,367)	(8,608)	(883)
Profit (Loss) attributable to NCI	1,781	(3,594)	1,215
Total comprehensive expenses attributable to NCI	(1,370)	(3,687)	(88)
Dividends paid to NCI	(954)	(1,500)	—
Net cash flows from (used in):			
Operating activities	5,998	2,830	(38,565)
Investing activities	—	(15,982)	6,549
Financing activities	(5,626)	44,444	(54,267)
Total cash inflows (outflows)	372	31,292	(86,283)

15. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
Share of net assets	**79,155**	90,026
Goodwill	**213,722**	215,282
Less: impairment loss	**(86,526)**	(82,028)
	206,351	223,280

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**
			2020	2019	
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 c>*	22.21% *<Note c>*	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 c>*	22.21% *<Note c>*	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
啟峻電子支付(武漢)有限公司 Qijun Electronic Payment (Wuhan) Limited* ("Qijun Wuhan")	The PRC	RMB100,000,000	**–** *<Note a>*	35%	N/A *(2019: Inactive)*
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

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
			2020	2019	
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	**33%** <Note d>	—	Development of e-commerce applications, and software and programmes

* English translation for identification purpose 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 would not cause an impairment loss.

The impairment assessment of goodwill is based on the valuation by an independent valuer.

<Note a>

On 29 September 2019, the deregistration of Qijun Wuhan completed. All assets of Qijun Wuhan were fully written-off in prior years.

<Note b>

The Group owned the equity interests in Chengfu Investment, which in turn holds 48.88% equity interests in CUL and its wholly-owned subsidiaries including CUL E-commerce and HKUL (collectively referred to as the "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 for the year ended 31 March 2018.

The Group carried out an impairment assessment for the interests in the CUL Group at 31 March 2020, 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 3% 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. Accordingly, goodwill was not impaired for the years ended 31 March 2020 and 2019. 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.

15. INTERESTS IN ASSOCIATES *(continued)*

<Note c>

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 was fully impaired in prior years.

<Note d>

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.

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.

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 (d))*
At 31 March 2020				
Gross amounts				
Non-current assets	335	10,507	307	1,405
Current assets	6,034	206,515	9,302	23,065
Current liabilities	(274)	(71,049)	(37)	(18,947)
Non-current liabilities	—	(180)	—	(266)
Equity	6,095	145,793	9,572	5,257
Reconciliation				
Gross amount of equity	6,095	145,793	9,572	5,257
Group's ownership interests and voting rights	20%	48.88%	30.88%	33%
Group's share of equity	1,219	71,267	2,956	1,735
Goodwill	5,022	181,775	—	355
Impairment loss	—	(59,295)	—	—
Carrying amount of interests	6,241	193,747	2,956	2,090
Year ended 31 March 2020 (or since acquisition)				
Gross amounts				
Revenue	117,360	114,190	426	489
Loss	(1,760)	(8,676)	(33)	(175)
Other comprehensive expenses	(494)	(10,201)	(663)	—
Total comprehensive expenses	(2,254)	(18,877)	(696)	(175)
Group's share of:				
Loss	(352)	(4,241)	(10)	(58)
Other comprehensive expenses	(99)	(4,987)	(205)	—
Total comprehensive expenses	(451)	(9,228)	(215)	(58)
Dividends received from an associate	—	5,596	—	—

15. INTERESTS IN ASSOCIATES *(continued)*

Financial information of individually material associates *(continued)*

	Dailian Youwawa *HK$'000*	Koolcloud Group *HK$'000*	CUL Group *HK$'000* *(Note (b))*	Zhejiang Jie Jing *HK$'000*
At 31 March 2019				
Gross amounts				
Non-current assets	603	11,856	12,698	603
Current assets	8,621	18,852	229,605	9,766
Current liabilities	(874)	(16,906)	(77,394)	(101)
Equity	8,350	13,802	164,909	10,268
Reconciliation				
Gross amount of equity	8,350	13,802	164,909	10,268
Group's ownership interests and voting rights	20%	22.21%	48.88%	30.88%
Group's share of equity	1,670	3,065	80,611	3,171
Goodwill	5,369	15,567	194,346	—
Impairment loss	—	(18,632)	(63,395)	—
Carrying amount of interests	7,039	—	211,562	3,171
Year ended 31 March 2019 (or since acquisition)				
Gross amounts				
Revenue	138,788	13,579	122,416	306
Profit (Loss)	118	(8,583)	10,303	(237)
Other comprehensive (expenses) income	(584)	(1,579)	(10,992)	259
Total comprehensive (expenses) income	(466)	(10,162)	(689)	22
Group's share of:				
Profit (Loss)	24	(1,906)	5,036	(73)
Other comprehensive (expenses) income	(117)	(351)	(5,373)	80
Total comprehensive (expenses) income	(93)	(2,257)	(337)	7
Dividends received from an associate	—	—	5,833	—

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 2018	—	468,821	155,055	9,254	633,130
Impairment loss	—	—	(87,202)	(8,651)	(95,853)
Exchange realignments	—	(31,322)	—	(603)	(31,925)
At 31 March 2019 and 1 April 2019	—	437,499	67,853	—	505,352
Impairment loss	—	(424,053)	(67,853)	—	(491,906)
Exchange realignments	—	(13,446)	—	—	(13,446)
At 31 March 2020	—	—	—	—	—
Cost	988	437,499	192,417	44,877	675,781
Accumulated impairment loss	(988)	—	(124,564)	(44,877)	(170,429)
At 31 March 2019	—	437,499	67,853	—	505,352
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 2020	—	—	—	—	—

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.

At 31 March 2020, the Group assessed the recoverable amount of the Prepaid Cards and Internet Payment CGU with reference to a value-in-use calculation based on cash flow projection of Beijing Weiki and its subsidiary. The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% 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.

In view of the decrease in merchant service fee income resulted from temporary suspension of access to new business by Open Union due to the investigation carried out by the operation office of the PBOC for the foregoing non-compliance incidents and the adverse impact on the Prepaid Cards and Internet Payment Business performance and financial results caused by the outbreak of the COVID-19, the recoverable amount of the Prepaid Cards and Internet Payment CGU based on the value-in-use calculation was approximately HK$136,463,000 *(2019: approximately HK$946,599,000)*. Accordingly, having compared with the carrying amount of the Prepaid Cards and Internet Payment CGU, impairment loss of approximately HK$424,053,000 *(2019: Nil)* was recognised against the goodwill associated with the Prepaid Cards and Internet Payment CGU during the year ended 31 March 2020.

Key assumptions and inputs used for the value-in-use calculation are as follows:

	2020	2019
Average gross profit margin	**44.0%**	38.4%
Average growth rate	**15.2%**	16.0%
Long-term growth rate	**3%**	3%
Discount rate	**22.4%**	23.0%

Management determined the budgeted growth rate based on past performance and the expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the Prepaid Cards and Internet Payment CGU.

16. GOODWILL *(continued)*

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").

At 31 March 2020, the Group assessed the recoverable amount of the Prestige Benefits CGU with reference to a value-in-use calculation based on cash flow projection of AE Investment and its subsidiaries. The calculation uses cash flow projection based on financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% 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.

During the year ended 31 March 2020, in light of the challenging business environment in the Prestige Benefits CGU which is facing a more competitive market, while in addition, the Group stopped to cooperate with one of the major customers and some cold call centres because cold call marketing are less effective due to PRC government's promotion and public awareness of telephone scam. Furthermore, due to the outbreak of COVID-19, it caused the adverse impact on the Prestige Benefits CGU performance and financial results, and hence the Group applied a lower growth rate in the cash flow projections for value-in-use calculation of the Prestige Benefits CGU. Accordingly, the average growth rate was lowered to 4.0% *(2019: 5.0%)*, whilst the gross profit margin was lowered to 0.6% *(2019: 11.9%)*.

The recoverable amount of the Prestige Benefits CGU based on the value-in-use calculation was approximately HK$2,000,000 *(2019: approximately HK$35,000,000)*. Accordingly, having compared with the carrying amount of the Prestige Benefit CGU, further impairment loss of approximately HK$67,853,000 *(2019: approximately HK$87,202,000)* was recognised against the goodwill associated with the Prestige Benefits CGU for the current reporting period.

Key assumptions and inputs used for value-in-use calculations are as follows:

	2020	2019
Average gross profit margin	**0.6%**	11.9%
Average growth rate	**4.0%**	5.0%
Long-term growth rate	**3%**	3%
Discount rate	**14.4%**	14.7%

Management determined the budgeted gross profit margin and growth rate based on past performance and the expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the Prestige Benefits CGU.

16. GOODWILL *(continued)*

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.

16(e) Sensitivity of key assumptions

The management identified the following key assumptions in which a reasonably possible change on an individual basis would cause any or additional impairment loss.

Reasonably possible changes that individually cause additional impairment loss on the identifiable assets:

	Change	2020 Increase of impairment *HK$'000*
Prepaid Cards and Internet Payment CGU		
Gross profit margin	Decrease 1%	**5,309**
Average growth rate	Decrease 1%	**13,011**
Discount rate	Increase 1%	**11,078**
Prestige Benefits CGU		
Gross profit margin	Decrease 1%	**46**
Average growth rate	Decrease 1%	**7,274**
Discount rate	Increase 1%	**5,171**

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2018	34,885	5,371	42,774	1,991	85,021
Additions	—	152	5,650	—	5,802
Disposal of subsidiaries	—	(100)	(1,281)	—	(1,381)
Disposals	—	—	(892)	(31)	(923)
Write-off	—	(1,577)	(1,103)	—	(2,680)
Exchange realignments	(1,976)	(288)	(1,578)	(119)	(3,961)
At 31 March 2019 and at 1 April 2019	32,909	3,558	43,570	1,841	81,878
Additions	—	275	4,550	—	4,825
Transition to HKFRS 16	(32,909)	—	—	—	(32,909)
Reclassified as held for sale *(Note 12)*	—	(2,171)	(1,442)	—	(3,613)
Disposals	—	—	(432)	—	(432)
Write-off	—	—	(7,647)	—	(7,647)
Exchange realignments	—	(192)	(2,115)	(106)	(2,413)
At 31 March 2020	**–**	**1,470**	**36,484**	**1,735**	**39,689**
Accumulated depreciation					
At 1 April 2018	5,301	1,583	21,490	1,403	29,777
Charges	1,513	1,039	7,702	282	10,536
Disposal of subsidiaries	—	(53)	(605)	—	(658)
Disposals	—	—	(645)	(29)	(674)
Write-off	—	(613)	(596)	—	(1,209)
Exchange realignments	(354)	(53)	(749)	(91)	(1,247)
At 31 March 2019 and at 1 April 2019	6,460	1,903	26,597	1,565	36,525
Charges	—	674	6,452	88	7,214
Transition to HKFRS 16	(6,460)	—	—	—	(6,460)
Reclassified as held for sale *(Note 12)*	—	(1,194)	(1,051)	—	(2,245)
Disposals	—	—	(380)	—	(380)
Write-off	—	—	(6,934)	—	(6,934)
Exchange realignments	—	(95)	(1,330)	(96)	(1,521)
At 31 March 2020	**–**	**1,288**	**23,354**	**1,557**	**26,199**
Net carrying amount					
At 31 March 2020	**–**	**182**	**13,130**	**178**	**13,490**
At 1 April 2019	26,449	1,655	16,973	276	45,353

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Leasehold land and buildings *HK$'000*	Office premises *HK$'000*	Machinery *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount year ended 31 March 2020				
At the beginning of the reporting period — upon adoption of HKFRS 16 *(Note 3)*	26,449	16,080	39	42,568
Additions	—	5,726	—	5,726
Termination of contract	—	(2,985)	—	(2,985)
Depreciation	(1,139)	(8,490)	(9)	(9,638)
Disposal	(24,462)	—	—	(24,462)
Reclassified as held for sale *(Note 12)*	—	(549)	—	(549)
Exchange realignments	(848)	(646)	(2)	(1,496)
At the end of the reporting period	—	9,136	28	9,164
Cost	—	15,630	37	15,667
Accumulated depreciation	—	(6,494)	(9)	(6,503)
Net carrying amount	—	9,136	28	9,164

Lease liabilities

	2020 *HK$'000*
Current portion	7,753
Non-current portion	1,613
	9,366

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

Lease liabilities *(continued)*

The Group has recognised the following amounts for the year:

	2020	2019
	HK$'000	*HK$'000*
Lease payments — Short-term leases	**834**	—
Operating lease payments	**—**	11,637
Expenses recognised in profit or loss	**834**	11,637

The Group leases various office premises and machinery for its daily operations and the lease terms ranging from one to five years. The total cash outflow for leases was approximately HK$8,421,000 for the year ended 31 March 2020.

At 31 March 2020, the weighted average effective interest rate for the lease liabilities of the Group was 3.59% per annum.

Restrictions or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use assets 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 and termination options

The lease contract of office premises contain an extension and termination options. These options aim to provide flexibility to the Group in managing the leased assets with options to extend at the end of the terms from 1 to 2 years.

Commitment under leases

At 31 March 2020, the Group was committed to pay approximately HK$1,225,000 for short-term leases.

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	HK$'000
Within one year	7,452
In the second to fifth year inclusive	7,432
	14,884

19. INTANGIBLE ASSETS

	Computer software <Note a> HK$'000	Licence rights HK$'000	Payment network membership <Note b> HK$'000	Total HK$'000
Cost				
At 1 April 2018	92,484	30	329	92,843
Additions	16,948	—	—	16,948
Exchange realignments	(3,871)	(2)	(6)	(3,879)
At 31 March 2019 and at 1 April 2019	105,561	28	323	105,912
Additions	18,413	—	—	18,413
Reclassified as held for sale *(Note 12)*	(46,858)	—	—	(46,858)
Exchange realignments	(4,725)	(2)	(15)	(4,742)
At 31 March 2020	**72,391**	**26**	**308**	**72,725**
Accumulated amortisation and impairment loss				
At 1 April 2018	27,329	11	—	27,340
Charges	18,694	3	—	18,697
Exchange realignments	(1,496)	(1)	—	(1,497)
At 31 March 2019 and at 1 April 2019	44,527	13	—	44,540
Charges	21,417	3	—	21,420
Reclassified as held for sale *(Note 12)*	(25,077)	—	—	(25,077)
Exchange realignments	(1,878)	(1)	—	(1,879)
At 31 March 2020	**38,989**	**15**	**—**	**39,004**
Net carrying amount				
At 31 March 2020	**33,402**	**11**	**308**	**33,721**
At 1 April 2019	61,034	15	323	61,372

19. INTANGIBLE ASSETS *(continued)*

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.

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.

In view of the deteriorate economy and the outbreak of COVID-19 during the year ended 31 March 2020, the management considered that there is impairment indicator exists for certain intangible assets in related to the Prepaid Cards and Internet Payment CGU and Prestige Benefits CGU with carrying amount of approximately HK$10,218,000 and approximately HK$8,565,000, respectively, and there is no impairment indicator for the remaining intangible assets.

With reference to Notes 16(b) and 16(c) to the consolidated financial statements, no further impairment loss is recognised for assets other than goodwill in the Prepaid Cards and Internet Payment CGU and Prestige Benefits CGU based on the value-in-use calculation. Accordingly, such intangible assets were not impaired for the year ended 31 March 2020.

Notes:

(a) Computer software mainly represents new acquiring and clearing system with carrying amount of approximately HK$7,200,000 *(2019: Nil)* and enhancement of host system to extend the payment processing services to cover other payment network associations with carrying amount of approximately HK$6,300,000 *(2019: Nil)*. At the end of the reporting period, the remaining amortisation period of the computer software is 4.5 years *(2019: Nil)*.

(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.

20. FINANCIAL ASSET AT FVPL

	2020 ***HK$'000***	2019 *HK$'000*
Unlisted equity investment in Hong Kong		
Mandatorily measured at FVPL	**300**	—

The amount represents 5.0332% *(2019: Nil)* interest in a private entity incorporated in Hong Kong. Its principal activities are sales of point of sales machines and provision of internet payment services.

21. INVENTORIES

	2020 ***HK$'000***	2019 *HK$'000*
Finished goods	**296**	648

22. TRADE AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade receivables			
Trade receivables from third parties		**41,126**	111,263
Less: Loss allowance	*37(a)(iii)*	**(19,617)**	(9,534)
	(a)	**21,509**	101,729
Loan receivables			
Loan and interest receivables from independent third parties		**31,081**	250,062
Less: Loss allowance	*37(a)(iii)*	**(8,673)**	(37,515)
	(b)	**22,408**	212,547
Other receivables			
Deposits on investments	*(c)*	**—**	64,196
Deposits paid for acquisition of intangible assets	*33(c)*	**—**	11,636
Deposits paid to merchants	*(d)*	**13,848**	18,599
Deposits, prepayments and other debtors	*(e)*	**79,099**	57,535
Due from a related party	*(f)*	**654**	—
Due from an associate	*(g)*	**10,917**	11,672
		104,518	163,638
		148,435	477,914
Analysed by:			
Non-current		**—**	75,832
Current		**148,435**	402,082
		148,435	477,914

22. TRADE AND OTHER RECEIVABLES *(continued)*

22(a) Trade receivables

The Group allows a credit period up to 45 days *(2019: 90 days)* to its trade debtors. At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance) by invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Less than 1 month	**8,482**	49,737
1 month to 3 months	**24**	5,563
3 months to 6 months	**280**	6,010
6 months to 1 year	**216**	40,419
Over 1 year	**12,507**	—
	21,509	101,729

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance) by due date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Current	**8,488**	49,739
Past due:		
Less than 1 month	**23**	5,552
1 month to 3 months	**276**	5,929
3 months to 6 months	**132**	90
6 months to 1 year	**83**	40,419
Over 1 year	**12,507**	—
	13,021	51,990
	21,509	101,729

22. TRADE AND OTHER RECEIVABLES *(continued)*

22(b) Loan receivables

At the end of the reporting period, the loan receivables:

(i) are unsecured *(2019: unsecured)*;

(ii) include an aggregate amount of approximately HK$4,886,000 *(2019: approximately HK$212,547,000)* which carries interest rates of 8% per annum *(2019: ranged from 6.03% to 24% per annum)*, and the remaining balances are interest-free; and

(iii) have contractual loan period up to 21 months *(2019: between 3 months 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:

	2020	2019
	HK$'000	*HK$'000*
Less than 1 month	–	57,821
1 month to 3 months	–	59,709
3 months to 6 months	–	61,404
Over 6 months	**22,408**	33,613
	22,408	212,547

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:

	2020	2019
	HK$'000	*HK$'000*
Not yet past due	**22,408**	180,497
Past due:		
Less than 1 month	–	2,173
1 month to 3 months	–	6,380
3 months to 6 months	–	545
Over 6 months	–	22,952
	–	32,050
	22,408	212,547

22. TRADE AND OTHER RECEIVABLES *(continued)*

22(c) Deposits on investments

	Note	**2020** **HK$'000**	2019 *HK$'000*
Deposits on acquisition of the remaining interests in Open Union	*14(b)*	**—**	60,694
Deposits on potential investments in equity interests in other entities		**—**	3,502
		—	64,196

22(d) Deposits paid to merchants

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

22(e) Deposits, prepayments and other debtors

	2020 **HK$'000**	2019 *HK$'000*
Funds prepaid to merchants *(Note)*	**563**	1,919
Receivables from a service provider	**12**	417
Other deposits, prepayments and other debtors	**78,524**	55,012
Trade deposits and prepayments	**—**	187
	79,099	57,535

Note: The amounts represented funds remitted to the merchants in advance for the settlement of the spending to be made by the prepaid cards' holders and internet payment accounts' holders. The prepaid amounts are based on the historical spending pattern and expected transaction value with individual merchants.

22(f) Due from a related party

The amount due is unsecured, interest-free and repayable on demand. The related party is controlled by a director, Mr. Yan Dinggui. The greatest outstanding amount during the year is approximately HK$654,000 *(2019: Nil)*.

22(g) Due from an associate

The amount due is unsecured, interest-free and repayable on demand.

23. RESTRICTED FUNDS

	Notes	2020 HK$'000	2019 HK$'000
Bank deposits in:			
Thailand	(a)	**2,307**	1,858
The PRC	(b)	**290,663**	365,113
		292,970	366,971

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 of 3.3% *(2019: 2.30% to 2.50%)* per annum.

24. CASH AND BANK BALANCES

	Note	2020 HK$'000	2019 HK$'000
Cash and bank balances			
Cash at bank and in hand		**65,524**	201,034
Bank balances and cash attributable to the Disposal Group classified as held for sale	12	**131,974**	—
As stated in the consolidated statement of cash flows		**197,498**	201,034

25. TRADE AND OTHER PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade payables	(a)	**22,862**	87,885
Prestige benefits cards – provision of hotel and catering expenses	(b)	**9,206**	10,256
Unutilised float funds	(c)	**249,525**	303,362
		281,593	401,503
Other payables			
Accruals and other payables		**63,886**	40,356
Due to ex-shareholder of a subsidiary	(d)	**—**	861
Due to directors	(d)	**109**	3,502
Due to an associate	(d)	**676**	722
Due to related companies	(e)	**149,729**	5,252
		214,400	50,693
		495,993	452,196

25(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:

	2020 HK$'000	2019 HK$'000
Less than 1 month	**11,973**	77,101
1 month to 3 months	**2,544**	3,001
Over 3 months	**8,345**	7,783
	22,862	87,885

25(b) Prestige benefits cards – provision of hotel and catering expenses

	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period	**10,256**	13,031
Additions	**65,166**	144,374
Utilised	**(66,216)**	(147,149)
At the end of the reporting period	**9,206**	10,256

25. TRADE AND OTHER PAYABLES *(continued)*

25(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.

25(d) Due to ex-shareholder of a subsidiary/directors/an associate

The amounts due are unsecured, interest-free and repayable on demand.

25(e) Due to related companies

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

26. CONTINGENT CONSIDERATION

	2020	2019
	HK$'000	*HK$'000*
Reconciliation of carrying amount		
At the beginning of the reporting period	–	37,766
Waiver of contingent consideration	–	(37,766)
At the end of the reporting period	–	—

27. DEFERRED TAXATION

The movement for the year in the Group's deferred tax assets (liabilities) was as follows:

	Tax losses *HK$'000*	Provisions *HK$'000*	Undistributed earnings *HK$'000*	Fair value adjustments *HK$'000*	Total *HK$'000*
At 1 April 2018	279	29	(1,213)	(1,264)	(2,169)
Charge to profit or loss	(23)	(5,971)	—	—	(5,994)
Exchange realignments	—	(13)	—	—	(13)
At 31 March 2019 and at 1 April 2019	256	(5,955)	(1,213)	(1,264)	(8,176)
Charge to profit or loss	(71)	—	—	—	(71)
Exchange realignments	—	385	—	—	385
At 31 March 2020	**185**	**(5,570)**	**(1,213)**	**(1,264)**	**(7,862)**

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		Liabilities	
	2020 ***HK$'000***	2019 *HK$'000*	**2020** ***HK$'000***	2019 *HK$'000*
Provisions	**9**	9	**(5,579)**	(5,955)
Tax losses	**185**	256	**—**	—
Fair value adjustments	**—**	—	**(1,264)**	(1,264)
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**—**	—	**(1,213)**	(1,213)
Deferred tax assets (liabilities)	**194**	265	**(8,056)**	(8,432)
Amount expected to be recovered (settled) after more than 12 months	**194**	265	**(8,056)**	(8,432)

At the end of the reporting period, deferred tax liabilities of approximately HK$1,213,000 *(2019: approximately HK$1,213,000)* have been recognised for the future withholding tax implications of the portion of undistributed earnings of OCG Thailand that may be distributed in the foreseeable future. Certain retained earnings of OCG Thailand are kept for financing the continuing operations with reference to the working capital level. After considering the remaining retained earnings available for distribution in the foreseeable future, no additional provision for deferred taxation has been made for the year ended 31 March 2020.

For the retained earnings required for financing the continued operation, such retained earnings would be subject to additional taxation if they are distributed. At 31 March 2020, the estimated withholding tax effect on the distribution of such retained earnings of OCG Thailand was approximately of HK$894,000 *(2019: approximately HK$829,000)*.

27. DEFERRED TAXATION *(continued)*

In addition to OCG Thailand, the accumulated profits of certain subsidiaries in the PRC would be subject to additional taxation if they are distributed. At 31 March 2020, the estimated withholding tax effect on the distribution of accumulated profits of these entities was approximately of HK$1,775,000 *(2019: approximately HK$6,699,000*). 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:

	2020	2019
	HK$'000	*HK$'000*
Year 2020	**—**	2,475
Year 2021	**6,847**	7,653
Year 2022	**91**	715
Year 2023	**40**	571
Year 2024	**26,974**	61,720
Year 2025	**46,718**	—
No expiry	**12,160**	4,537
	92,830	77,671

28. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent preference shares issued by OCG Thailand.

At the end of the reporting period, the Group had an outstanding amount due to a non-controlling shareholder of Baht 25,500,000 (equivalent to approximately HK$6,050,000) *(2019: Baht 25,500,000 (equivalent to approximately HK$6,335,000))* in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum, with no accrued dividend payable *(2019: Nil)*.

29. BONDS

(a) Terms and Condition

In July 2016, the Company entered into subscription agreements with three independent third parties to issue:

(i) 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; and

(ii) convertible bonds with coupon interest rate of 4% per annum (the "First Convertible Bonds") in the principal amount of US$8 million (equivalent to approximately HK$62 million) which will mature on the third anniversary of the issue date. Based on the initial conversion price of HK$1.90 per share, the holder of the First Convertible Bonds could convert into a maximum of 32,631,578 ordinary shares of the Company in any time on or after the date of issuance of the First Convertible Bonds up to and inclusive of the maturity date. The net price per conversion share under the First Convertible Bonds to be issued is approximately HK$1.87.

The issuance of the First Bonds and the First Convertible Bonds were completed on 1 August 2016 and 12 August 2016, respectively. Details of the subscription of the First Bonds and the First Convertible 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:

(i) 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; and

(ii) convertible bonds with coupon interest rate of 4% per annum (the "Second Convertible Bonds") in the principal amount of US$4 million (equivalent to approximately HK$31 million) which will mature on the third anniversary of the issue date. Based on the initial conversion price of HK$1.90 per share, the holder of the Second Convertible Bonds could convert into a maximum of 16,315,789 ordinary shares of the Company, in any time on or after the date of issuance of the Second Convertible Bonds up to and inclusive of the maturity date. The net price per conversion share under the Second Convertible Bonds to be issued is approximately HK$1.87.

The issuance of the Second Bonds and the Second Convertible Bonds were completed on 4 August 2016 and 12 August 2016, respectively. Details of the subscription of the Second Bonds and the Second Convertible Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 2 August 2016.

29. BONDS *(continued)*

(b) Early Redemption of Convertible Bonds

On 21 March 2019, the Company has sought written consent from each of the subscribers (the "Subscribers") of the convertible bonds for the early redemption of the convertible bonds in the aggregate outstanding principal amount of approximately US$12,000,000 (equivalent to approximately HK$89,437,000) on 22 March 2019 (the "Early Redemption Date") at a total redemption price of approximately US$15,224,000 (equivalent to approximately HK$119,661,000), including the outstanding principal amounts, outstanding interest and any additional amounts, costs, and expenses payable up to the Early Redemption Date (the "Early Redemption").

On the Early Redemption Date, the Company has settled the Early Redemption Price in full and the Early Redemption was completed on the same date. Accordingly, loss on early redemption of convertible bonds of approximately HK$31,751,000 was resulted and recognised in the profit or loss for the year ended 31 March 2019.

Details of the written consent are set out in the Company's announcement dated 22 March 2019.

(c) Breach of Business Operation Covenant and Further Extension of the Maturity Date

Pursuant to the terms and conditions of the First Bonds and the Second Bonds (collectively referred to as the "Bonds") in the aggregate principal amount of US$48,000,000 (equivalent to approximately HK$371,406,000), the Company is required to give certain business operation covenants, which include, among others, the equity attributable to equity holders of the Company as shown in the annual or semi-annual reports of the Company published in accordance with the GEM Listing Rules being no less than HK$1,200,000,000 (or its equivalent in any other currency) (the "Relevant Covenant"). Breach of Relevant Covenant may constitute an event of default giving rise to the right of the holders of the Bonds to redeem the outstanding Bonds and hence enforce the collateral.

On 6 August 2019, the Company has obtained consent in writing from each of the Subscribers, by way of, among others, letters of consent signed by each of the Subscribers, to extend the maturity date (i.e. 1 August 2019) to 1 February 2020. The Company made a partial redemption in an aggregate amount of US$7,998,400 (equivalent to approximately HK$62,787,000), together with the interest accrued and payable thereon in an aggregate amount of US$2,172,000 (equivalent to approximately HK$17,050,000) and the payment of a lump-sum administrative fee to the Subscribers in an aggregate amount of US$333,444 (equivalent to approximately HK$2,617,000). Following the partial redemption, the aggregate outstanding amount of the bonds has been reduced to US$40,001,600 (equivalent to approximately HK$314,012,000).

On 26 February 2020, the Company has obtained (i) the waiver (the "Waiver") of the Company's compliance with and satisfaction of the Relevant Covenant; and (ii) confirmation that the breach shall not constitute an event of default, in writing, from each of the Subscribers to the outstanding Bonds.

29. BONDS *(continued)*

(c) Breach of Business Operation Covenant and Further Extension of the maturity date *(continued)*

On the same date, the Company obtained consent in writing from each of the Subscribers to further extend the maturity date (i.e. 1 February 2020) to 1 August 2020 (the "Further Extension"), pursuant to which the Company undertakes to the Subscribers that it shall:

(i) on or before 1 May 2020 redeem certain Bonds held by the Subscribers in the aggregate principal amount of US$3,000,000 (equivalent to approximately HK$23,550,000) and the relevant unpaid interest, default interest and fees accrued thereron. At the date of approval of the consolidated financial statements, such amount had been paid;

(ii) on or before 24 July 2020 redeem certain Bonds held by the Subscribers in the aggregate principal amount of US$20,327,200 (equivalent to approximately HK$159,569,000) and the relevant unpaid interest, default interest and fees accrued thereron; and

(iii) on or before 1 August 2020 redeem remaining Bonds held by the Subscribers in the aggregate principal amount of US$16,674,400 (equivalent to approximately HK$130,894,000) and relevant unpaid interest default interest and fees accrued thereon.

Should the Company fail to redeem the Bonds held by the Subscribers in accordance with the manner as mentioned above, the Subscribers shall be entitled to, by giving prior notice in writing to the Company, withdraw their consent to the Waiver and the Further Extension. Details of the Waiver and the Further Extension are set out in the Company's announcement dated 26 February 2020.

30. SHARE CAPITAL

	2020		2019	
	Number of shares	**Nominal value** ***HK$'000***	Number of shares	Nominal value *HK$'000*
Authorised	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid				
At the beginning and the end of the reporting period	**1,644,188,693**	**16,441**	1,644,188,693	16,441

31. RESERVES

31(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.

31(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.

31(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.

31(d) Statutory reserve

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

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.

31(e) Fair value reserve (recycling)

The fair value reserve (recycling) represented the cumulative net changes in the fair value of the equity investment listed in Hong Kong classified as available-for-sales financial assets held prior to 31 March 2018.

31(f) Fair value reserve (non-recycling)

Fair value reserve (non-recycling) comprised the accumulated net change in the fair value of financial assets at Designated FVOCI at the end of the reporting period and was dealt with in accordance with the accounting policies adopted.

31(g) Dividend

The Directors do not recommend the payment of a dividend for the years ended 31 March 2020 and 2019.

32. SHARE OPTION SCHEME

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

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

The exercise period of an option under the Scheme will be notified by the Board of Directors to each participant, which shall not exceed 10 years from the date upon which the option is granted. The Scheme does not contain specific provisions on the minimum period during which an option must be held before it can be exercised. Upon acceptance of the option, the eligible person shall pay HK$1 to the Company by way of consideration for the grant. Subject to the early termination provisions of the Scheme, the Scheme will remain valid for a period of 10 years commencing from 14 August 2009.

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

Subject to the early termination provisions of the Scheme, the Scheme will remain valid for a period of 10 years commencing from 14 August 2009 and had expired on 13 August 2019. The terms of the Scheme remained in force for those share options already granted under the Share Option Scheme and were outstanding during the year.

Pursuant to an ordinary resolution passed in Annual General Meeting ("AGM") on 23 September 2019, the refreshment of the 30% limit (the "Refreshment") was proposed and passed by shareholders in AGM. The total number of the shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 493,256,608 shares, representing 30% of the issued share capital of the Company as at the date of the AGM approving the Refreshment. No further refreshment was proposed and passed up to the date of the consolidated financial statements.

At the end of the reporting period, options of 493,256,608 *(2019: 493,256,608)* of the Company, represent 30% *(2019: 30%)* of its issued share capital, are available for issue.

32. SHARE OPTION SCHEME *(continued)*

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

		Number of options	
	Notes	**2020**	2019
At the beginning of the reporting period	*(i)*	**255,480,000**	323,080,000
Forfeited during the year	*(ii),(iv) and (v)*	**(161,080,000)**	(15,600,000)
Lapsed during the year	*(iii) and (vi)*	**(63,400,000)**	(52,000,000)
At the end of the reporting period		**31,000,000**	255,480,000
Weighted average exercise price			
At the beginning of the reporting period		**HK$1.86**	HK$1.82
At the end of the reporting period		**HK$1.85**	HK$1.86
Exercisable		**HK$1.85**	HK$1.86
Weighted average remaining contractual life		**0.98 years**	1.12 years
Exercisable option at the end of the reporting period		**24,388,889**	205,320,741
Range of exercise price for option outstanding		**HK$1.68-HK$2.22**	HK$1.55-HK$2.22

Notes:

(i)
- On 22 September 2014, options of 8,600,000 shares were granted to Mr. Xiong Wensen, who is an executive director of the Company appointed on 3 June 2014. In addition, options of 63,400,000 shares were granted to the Group's employees and service providers. The share options were granted under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK$1.55 per share. The validity period of the share options is five years from 22 September 2014.

- On 21 April 2015, options of 103,680,000 shares were granted to certain eligible persons, of which options of 35,000,000 shares were granted to executive directors of the Company, and options of 15,000,000 and 53,680,000 shares were granted to the Group's employees and service providers, respectively. The share options were granted under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK$2.22 per share. Details of number of share options granted to the Directors are set out below:

Name of executive directors	**Number of share options granted**
Mr. Zhang Huaqiao	20,000,000
Dr. Cao Guoqi	5,000,000
Mr. Xiong Wensen	5,000,000
Mr. Song Xiangping	5,000,000

32. SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(i) *(continued)*

The validity period of the share options is five years from 21 April 2015, subject to the following vesting conditions:

- 34,560,000 share options: vested on 21 April 2016;
- 34,560,000 share options: vested on 21 April 2017; and
- 34,560,000 share options: vested on 21 April 2018.

• On 1 September 2016, options of 93,400,000 shares were granted to certain eligible persons, of which options of 15,000,000 and 1,400,000 shares were granted to executive directors and an independent non-executive director of the Company, respectively, under the Scheme to subscribe the Company's ordinary shares at an exercise price of HK$1.68 per share. Details of number of share options granted to the Directors are set out below:

Name of executive directors/independent non-executive director	Number of share options granted
Mr. Zhang Huaqiao	5,000,000
Dr. Cao Guoqi	10,000,000
Dr. Zhou Jinhunag	1,400,000

The validity period of the share options is five years from 1 September 2016, subject to the following vesting conditions:

- 31,133,333 share options: vested on 1 September 2017; and
- 62,266,667 share options: vested on the 1st day of each month over a period of three years commencing from 1 September 2018 in equal portions.

(ii) Upon the resignation of Mr. Xiong Wensen on 5 July 2018 and Mr. Fung Weichang on 30 October 2018, executive directors of the Company, 13,600,000 and 2,000,000 share options granted to Mr. Xiong Wensen and Mr. Fung Weichang, to subscribe the Company's ordinary shares at an exercise price ranging from HK$1.55 to HK$2.22 and HK$1.68, respectively, were forfeited.

(iii) Upon the expiry of the validity period, on 19 November 2018, options of 6,000,000 shares granted to Dr. Cao Guoqi, an executive director of the Company, options of 7,500,000 shares granted to the Group's employees and options of 38,500,000 shares granted to the Group's service providers, to subscribe the Company's ordinary shares at an exercise price of HK$1.68 per share were lapsed.

(iv) Upon the resignation of Mr. Zhang Huoqiao, a non-executive director of the Company, and Dr. Cao Guoqi, an executive director of the Company, on 20 January 2020, options of 25,000,000 shares and options of 15,000,000 shares granted to Mr. Zhang Huaqiao and Dr. Cao Guoqi to subscribe the Company's ordinary shares at an exercise price ranging from HK$1.68 to HK$2.22 were forfeited.

(v) Upon the resignation of the Group's employees, options of 121,080,000 shares granted to them to subscribe the Company's ordinary shares at an exercise price ranging from HK$1.68 to HK$2.22 were forfeited during the year ended 31 March 2020.

32. SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(vi) Upon the expiry of the validity period, on 21 September 2019, options of 30,500,000 shares granted to the Group's employees and options of 32,900,000 shares granted to the Group's service providers, to subscribe the Company's ordinary shares at an exercise price of HK$1.55 per share were lapsed.

<Remark>
The fair value of outstanding share options (i) granted on 21 April 2015 and 1 September 2016 and (ii) the fulfillment of the service conditions on 21 April 2015 are calculated using the Binomial Option Pricing Model, with the following key inputs:

	Date of grant		Date of service conditions fulfilled
	21 April 2015	**1 September 2016**	**21 April 2015**
Fair value	HK$0.96-HK$1.31	HK$0.86-HK$0.93	HK$0.96-HK$1.24
Share price immediately before the grant/fulfilment date	HK$1.99	HK$1.68	HK$1.99
Share price at grant/fulfillment date	HK$2.20	HK$1.68	HK$2.20
Exercise price	HK$2.22	HK$1.68	HK$2.22
Expected volatility	77.17%	67.40%	77.17%
Risk-free interest rate	1.021%	0.631%	1.021%
Expected dividends	Nil	Nil	Nil
Voluntary exercise boundary multiple	1.60-2.47	2.47	1.60

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 regards to the limitation of calculation model applied.

During the year ended 31 March 2020, with reference to the fair value of the share options at grant date, the Group recognised approximately HK$9,253,000 *(2019: approximately HK$16,824,000)* as the share-based compensation costs.

In addition, upon the resignation of directors of the Company and the Group's employees as mentioned in Notes 32(iv) and 32(v) to the consolidated financial statements, respectively, share-based compensation costs of approximately HK$18,004,000 previously recognised in share option reserve regarding the forfeited share options within the vesting period was reversed in profit or loss during the year ended 31 March 2020.

33. OTHER CASH FLOW INFORMATION

33(a) Cash from (used in) operations

	Notes	2020 HK$'000	2019 HK$'000
Loss before tax			
Continuing operations		**(698,693)**	(266,524)
Discontinued operations	12	**(17,765)**	(30,897)
Share of results of associates		**(839)**	(8,665)
Amortisation	19	**21,420**	18,697
Depreciation on property, plant and equipment	17	**7,214**	10,536
Depreciation on right-of-use assets	18	**9,638**	—
Loss (Gain) on disposal of property, plant and equipment		**3**	(30)
Gain on disposal of right-of-use assets		**(1,999)**	—
Gain on disposal of financial assets at FVPL		**—**	(7,112)
Write-off of property, plant and equipment		**713**	1,471
Write-off of loan receivables		**7,008**	—
Write-off of trade receivables		**5,079**	—
Write-off of other receivables and deposits		**—**	4,338
Impairment loss on goodwill	16	**491,906**	95,853
Impairment loss on interests in associates	15	**—**	18,654
Loss allowance on trade receivables	37(a)(iii)	**13,091**	9,544
Loss allowance on loan receivables		**24,748**	29,222
Loss allowance on other receivables	37(a)(iii)	**27,118**	—
Fair value gain on derivative financial instruments		**—**	(1,527)
Waiver of contingent consideration	26	**—**	(37,766)
Loss on early redemption of convertible bonds	29	**—**	31,751
Loss on disposal of subsidiaries	34	**—**	9,564
Loss on disposal of equity interests in a joint venture		**—**	29
Gain on deregistration of a subsidiary		**(249)**	—
Foreign exchange differences		**(2,621)**	(418)
Finance costs		**32,213**	48,365
Bank interest income		**(2,748)**	(2,275)
Other interest income		**(193)**	—
Share-based compensation costs		**9,253**	16,824
Forfeiture of share options within the vesting period		**(18,004)**	—
Changes in working capital:			
Inventories		**321**	782
Restricted funds		**50,301**	38,407
Amounts due to related companies		**143,823**	—
Amounts due to directors		**(3,393)**	—
Amount due from an associate		**709**	—
Trade and other receivables		**(76,634)**	(103,731)
Trade and other payables		**44,654**	83,704
Cash from (used in) operations		**66,074**	(41,204)

33. OTHER CASH FLOW INFORMATION *(continued)*

33(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 2019 HK$'000	Net cash flow HK$'000	Non-cash changes: Foreign exchange movement HK$'000	Adoption of HKFRS 16 HK$'000	Addition of right-of-use assets HK$'000	Termination of lease contracts HK$'000	Effective interest expenses HK$'000	At 31 March 2020 HK$'000
Year ended 31 March 2020								
Bonds payable	371,406	(62,787)	4,799	–	–	–	594	314,012
Other long-term liabilities	6,335	–	(285)	–	–	–	–	6,050
Lease liabilities (including liabilities in the Disposal Group)	–	(8,421)	(684)	16,682	5,726	(3,002)	–	10,301
	377,741	(71,208)	3,830	16,682	5,726	(3,002)	594	330,363

	At 1 April 2018 HK$'000	Net cash flow HK$'000	Non-cash changes: Foreign exchange movement HK$'000	Redemption of convertible bonds HK$'000	Effective interest expenses HK$'000	At 31 March 2019 HK$'000
Year ended 31 March 2019						
Derivative financial instruments	1,527	–	–	(1,527)	–	–
Bonds payable	369,773	–	–	–	1,633	371,406
Convertible Bonds payable	78,650	(123,476)	–	31,751	13,075	–
Other long-term liabilities	1,936	4,434	(35)	–	–	6,335
	451,886	(119,042)	(35)	30,224	14,708	377,741

33(c) Major Non-Cash Transactions

- During the year ended 31 March 2020, the Group acquired assets by means of lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$5,726,000.
- During the year ended 31 March 2020, deposits on investments of approximately HK$56,772,000 was capitalised as the investment of 10% equity interest in Open Union as mentioned in Note 14(b) to the consolidated financial statements.
- During the year ended 31 March 2020, the Group recognised intangible assets of approximately HK$15,593,000 in which the amount of approximately HK$11,636,000 was capitalised through deposits paid during the year ended 31 March 2019.

34. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2019

The following summarises the consideration and the carrying amount of the assets and liabilities at the date of disposal:

	Vantage Network *HK$'000* *<Note a>*	Zhejiang Jie Ying *HK$'000* *<Note b>*	Total *HK$'000*
Net assets disposed of			
Property, plant and equipment	—	723	723
Financial assets at Designated FVOCI	23,962	—	23,962
Trade and other receivables	6	8,949	8,955
Bank balances and cash	—	792	792
Trade and other payables	(9,484)	(219)	(9,703)
	14,484	10,245	24,729
Non-controlling interests	—	(3,586)	(3,586)
	14,484	6,659	21,143
Interest in an associate retained	—	(3,164)	(3,164)
Loss on disposal of subsidiaries	(9,484)	(80)	(9,564)
	5,000	3,415	8,415
Net cash flow on disposal of subsidiaries			
Cash consideration received	4,500	3,415	7,915
Cash and cash equivalents disposed of	—	(792)	(792)
Net inflow of cash and cash equivalents	4,500	2,623	7,123

Notes:

(a) In June 2018, the Group entered into a sales and purchase agreement pursuant to which the Group agreed to transfer its 100% equity interests in Vantage Network, at a consideration of HK$5,000,000 to certain independent third parties. The principal activity of Vantage Network is investment holding. The disposal transaction was completed on 4 June 2018.

At 31 March 2019, HK$4,500,000 of the consideration had been received and the remaining unsettled consideration of HK$500,000 was included in "Deposits, prepayments and other debtors".

(b) In September 2018, the Group entered into the share transfer agreement to dispose of 34.12% equity interests in Zhejiang Jie Ying, at a consideration of RMB3,000,000 (equivalent to approximately HK$3,415,000) to an independent third party. The principal activities of Zhejiang Jie Ying are leasing of POS machines in the PRC. Zhejiang Jie Ying became associates of the Group upon the completion of disposal transaction on 30 September 2018.

35. 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	**2020** **HK$'000**	2019 HK$'000
Associates	Cost of services	**—**	2,679
	Sales of POS machines	**520**	452
	Service fee income of POS machines	**54**	2,159
Related companies controlled by a director, Mr. Yan Dinggui	Service fee income of internet payment	**1,919**	2,327
	Cost of services	**2,371**	—
	Prestige benefit card income	**2,211**	389

(b) Details of the remuneration for key management personnel are set out in Note 8(c) to the consolidated financial statements.

36. CAPITAL EXPENDITURE COMMITMENTS

	2020 **HK$'000**	2019 HK$'000
Contracted but not provided for, net of deposits paid:		
Acquisition of equity interests in an associate *(Note 40(a))*	**13,452**	14,006
Acquisition of intangible assets in respect of further developing the acquiring host system and extending the payment processing services to cover other payment network associations	**—**	3,985
	13,452	17,991

37. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise of financial assets at FVPL, restricted funds, cash and bank balances, other long-term liabilities 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) foreign currency risk, (ii) interest rate risk, (iii) credit risk and (iv) liquidity 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) Foreign currency risk

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in HK$, RMB, US$ and Baht.

Certain financial assets of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore, exposed to foreign currency risk. The carrying amounts of those financial assets are analysed as follows:

Financial assets	**2020** ***HK$'000***	2019 *HK$'000*
US$	**5,593**	42,657

The Group's trade receivables arising from the operation of the merchant acquiring business in Thailand are mainly denominated in US$. The management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the management, the Group would only enter into foreign currency forward contracts should needs arise. At 31 March 2020, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$600,000 (equivalent to approximately HK$4,652,000) *(2019: US$5,400,000 (equivalent to approximately HK$42,386,000))*. Considered the short contract period, no material fair value gain or loss has been recognised for the unrealised foreign currency forward contracts.

In addition, part of the restricted and unrestricted bank balances and cash are denominated either in RMB or Baht. The conversion of RMB and Baht into foreign currencies, including HK$, is subject to the rules and regulations of foreign exchange control promulgated by the PRC and Thailand government, respectively.

37. **FINANCIAL INSTRUMENTS** *(continued)*

(a) **Financial risk management objectives and policies** *(continued)*

(i) Foreign currency risk *(continued)*

At the end of the reporting period, the following table indicates the approximate change in the Group's loss before tax if exchange rate of US$ had changed against the functional currencies of the respective group entities by 5% *(2019: 5%)* and all other variables were held constant:

	2020	2019
	HK$'000	*HK$'000*
US$	**280**	2,133

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

(ii) 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$2,653,000 *(2019: approximately HK$3,237,000)* 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.

37. 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 limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months.

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 2020 and 2019 is summarised below.

At 31 March 2020

	Expected loss rate *%*	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*	**Credit-impaired**
Not past due	—	8,488	—	8,488	**No**
Past due:					
Less than 1 month	—	23	—	23	**No**
1 month to 3 months	—	276	—	276	**No**
3 months to 6 months	—	132	—	132	**No**
6 months to 1 year	15%	98	(15)	83	**No**
Over 1 year	61%	32,109	(19,602)	12,507	**No**
		41,126	(19,617)	21,509	

37. **FINANCIAL INSTRUMENTS** *(continued)*

(a) **Financial risk management objectives and policies** *(continued)*

(iii) Credit risk *(continued)*

Trade receivables (continued)

At 31 March 2019

	Expected loss rate %	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*	Credit-impaired
Not past due	—	49,739	—	49,739	No
Past due:					
Less than 1 month	—	5,552	—	5,552	No
1 month to 3 months	—	5,929	—	5,929	No
3 months to 6 months	—	90	—	90	No
Over 6 months	19%	49,953	(9,534)	40,419	No
		111,263	(9,534)	101,729	

At 31 March 2020, the Group recognised loss allowance of approximately HK$19,617,000 *(2019: approximately HK$9,534,000)* on the trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	2020 ***HK$'000***	2019 *HK$'000*
At the beginning of the reporting period	**9,534**	—
Increase in allowance	**13,091**	9,544
Write-off	**(2,179)**	—
Exchange realignments	**(829)**	(10)
At the end of the reporting period	**19,617**	9,534

At 31 March 2020, due to increase in trade balances past due over 6 months *(2019: 6 months)*, expected loss rate increased and hence additional loss allowance was resulted. There was no change in the estimation techniques or other significant assumptions made during the years ended 31 March 2020 and 2019.

Trade receivables of approximately HK$2,179,000 *(2019: Nil)* written off during the year are still subject to enforcement activity.

The Group does not hold any collateral over trade receivables at 31 March 2020 *(2019: Nil)*.

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.

37. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk management objectives and policies *(continued)*

(iii) Credit risk *(continued)*

Loan receivables (continued)

The Group's customer base consists of a wide range of borrowers are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. 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 2020 and 2019 is summarised below. The gross carrying amounts of the financial assets, by credit risk rating grades, are as follows:

At 31 March 2020

Internal credit rating	**Gross carrying amount** *HK$'000*	**ECL**	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Performing *(Note i)*	**22,408**	**12-month**	**—**	**22,408**
Underperforming *(Note ii)*	**8,673**	**Lifetime**	**(8,673)**	**—**
	31,081		**(8,673)**	**22,408**

As 31 March 2019

Internal credit rating	Gross carrying amount *HK$'000*	ECL	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Performing *(Note i)*	180,497	12-month	—	180,497
Underperforming *(Note ii)*	69,565	Lifetime	(37,515)	32,050
	250,062		(37,515)	212,547

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.

37. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk management objectives and policies *(continued)*

(iii) ***Credit risk*** *(continued)*

Loan receivables (continued)

At 31 March 2020, the Group recognised loss allowance of approximately HK$8,673,000 *(2019: approximately HK$37,515,000)* on the loan receivables. The movements in the loss allowance for loan receivables is summarised below.

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the reporting period	**37,515**	8,934
Increase in allowance	**8,323**	29,222
Discontinued operations	**(33,769)**	—
Exchange realignments	**(3,396)**	(641)
At the end of the reporting period	**8,673**	37,515

At 31 March 2020, loss allowance for loan receivables decreased since loss allowance of approximately HK$33,769,000 *(2019: Nil)* was transferred to assets held for sale. There was no change in the estimation techniques or significant assumptions made during the years ended 31 March 2020 and 2019.

The Group does not hold any collateral over loan receivables at 31 March 2020 *(2019: Nil)*.

At the end of the reporting period, the Group had a concentration of credit risk as 35% *(2019: 14%)* and 85% *(2019: 26%)* of the total trade and loan receivables was due from the Group's largest debtors and the five largest debtors, respectively.

37. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk management objectives and policies *(continued)*

(iii) Credit risk *(continued)*

Other receivables

Other receivables include deposits on investments, deposits paid to merchants, deposits 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.

At 31 March 2020, the Group recognised loss allowance of approximately HK$27,118,000 *(2019: Nil)*, which comprised of approximately HK$3,275,000 in "deposits on investments" and approximately HK$23,843,000 in "deposits, prepayments and other debtors". The movement in the loss allowance for the balances is summarised below.

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the reporting period	**—**	—
Increase in allowance	**27,118**	—
At the end of the reporting period	**27,118**	—

At 31 March 2020, 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 2020 and 2019.

The Group does not hold any collateral over such sums at 31 March 2020 *(2019: Nil)*.

Restricted funds and bank balances and cash

The management considers the credit risk on restricted funds and bank balances and cash 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.

37. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk management objectives and policies *(continued)*

(iv) 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).

The Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	Total contractual undiscounted cash flow	Within one year or on demand	After one year but within two years	Upon winding up of OCG Thailand <Remark 1>	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2020					
Non-derivative financial liabilities					
Trade and other payables	**495,993**	**495,993**	**–**	**–**	**495,993**
Bonds payables	**340,166**	**340,166**	**–**	**–**	**340,166**
Lease liabilities	**9,659**	**7,930**	**1,729**	**–**	**9,366**
Other long-term liabilities *<Remark 2>*	**6,050**	**–**	**–**	**6,050**	**6,050**
	851,868	**844,089**	**1,729**	**6,050**	**851,575**
At 31 March 2019					
Non-derivative financial liabilities					
Trade and other payables	451,269	451,269	—	—	451,269
Bonds payables	383,346	383,346	—	—	383,346
Other long-term liabilities *<Remark 2>*	6,335	—	—	6,335	6,335
	840,950	834,615	—	6,335	840,950

<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>

The estimated annual finance cost of other long-term liabilities approximates to Baht 2,423,000 (equivalent to approximately HK$588,000) *(2019: approximately to Baht 727,000 (equivalent to approximately HK$178,000))*, which is not included in the above summary.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Categories of financial instruments

Categories of financial instruments of the Group are set out as follows:

	Notes	**2020** **HK$'000**	2019 HK$'000
Financial assets			
Financial assets at FVPL:			
Equity investments unlisted in Hong Kong		**300**	—
Financial assets at amortised cost	*(a)*	**493,081**	951,488
Financial liabilities			
Financial liabilities measured at amortised cost	*(b)*	**816,055**	829,937

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 and other long-term liabilities.

38. 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.

38. FAIR VALUE MEASUREMENTS *(continued)*

(i) Assets and liabilities measured at fair value

	Level 2	
	2020	2019
	HK$'000	*HK$'000*
Financial assets at FVPL		
Unlisted equity investment *(Note 20)*	**300**	—

During the years ended 31 March 2020 and 2019, 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 not measured at fair value are carried at amounts not materially different from their fair values at 31 March 2020 and 2019.

39. 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 2020 and 2019.

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 Subscribers to redeem the outstanding Bonds and hence enforce the collateral. Therefore, the Company had obtained the consent in writing from the Subscribers for the extension to 1 August 2020, which is detailed in Note 29(c) to the consolidated financial statements.

Up to the date of the approval of the consolidated financial statements, one of the shareholders 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.

40. OTHER AND SUBSEQUENT EVENTS

Other than disclosed elsewhere in the consolidated financial statements, the Group had the following other and subsequent events:

a) On 23 November 2016, Qijun Information Technology entered into a subscription agreement with廣州盈通電子科技有限公司 (Guangzhou Yingtong Electronic Technology Limited*, "Yingtong Electronic Technology"), a company registered in the PRC, and an independent third party, pursuant to which Qijun Information Technology agreed to subscribe 23.08% of the enlarged issued share capital of 廣州盈通信息科技有限公司 (Guangzhou Yingtong Information Technology Limited*, "Yingtong Information Technology"), a wholly-owned subsidiary of Yingtong Electronic Technology, for a consideration of RMB15 million (equivalent to approximately HK$18.8 million). The principal activity of Yingtong Information Technology is provision of system development services. At 31 March 2020, a deposit of RMB3 million (equivalent to approximately HK$3.3 million) had been paid. Upon completion of the transaction, the Group will hold 23.08% equity interests in Yingtong Information Technology. Yingtong Information Technology will become an associate of the Group. The transaction is not yet completed at the date of authorisation of the consolidated financial statements..

b) Since January 2020, the outbreak of COVID-19 has certain impacts on the business operation and overall economy on the global business environment. To a certain extent, the outbreak has impacted the prepaid cards and internet payment business, prestige benefits business and merchant acquiring business of the Group as a result of the uncertainties of the overall Chinese tourists' spending sentiments and lead to the suspension of daily consumption.

   Despite the challenges, governments and international organisations have implemented a series of measures to contain the epidemic. The Group stays alert to the development and situation of the COVID-19, continue to assess its impacts on the financial position and operating results of the Group, and take necessary action to maintain stability of the businesses. Up to the date of this annual report, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19.

c) On 10 June 2020, OPG entered into a placing agreement which conditionally agreed to place, through the placing agent, the convertible bonds in an aggregate principal amount of up to HK$11,850,000 to not less than six placees at the initial conversion price of HK$0.15 per ordinary share of OPG upon and subject to the terms and conditions of the placing agreement. Assuming that the convertible bonds are converted in full and all conversion shares are allotted and issued, the equity interests in OPG held by the Group will be diluted from 32.5% to approximately 30.12%. The placing of convertible bonds was completed on 26 June 2020.

* *English translation for identification purpose only.*

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Interests in subsidiaries	14	**544,588**	1,280,518
Property, plant and equipment		**14**	38
		544,602	1,280,556
Current assets			
Other receivables		**213**	2,845
Cash and bank balances		**54,773**	455
		54,986	3,300
Current liabilities			
Bonds payables	29	**314,012**	371,406
Other payables		**162,209**	13,095
		476,221	384,501
Net current liabilities		**(421,235)**	(381,201)
NET ASSETS		**123,367**	899,355
Capital and reserves			
Share capital	30	**16,441**	16,441
Reserves	41(a)	**106,926**	882,914
TOTAL EQUITY		**123,367**	899,355

The statement of financial position was approved and authorised for issue by the Board of Directors on 30 June 2020 and signed on its behalf by

Song Qian
Director

Lin Xiaofeng
Director

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) Movements of the reserves

	Notes	Share premium HK$'000 (Note 31(a))	Share option reserve HK$'000 (Note 32)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018		1,562,367	234,837	(402,884)	1,394,320
Loss for the year and total comprehensive expenses for the year		—	—	(528,230)	(528,230)
Transactions with owners:					
Contribution and distribution					
Recognition of share-based compensation costs	*32*	—	16,824	—	16,824
Forfeiture of share options	*32(ii)*	—	(11,853)	11,853	—
Lapse of share options	*32(iii)*	—	(23,938)	23,938	—
Total transactions with owners		—	(18,967)	35,791	16,824
At 31 March 2019		1,562,367	215,870	(895,323)	882,914
At 1 April 2019		**1,562,367**	**215,870**	**(895,323)**	**882,914**
Loss for the year and total comprehensive expenses for the year		**–**	**–**	**(767,237)**	**(767,237)**
Transactions with owners:					
Contribution and distribution					
Recognition of share-based compensation costs	*32*	**–**	**9,253**	**–**	**9,253**
Forfeiture of share options	*32(iv), (v)*	**–**	**(171,831)**	**153,827**	**(18,004)**
Lapse of share options	*32(vi)*	**–**	**(31,711)**	**31,711**	**–**
Total transactions with owners		**–**	**(194,289)**	**185,538**	**(8,751)**
At 31 March 2020		**1,562,367**	**21,581**	**(1,477,022)**	**106,926**

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

	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**203,867**	629,437	598,482	489,121	598,300
(Loss) Profit before Taxation	**(716,458)**	(297,421)	(356,101)	(162,903)	87,815
Income Tax Expenses	**(666)**	(10,121)	(8,353)	(9,817)	(17,384)
(Loss) Profit for the year	**(717,124)**	(307,542)	(364,454)	(172,720)	70,431