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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)

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2022**

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

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

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

UNAUDITED FINANCIAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Smartpay Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021. For the reasons explained in the section headed “REVIEW OF UNAUDITED ANNUAL RESULTS” below, the auditing process for the annual results of the Group for the year ended 31 March 2022 has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited) (Re-presented)
Continuing operations			
Revenue	6	185,387	55,673
Cost of services rendered		(131,994)	(27,428)
Gross profit		53,393	28,245
Other income	7	12,694	7,316
General administrative expenses		(80,253)	(86,440)
Selling and distribution costs		(19,650)	(6,921)
Finance costs	8	(24,639)	(30,316)
Gain on disposal of associates		22,737	—
Loss allowance on trade and other receivables		(11,997)	(7,967)
Loss allowance on loan receivables		(8,881)	(57)
Impairment loss on intangible assets		(4,519)	(4,399)
Share of results of associates		7,733	8,129
Loss before tax from continuing operations		(53,382)	(92,410)
Income tax (expenses) credit	9	(27)	1,243
Loss for the year from continuing operations		(53,409)	(91,167)
Discontinued operations			
Loss for the period/year from discontinued operations	10	(33,379)	(26,104)
Loss for the year		(86,788)	(117,271)
Attributable to:			
Equity holders of the Company		(67,676)	(98,544)
Non-controlling interests		(19,112)	(18,727)
		(86,788)	(117,271)

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited) (Re-presented)
From continuing and discontinued operations			
Loss per share attributable to equity holders of the Company			
Basic	11	(2.98) HK cents	(5.73) HK cents
Diluted	11	(2.98) HK cents	(5.73) HK cents
From continuing operations			
Loss per share attributable to equity holders of the Company			
Basic		(2.44) HK cents	(5.42) HK cents
Diluted		(2.44) HK cents	(5.42) HK cents
From discontinued operations			
(Loss) Earnings per share attributable to equity holders of the Company			
Basic	10	(0.54) HK cents	0.31 HK cents
Diluted	10	(0.54) HK cents	0.31 HK cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

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

At 31 March 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Non-current assets			
Interests in associates		236,178	295,632
Goodwill		—	—
Property, plant and equipment		5,999	10,080
Right-of-use assets		19,504	26,138
Intangible assets		173	12,883
Financial assets at FVPL		—	300
Deferred tax assets		9	292
		<u>261,863</u>	<u>345,325</u>
Current assets			
Inventories		202	324
Tax recoverable		12	2,511
Trade and other receivables	13	169,576	163,162
Restricted funds		324,137	250,980
Cash and bank balances		30,870	67,287
		<u>524,797</u>	<u>484,264</u>
Current liabilities			
Trade and other payables	14	366,354	375,186
Tax payables		9,660	9,008
Bonds payables	15	189,949	210,385
Lease liabilities		7,528	7,367
		<u>573,491</u>	<u>601,946</u>
Net current liabilities		<u>(48,694)</u>	<u>(117,682)</u>
Total assets less current liabilities		<u>213,169</u>	<u>227,643</u>

		2022	2021
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		6,302	7,071
Other long-term liabilities		—	6,327
Lease liabilities		12,953	18,711
Liability component of convertible bonds issued by a listed subsidiary		—	11,859
		<u>19,255</u>	<u>43,968</u>
NET ASSETS		<u>193,914</u>	<u>183,675</u>
Capital and reserves			
Share capital	16	23,676	19,730
Reserves		<u>123,355</u>	<u>109,714</u>
Equity attributable to equity holders of the Company		147,031	129,444
Non-controlling interests		<u>46,883</u>	<u>54,231</u>
TOTAL EQUITY		<u>193,914</u>	<u>183,675</u>

Notes:

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 Group is principally engaged in prepaid cards and internet payment business in the People’s Republic of China (the “**PRC**”), prestige benefits business in the PRC, merchant acquiring business in Thailand (Discontinued) and internet micro-credit business in the PRC (Discontinued).

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

2. STATEMENT OF COMPLIANCE

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

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

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

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

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

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

Going concern

In preparing the consolidated financial statements, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$48,694,000 at 31 March 2022 and the Bonds (as defined in Note 15) which is repayable on demand. In addition, the Group incurred a loss from continuing operations of approximately HK\$53,409,000 for the year ended 31 March 2022. There is a material uncertainty related to these matters that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- (a) Mr. Zhang Xi, an executive director and the Chairman of the Company (the “Chairman”), has intended to and proved his ability to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;
- (b) the Chairman of the Company intended to provide personal guarantee for the Bonds;
- (c) the Group is negotiating and discussing with the Bonds Subscribers (as defined in Note 15) 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
- (d) 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.

4. FUTURE CHANGES IN HKFRSs

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

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

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ The effective date to be determined

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

5. SEGMENT REPORTING

The executive directors have been identified as the chief operating decision makers (“**CODM**”) to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group’s internal financial reporting, the executive directors consider that the operating segments of the Group comprise:

- (i) prepaid cards and internet payment business in the PRC;
- (ii) prestige benefits business in the PRC;
- (iii) merchant acquiring business in Thailand (Discontinued); and
- (iv) internet micro-credit business in the PRC (Discontinued).

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

Segment results, which are the measures reported to CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of other income, gain on disposal of associates, gain (loss) on disposal of subsidiaries (included in “Loss for the period/year from discontinued operations”), finance costs, general administrative expenses incurred by corporate office, impairment loss on intangible assets, share of results of associates and income tax.

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 fair value through profit or loss (“**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, bonds payables, deferred tax liabilities, leases liabilities, other long-term liabilities and liability component of convertible bonds issued by a listed subsidiary. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

In determining the Group’s geographical segments, revenue is attributed to the segments based on the location where services are provided, assets and capital expenditure are attributed to the segments based on the location of the assets. The geographical segment information is reflected within operating segment information as the Group’s four distinctive business activities are provided in two 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 2022

	Continuing operations		Discontinued operations	
	Prepaid cards and internet payment business <i>HK\$'000</i> (Unaudited)	Prestige benefits business <i>HK\$'000</i> (Unaudited)	Merchant acquiring business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue				
Major customer A (<i>Note</i>)	—	—	—	—
Major customer B	23,046	—	—	23,046
Major customer C (<i>Note</i>)	—	—	—	—
Other customers	160,925	1,416	3,200	165,541
	<u>183,971</u>	<u>1,416</u>	<u>3,200</u>	<u>188,587</u>
Segment results	<u>(14,277)</u>	<u>(15,691)</u>	<u>(6,393)</u>	(36,361)
Impairment loss on intangible assets	—	(4,519)	—	(4,519)
Loss on deemed disposal of subsidiaries	—	—	(18,854)	(18,854)
Gain on disposal of associates				22,737
Gain on disposal of remaining interests in OPG	—	—	16,010	16,010
Unallocated other income				14,248
Unallocated finance costs				(30,154)
Unallocated other expenses and losses				(56,957)
Share of results of associates				
— Under segment	11,726	—	(571)	11,155
— Unallocated				(3,993)
Loss before tax				(86,688)
Income tax expenses				<u>(100)</u>
Loss for the year				<u>(86,788)</u>

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

Year ended 31 March 2021 (Re-presented)

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

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

Segment assets and liabilities

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

At 31 March 2022

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

At 31 March 2021 (Re-presented)

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

6. REVENUE

Revenue for continuing operation is analysed by category as follows:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited) (Re-presented)
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Revenue from contracts with customers within HKFRS 15

Prepaid cards and internet payment business

Card issuing service fee income	51	27
Management fee income of prepaid cards	8,496	6,247
Merchant and technical support service fee income	174,608	26,604
Sales and service fee income of POS machines	—	48

Prestige benefits business

Issuance income of prestige benefits cards	1,416	21,967
Hotel and travelling booking agency service income	—	59

Internet revenue calculated using the effective interest method

Prepaid cards and internet payment business

Interest income from accumulated unutilised float funds	816	721
	<u>185,387</u>	<u>55,673</u>

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

7. OTHER INCOME

Other income for continuing operation is analysed as follows:

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

8. FINANCE COSTS

Finance costs for continuing operation is analysed as follows:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited) (Re-presented)
Finance costs for financial liabilities at amortised cost	5,224	4,317
Finance costs on lease liabilities	1,086	333
Interest on bonds payables	18,329	25,666
	<u>24,639</u>	<u>30,316</u>

9. TAXATION

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited) (Re-presented)
Continuing operations		
<i>Current tax</i>		
PRC Enterprise Income Tax	47	27
Over provision in prior years	(20)	(2)
	<u>27</u>	<u>25</u>
<i>Deferred tax</i>		
Benefits of tax losses recognised	—	(4)
Reversal of temporary difference	—	(1,264)
	<u>—</u>	<u>(1,268)</u>
Income tax expenses (credit) for continuing operations	<u>27</u>	<u>(1,243)</u>

(i) Hong Kong Profits Tax

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

(ii) Income taxes outside Hong Kong

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

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

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

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

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

Reconciliation of income tax expenses (credit) for continuing operations

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

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

10. DISCONTINUED OPERATIONS

(a) Merchant acquiring business

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

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

Upon completion the Subscription, OPG will cease to be a subsidiary of the Group, and the financial results and financial position of the OPG and its subsidiaries (together the “**OPG Group**”) will no longer be consolidated into the consolidated financial statement of the Group, and remaining interests in OPG of the Group will be accounted for using the equity method. Since the OPG Group carried out merchant acquiring business in Thailand, in the opinion of the Directors, the Deemed Disposal would cause the Group’s merchant acquiring business to be discontinued. The Deemed Disposal was completed on 22 February 2022.

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

	<i>Note</i>	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Revenue		3,200	12,369
Cost of services rendered		(3,041)	(7,897)
Gross profit		159	4,472
Other income		1,554	2,993
General administrative expenses		(15,996)	(16,964)
Selling and distribution costs		(10,093)	(11,977)
Impairment loss on intangible assets		—	(5,600)
Finance costs		(5,515)	(2,859)
Share of results of an associate		(571)	(1,182)
Loss before tax		(30,462)	(31,117)
Income tax (expenses) credit		(73)	462
Loss for the period/year		(30,535)	(30,655)
Loss on deemed disposal of subsidiaries	17	(18,854)	—
Gain on disposal of remaining interests in OPG		16,010	—
Loss for the period/year from discontinued operations		(33,379)	(30,655)

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

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

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

	2022 HK cents (Unaudited)	2021 HK cents (Audited)
Loss per share for the OPG group attributable to owners of the Company		
Basic (<i>Note</i>)	(0.54)	(0.57)
Diluted (<i>Note</i>)	(0.54)	(0.57)

(b) Internet micro-credit business

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

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

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

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

** English translation for identification purpose only..*

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

	2021 HK\$'000 (Audited)
Net cash flow used in operating activities	(47,346)
Net cash flow used in investing activities	(210)
Net cash flow used in financing activities	(10)
	<hr/>
Net decrease in cash and cash equivalents	(47,566)
	<hr/> <hr/>

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

	2021 HK cents (Audited)
Earnings per share for the Keen Best Group attributable to owners of the Company	
Basic (Note)	0.26
	<hr/> <hr/>
Diluted (Note)	0.26
	<hr/> <hr/>

Note: The basic and diluted earnings (loss) per share for the OPG Group and the Keen Best Group are calculated by dividing the profit (loss) for the period/year from the OPG Group and the Keen Best Group attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings (loss) per share computation and weighted average number of ordinary shares for diluted earnings (loss) per share computation respectively. The denominators used are the same as those detailed in Note 11 to the consolidated financial statements.

11. LOSS PER SHARE

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	(55,408)	(93,132)
From discontinued operations	(12,268)	(5,412)
	<u>(67,676)</u>	<u>(98,544)</u>
Loss attributable to equity holders of the Company	<u><u>(67,676)</u></u>	<u><u>(98,544)</u></u>

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

13. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade receivables	47,725	40,108
Less: Loss allowance	(39,349)	(26,263)
	<u>8,376</u>	<u>13,845</u>
Loan and interest receivables	122,628	103,495
Less: Loss allowance	(18,498)	(9,283)
	<u>104,130</u>	<u>94,212</u>
Other receivables		
Deposits on investments	—	—
Deposits paid to merchants	13,153	16,207
Deposits, prepayments and other debtors	32,808	28,266
Due from an associate	11,109	10,632
	<u>57,070</u>	<u>55,105</u>
	<u><u>169,576</u></u>	<u><u>163,162</u></u>

13(a) Trade receivables

The Group allows a credit period up to 45 days (2021: 45 days) to its trade debtors. At the end of the reporting period, the ageing analysis of the trade receivables (net of loss allowance) by invoice date is as follows:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Less than 1 month	162	2,859
1 month to 3 months	10	31
3 months to 6 months	256	2,382
6 months to 1 year	6,830	401
Over 1 year	1,118	8,172
	<u>8,376</u>	<u>13,845</u>

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Current	162	2,859
Past due:		
Less than 1 month	10	31
1 month to 3 months	256	2,382
3 months to 6 months	62	—
6 months to 1 year	6,830	544
Over 1 year	1,056	8,029
	<u>8,214</u>	<u>10,986</u>
	<u>8,376</u>	<u>13,845</u>

13(b) Loan and interest receivables

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

- (i) are unsecured (2021: unsecured);
- (ii) included an aggregate amount of approximately HK\$82,094,000 (2021: approximately HK\$75,264,000) which carries interest rates ranging from 10% to 12% per annum (2021: 8% to 14% per annum), and the remaining balances are interest-free; and
- (iii) have contractual loan period of 12 months (2021: 6 and 12 months).

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

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Less than 1 month	—	17,230
1 month to 3 months	—	509
3 months to 6 months	—	52,355
Over 6 months	104,130	24,118
	<u>104,130</u>	<u>94,212</u>

At the end of the reporting period, the ageing analysis of loan and interest receivables (net of loss allowance) prepared based on contractual due date is as follows:

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Not yet past due	88,196	93,743
Past due:		
Less than 1 month	—	—
1 month to 3 months	14,597	—
3 months to 6 months	1,337	283
Over 6 months	—	186
	<u>15,934</u>	<u>469</u>
	<u>104,130</u>	<u>94,212</u>

14. TRADE AND OTHER PAYABLES

	<i>Note</i>	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Trade payables	<i>(a)</i>	29,950	14,078
Prestige benefits cards — provision of hotel and catering expenses		13,602	15,086
Unutilised float funds		277,965	212,351
		321,517	241,515
Other payables			
Accruals and other payables		44,714	132,820
Due to a director		123	118
Due to an associate		—	733
		44,837	133,671
		366,354	375,186

14(a) Trade payables

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

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Less than 1 month	23,422	7,177
1 month to 3 months	—	—
Over 3 months	6,528	6,901
	29,950	14,078

15. BONDS PAYABLES

In July 2016, the Company entered into subscription agreements with three independent third parties to issue bonds with coupon interest rate of 9% per annum (the “**First Bonds**”) in the principal amount of US\$32 million (equivalent to approximately HK\$248 million) which will mature on the third anniversary of the issue date.

The issuance of the First Bonds were completed on 1 August 2016. Details of the subscription of the First Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 31 July 2016.

In August 2016, the Company entered into further subscription agreements with an independent third party to issue bonds with coupon interest rate of 9% per annum (the “**Second Bonds**”, together with the “**First Bonds**”, the “**Bonds**”) in the principal amount of US\$16 million (equivalent to approximately HK\$124 million) which will mature on the third anniversary of the issue date.

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

On 26 February 2020, the Company obtained consent in writing from each of the subscribers (the “**Bonds Subscribers**”) to extend the maturity date to 1 August 2021. During the year ended 31 March 2022, the Company has redeemed partial of bonds in the principal amount of approximately US\$2,620,000 (equivalent to approximately HK\$20,436,000) (*2021: US\$13,029,000 (equivalent to approximately HK\$101,961,000)*). At 31 March 2022, the remaining principal amount of approximately US\$24,352,000 (equivalent to approximately HK\$189,949,000) (*2021: US\$26,972,000 (equivalent to approximately HK\$210,385,000)*) is repayable on demand.

During the year ended 31 March 2022, another bond was issued to a third party with coupon rate of 10% per annum in the principal amount of HK\$15,000,000 and accrued bond interest of approximately HK\$1,147,000 which is derecognised upon the completion of the Deemed Disposal.

16. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 April 2020 and 31 March 2021 (Audited)	2,000,000,000	20,000
Increase in authorised share capital (<i>Note b</i>)	8,000,000,000	80,000
	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2020	1,644,188,693	16,441
Issue of shares upon placing of shares (<i>Note a</i>)	328,830,000	3,289
At 31 March 2021 (Audited) and 1 April 2021	1,973,018,693	19,730
Issue of shares upon placing of shares (<i>Note c</i>)	394,600,000	3,946
	2,367,618,693	23,676

Notes:

- On 6 January 2021, the Company issued 328,830,000 ordinary shares by way of placing (the “**First Placing**”), at a placing price of HK\$0.16 per share. The net proceeds from the First Placing after deducting related expenses were approximately HK\$51,888,000 to repay part of its current debts (including but not limited to the partial repayment of the Bonds, together with the interest accrued thereon) and provide additional working capital. These shares rank pari passu with all existing shares in all respects.
- On 13 May 2021, the authorised share capital Company was approved to be increased from HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 8,000,000,000 new shares in the capital of the Company.
- On 30 June 2021, the Company issued 394,600,000 ordinary shares by way of placing (the “**Second Placing**”), at a placing price of HK\$0.18 per share. The net proceeds from the Second Placing after deducting related expenses were approximately HK\$70,313,000 to repay part of its current debts (including but not limited to the partial repayment of the Bonds, together with the interest accrued thereon) and provide additional working capital. These shares rank pari passu with all existing shares in all respects.

17. DEEMED DISPOSAL OF SUBSIDIARIES / DISPOSAL OF REMAINING INTERESTS IN OPG

During the year ended 31 March 2022, upon the completion of the Subscription on 22 February 2022 which is detailed in Note 10 to the consolidated financial statements and considered other factors on the assessment of the control over OPG, OPG ceased to be a subsidiary of the Group and the financial results and financial position of the OPG Group will no longer be consolidated into the consolidated financial statement of the Group.

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

	2022 HK\$'000 (Unaudited)
Net assets disposed of	
Interest in an associate	408
Financial assets at FVPL	300
Property, plant and equipment	5,295
Right-of-use assets	1,751
Intangible assets	4,269
Deferred tax assets	210
Trade and other receivables	34,943
Due from former ultimate holding company	2,375
Tax recoverable	70
Restricted funds	42
Cash and bank balances	14,424
Trade and other payables	(9,864)
Liability component of convertible bonds	(13,421)
Bonds payables	(16,147)
Other long-term liabilities	(6,000)
Deferred tax liabilities	(768)
Lease liabilities	(1,758)
	<hr/> 16,129
Non-controlling interest (Existing)	12,813
Non-controlling interest (Potential)	(876)
	<hr/> 28,066
Release of upon the Deemed Disposal	
Exchange reserves	(619)
	<hr/> 27,447
Loss on deemed disposal of subsidiaries	(18,854)
	<hr/>
Fair values of the equity interests retained	8,593
	<hr/>

Analysis of net inflow of cash and cash equivalents in respect of the Deemed Disposal during the year ended 31 March 2022 is as follows:

2022
HK\$'000
(Unaudited)

Cash consideration received	—
Cash and cash equivalents disposed of	<u>(14,424)</u>
Net inflow of cash and cash equivalents	<u><u>(14,424)</u></u>

The loss on the Deemed Disposal is included in the loss for the period/year from discontinued operations in Note 10 to the consolidated income statements.

Disposal of remaining interests in OPG

Subsequent to the Deemed Disposal, on 2 March 2022, the Group has disposed all the remaining equity interests in OPG by placing of those shares to several independent third parties at HK\$0.078 per share through placing agreement. The net proceeds from the disposal is approximately HK\$24,603,000.

In the opinion of the Directors, the change in carrying value the Group's interest in OPG during the period from 22 February 2022 to 2 March 2022 was minimal. Gain on disposal of remaining interests in OPG of approximately HK\$16,010,000 was resulted during the year ended 31 March 2022.

For details of the disposal, please refer to the announcements of the Company dated on 3 February 2022 and 2 March 2022.

BUSINESS REVIEW AND OUTLOOK

China Smartpay Group Holdings Limited (the “**Company**” or “**We**”) and its subsidiaries (collectively referred to as the “**Group**”) offers a wide range of value-added and internet payment services to its customers and controls one of the only six payment service licences for nationwide prepaid cards and internet payment services in the People’s Republic of China (the “**PRC**” or “**China**”). It has always been the Group’s intention to provide its users with a one-stop solution combining payment, benefits and credit services. The Group operated in a steady and compliant manner and received recognition and commendation from regulatory authorities.

As for the internet payment business, the Group focuses on areas with rapid growth potentials and strives to establish partnerships with various parties to provide secure and convenient internet payment services for different financial institutions and bulk commodity trading platforms on one hand, and provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand. As one of the limited national prepaid card enterprises, we will utilise the resources of our branches to vigorously develop prepaid cards business across the nation in the future and intensively strengthen its presence in the areas of industry cooperation leveraging its own advantages.

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

In May 2021, the People’s Bank of China further extended the license for national internet payment and prepaid card service for another five years. With this cornerstone set and unwavering efforts made to recover business from the COVID-19 pandemic, the Group achieved a promising growth of approximately 447% for its prepaid card and internet payment business during the reporting year. The prepaid card business expanded to 15 provinces collaborating with over 1,600 merchants and 11 retail real estate developers, while the internet payment business signed 196 new merchants. Furthermore, new business opportunities such as payment services for the digital currency electronic payment are on the horizon. Nonetheless, due to the every so often COVID control measures, the prestige benefits business hinged much on social leisure activities has yet to get recovered.

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

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

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

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

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

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

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

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

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

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

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

On 2 March 2022, all 325,000,000 Placing Shares have been successfully placed by the Placing Agent, the shareholding in OPG reduced from 27.08% to 0%, whereupon the Group will no longer own any equity interests in OPG. OPG would cease to be a subsidiary of the Company as a result of the Placing and the financial results and financial positions of the OPG Group would no longer be consolidated into the consolidated financial statements of the Group. For details, please refer to the announcements of the Company dated 4 February 2022 and 2 March 2022.

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

FINANCIAL REVIEW (CONTINUING AND DISCONTINUED OPERATIONS)

Revenue

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

The Group's revenue for the reporting period was approximately HK\$189 million, representing an increase of approximately 128% as compared to that of the previous financial year (*2021: approximately HK\$83 million*) because of the significant increase in the revenue of the prepaid cards and internet payment business. Such increase was mainly due to the Group embrace the new consumption trends and emerging retail models brought about by the internet and mobile applications as well as the recurring waves and outbreaks of the COVID-19.

Regarding the prestige benefits business, the revenue from the sales of prestige benefits card decreased mainly because the Group recorded a significant decrease in issuance of prestige benefits cards as 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.

As for the merchant acquiring business in Thailand, there was a decrease in the merchant discount rate income and foreign exchange rate discount income by approximately HK\$7 million and HK\$2 million, respectively when comparing with that recorded in the previous financial year. The decrease in these two income streams was primarily due to the decrease in the transaction volume via UnionPay processed by the Group for the reporting period as compared with that of the previous financial year as a result of the uncertainties of the overall Chinese tourists' spending sentiments in Thailand, the challenges brought by Alipay as well as WeChat Pay, and the outbreak of the COVID-19 pandemic leading to the suspension of Chinese tour groups to Thailand.

Cost of Services Rendered

Total cost of services rendered amounted to approximately HK\$135 million, representing an increase of approximately 239% as compared with that recorded in the previous financial year. The cost of services rendered increased in line with the increase in revenue of the prepaid cards and internet payment business.

General Administrative Expenses

The general administrative expenses of the Group for the reporting period were approximately HK\$96 million, representing a decrease of approximately 13% from that of the previous financial year. The decrease was primarily attributable to the decrease of total staff costs of the Group during the reporting period.

Selling and Distribution Costs

The selling and distribution costs for the reporting period amounted to approximately HK\$30 million, representing an increase of approximately 57% from that in the previous financial year. The increase was mainly due to the Group has been exploring the prepaid cards and internet payment business as mentioned in the Business Review and Outlook section.

Finance Costs

The finance costs for the reporting period amounted to approximately HK\$30 million, representing a decrease of approximately 9% from that in the previous financial year. The decrease was mainly due to the repayment of bonds for the reporting period.

Loss for the Year

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CAPITAL STRUCTURE

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

RESULTS AND DIVIDENDS

For the reporting period the Group recorded a revenue of approximately HK\$189 million (2021: *approximately HK\$83 million*) and a loss attributable to equity holders of the Company of approximately HK\$68 million as compared with approximately HK\$99 million for the previous financial year. The basic loss per share was 2.98 HK cents (2021: *basic loss per share 5.73 HK cents*).

The Board does not recommend the payment of a final dividend for the reporting period (2021: *Nil*).

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2022, the Group had a total staff of 161 (2021: 192) of whom 16 (2021: 26) was based in Hong Kong, 145 (2021: 150) were based in the PRC, nil (2021: 15) were based in Thailand and nil (2021: 1) was based in Singapore. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

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

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

On 3 February 2022, the Group entered into a placing agreement with Placing Agent, pursuant to which the Group agreed to place through the Placing Agent up to a maximum of 325,000,000 OPG shares to not less than six placees at the placing price of HK\$0.078 per Placing Share on a best effort basis.

On 2 March 2022, all 325,000,000 Placing Shares have been successfully placed by the Placing Agent, the shareholding in OPG reduced from 27.08% to 0%, whereupon the Group will no longer own any equity interests in OPG. OPG would cease to be a subsidiary of the Company as a result of the Placing and the financial results and financial positions of the OPG Group would no longer be consolidated into the consolidated financial statements of the Group. For details, please refer to the announcements of the Company dated 4 February 2022 and 2 March 2022.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

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

CAPITAL COMMITMENTS

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

CHARGES ON ASSETS

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

CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

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

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.

CORPORATE GOVERNANCE CODE

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

Throughout the year ended 31 March 2022, the Company has complied with all the code provisions in the CG Code except where otherwise stated.

CHAIRMAN AND CHIEF EXECUTIVE

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

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 noncompliance with the required standard of dealings as set out in the adopted code of conduct regarding directors' securities transactions from 1 April 2021 to 31 March 2022.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules with written terms of reference following the guidelines as set out in Appendix 15 of the CG code for the purpose of assisting the Board in fulfilling their audit duties through the review and supervision of financial reporting, risk management and internal control systems, the review of financial information, and the consideration of issues relating to external auditor and their appointment. The Audit Committee consists of three independent non-executive Directors, namely Dr. Yuan Shumin (Chairman), Mr. Wang Yiming and Mr. Lu Dongcheng. The Audit Committee has reviewed the accounting principles and practices adopted by the Group together with the management of the Company.

REVIEW OF UNAUDITED ANNUAL RESULTS

A number of factors has caused the delay in completion of audit work of the 2022 annual results: (i) implementation of the tightened COVID-19 prevention and control quarantine measures in the PRC in the past few months; and (ii) delays in receiving bank confirmations and other third-party confirmations and conduct on-site sampling checks of the accounting books and records, which affected the ability to access and gather necessary documents and information required for the audit work on a timely basis.

The unaudited annual results contained herein have not been agreed with the auditors (the “**Auditors**”) as required under Rule 18.49 of the GEM because the Auditors have not completed the auditing procedures for the financial result of the Group for 2022. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

Based on the recent discussion with the Auditors, the Company expects the audit procedures to be completed within two weeks, and expects one to two more weeks are required to finalise and despatch its annual report for the year ended 31 March 2022 (the “**Annual Report**”). Barring any unforeseen circumstances, the audit procedures will be completed and thus the Annual Report will be despatched by the end of July 2022.

The unaudited annual results for 2022 have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S) AND DELAY IN DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

It is expected that the Company will issue further announcement(s) in relation to the audited annual results for the year as agreed by the Company’s Auditor and the material differences (if any) as compared with the unaudited annual results contained herein around end of July 2022 following completion of the audit process. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the audited process.

The financial information of the Group for the year ended 31 March 2022 contained herein in respect of the annual results of the Group has not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Smartpay Group Holdings Limited
Mr. Zhang Xi
Chairman

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Zhang Xi, Mr. Wu Hao, Mr. Lin Xiaofeng and Mr. Song Xiangping; and (ii) three independent non- executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin as independent non-executive Directors.

This announcement, for which all the Directors 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 www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.chinasmartpay.com.