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EFT Solutions Holdings Limited
俊盟國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8062)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “**Directors**”) of EFT Solutions Holdings Limited (the “**Company**”), and together with its subsidiaries, (the “**Group**”, “**we**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.*

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2019 (the “**Reporting Period**”), together with the comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 September 2019

		For the three months ended		For the six months ended	
		30 September		30 September	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	31,367	34,810	63,370	66,282
Cost of goods sold and services		<u>(18,984)</u>	<u>(11,277)</u>	<u>(35,604)</u>	<u>(24,163)</u>
Gross profit		12,383	23,533	27,766	42,119
Other income	6	52	58	434	105
Other losses	7	(247)	(393)	(390)	(524)
Administrative expenses		<u>(5,625)</u>	<u>(1,806)</u>	<u>(11,302)</u>	<u>(8,162)</u>
Operating profit		6,563	21,392	16,508	33,538
Finance costs	8	(2,621)	(2,919)	(5,353)	(3,570)
Share of results of an associate		<u>(477)</u>	<u>80</u>	<u>(735)</u>	<u>(341)</u>
Profit before tax		3,465	18,553	10,420	29,627
Income tax expense	9	<u>(1,171)</u>	<u>(3,444)</u>	<u>(2,640)</u>	<u>(5,521)</u>
Profit for the period	10	<u>2,294</u>	<u>15,109</u>	<u>7,780</u>	<u>24,106</u>
Profit attributable to:					
– Owners of the Company		2,295	11,950	7,926	19,710
– Non-controlling interests		<u>(1)</u>	<u>3,159</u>	<u>(146)</u>	<u>4,396</u>
		<u>2,294</u>	<u>15,109</u>	<u>7,780</u>	<u>24,106</u>
Earnings per share					
– Basic (HK cents)	11	0.48	2.49	1.65	4.11
– Diluted (HK cents)	11	<u>0.48</u>	<u>2.48</u>	<u>1.65</u>	<u>4.08</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

	For the three months ended 30 September		For the six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period	<u>2,294</u>	<u>15,109</u>	<u>7,780</u>	<u>24,106</u>
Other comprehensive income, net of tax				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(82)	40	(43)	84
Fair value change of financial assets at fair value through other comprehensive income	<u>600</u>	<u>—</u>	<u>600</u>	<u>—</u>
Total comprehensive income for the period	<u>2,812</u>	<u>15,149</u>	<u>8,337</u>	<u>24,190</u>
Total comprehensive income attributable to:				
Owners of the Company	2,815	11,979	8,469	19,770
Non-controlling interests	<u>(3)</u>	<u>3,170</u>	<u>(132)</u>	<u>4,420</u>
	<u>2,812</u>	<u>15,149</u>	<u>8,337</u>	<u>24,190</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	12	4,445	5,664
Right-of-use assets		2,124	–
Goodwill		175,257	175,257
Intangible assets		16,544	17,118
Investment in an associate		3,967	4,702
Financial assets at fair value through other comprehensive income		19,900	19,300
Deposits	13	305	302
		<u>222,542</u>	<u>222,343</u>
CURRENT ASSETS			
Inventories		8,197	5,211
Trade and other receivables	13	77,686	76,738
Tax recoverable		–	1,140
Bank balances and cash		38,271	38,206
		<u>124,154</u>	<u>121,295</u>
CURRENT LIABILITIES			
Trade and other payables	14	16,439	16,721
Bank borrowings		4,500	13,343
Promissory notes		90,128	61,849
Lease liabilities		1,416	–
Tax payable		5,344	5,401
		<u>117,827</u>	<u>97,314</u>
NET CURRENT ASSETS		<u>6,327</u>	<u>23,981</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>228,869</u>	<u>246,324</u>

		As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
	Notes		
NON-CURRENT LIABILITIES			
Promissory notes		108,874	131,970
Deferred tax liabilities		2,575	2,801
Lease liabilities		730	—
Other payables	14	—	3,200
		<u>112,179</u>	<u>137,971</u>
NET ASSETS		<u>116,690</u>	<u>108,353</u>
CAPITAL AND RESERVES			
Share capital	15	4,800	4,800
Share premium and reserves		<u>98,789</u>	<u>90,320</u>
		103,589	95,120
Non-controlling interests		<u>13,101</u>	<u>13,233</u>
TOTAL EQUITY		<u><u>116,690</u></u>	<u><u>108,353</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to the owners of the Company						Non-Controlling interests	Total equity
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(Note)</i>	FVTOCI reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	
As at 1 April 2019 (audited)	4,800	53,545	(10,228)	(700)	43	47,660	95,120	108,353
Comprehensive income								
Profit for the period	-	-	-	-	-	7,926	7,926	7,780
Other comprehensive income								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	(57)	-	(57)	(43)
Fair value change of financial assets at fair value through other comprehensive income	-	-	-	600	-	-	600	600
Total comprehensive income	-	-	-	600	(57)	7,926	8,469	8,337
As at 30 September 2019 (unaudited)	4,800	53,545	(10,228)	(100)	(14)	55,586	103,589	116,690

Attributable to the owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(Note)</i>	FVTOCI reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Non- Controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2018 (audited)	4,800	53,545	(10,228)	5,851	–	32,096	–	86,064
Adjustment on initial application of HKFRS 9	–	–	–	–	–	(33)	–	(33)
Adjusted balance as at 1 April 2018 (unaudited)	4,800	53,545	(10,228)	5,851	–	32,063	–	86,031
Comprehensive income								
Profit for the period	–	–	–	–	–	19,710	4,396	24,106
Other comprehensive income								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	60	–	24	84
Total comprehensive income	–	–	–	–	60	19,710	4,420	24,190
Transactions with owners								
Equity-settled share-based payment transactions	–	–	–	(1,531)	–	–	–	(1,531)
Non-controlling interests arising on business combinations	–	–	–	–	–	–	8,690	8,690
Total transactions with owners	–	–	–	(1,531)	–	–	8,690	7,159
As at 30 September 2018 (unaudited)	<u>4,800</u>	<u>53,545</u>	<u>(10,228)</u>	<u>4,320</u>	<u>60</u>	<u>51,773</u>	<u>13,110</u>	<u>117,380</u>

Note: Special reserve represents the difference between the entire issue shares of EFT Solutions Limited (“EFT”) acquired by the Group amounting to HK\$100 and the consideration for acquiring EFT by EFT Solutions International Limited, a wholly-owned subsidiary of the Group, amounting to approximately HK\$10,228,000 pursuant to the reorganisation, the details of which are set out in the prospectus of the Company dated 5 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	17,327	11,729
NET CASH USED IN INVESTING ACTIVITIES	(1,959)	(5,122)
NET CASH USED IN FINANCING ACTIVITIES	<u>(15,244)</u>	<u>(1,850)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	124	4,757
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	38,206	22,626
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	<u>(59)</u>	<u>103</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>38,271</u>	<u>27,486</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u><u>38,271</u></u>	<u><u>27,486</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 May 2016. Its registered office is located at Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Workshops B1 & B3, 11th Floor, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in sourcing of electronic fund transfer at point-of-sale (“**EFT-POS**”) terminals and peripheral devices, provision of EFT-POS system support services and software solution services, as well as the provision of point-of-sale (“**POS**”) software solution services in Hong Kong and People’s Republic of China (“**PRC**”) and provision of embedded system solution services in Australia. The Company’s parent and ultimate holding company is LCK Group Limited (“**LCK**”), a company incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Mr. Lo Chun Kit Andrew (“**Mr. Lo**”).

The presentation currency of the condensed consolidated financial statements is Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Group.

2. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The amounts included in the condensed consolidated financial statements have been computed in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group incorporated in the annual report for the year ended 31 March 2019 (the “**2019 Annual Report**”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2019 Annual Report.

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Reporting Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. The Group has not applied new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

The application of the new and revised HKFRSs effective in the current Reporting Period has had no material effect on the amounts reported in the interim financial information and disclosures set out in the interim financial information, except for HKFRS 16 Lease as set out below.

The Group applies, for the first time, HKFRS 16 Leases. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Other than as further explained below, the directors do not anticipate that the application of the new HKFRSs above will have a material effect on the Group's consolidated financial statements and the disclosure.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HKIFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases-incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land use right. For an explanation of how the Group applies lessee accounting.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.25%.

To ease the transition to HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019.

	1 April 2019 HK\$'000
Operating lease commitments at 31 March 2019	3,299
Less: commitments relating to leases exempt from capitalisation:	
Short-term lease and other leases with remaining lease term ending on or before 31 March 2020	(336)
Less: total future interest expenses	(131)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and total lease liabilities recognised at 1 April 2019	2,832

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity. The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position:

	Carrying amount at 31 March 2019 HK\$’000	Capitalisation of operating lease HK\$’000	Carrying amount at 1 April 2019 HK\$’000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Non-current assets			
Right-of-use assets	–	2,832	2,832
Current liabilities			
Lease liabilities (current)	–	1,744	1,744
Non-Current liabilities			
Lease liabilities (non-current)	–	1,088	1,088

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group’s consolidated statement of comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

4. REVENUE

An analysis of the Group's revenue is as follows:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sourcing of EFT-POS terminals and peripheral devices	8,311	6,938	21,252	19,084
EFT-POS system support services	13,519	10,569	26,321	20,614
EFT-POS software solution services	1,863	1,603	4,238	4,179
POS software solution services	6,107	14,519	8,672	19,864
Embedded system solution services	1,567	1,181	2,887	2,541
	31,367	34,810	63,370	66,282

5. SEGMENT INFORMATION

Information reported to Mr. Lo, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance, focuses on types of goods delivered or services provided.

Specifically, the Group's reportable and operating segments are as follows:

Sale of hardware devices	–	Sourcing of EFT-POS terminals and peripheral devices
System support and software solution services	–	Provision of system support and software solution services

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies.

Segment information about these reportable and operating segments is presented below:

For the six months ended 30 September 2019

	Sale of hardware devices <i>HK\$'000</i> (unaudited)	System support and software solution services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue – external customers	<u>21,252</u>	<u>42,118</u>	<u>63,370</u>
Segment results	<u>10,589</u>	<u>17,590</u>	28,179
Other income			21
Finance costs			(5,353)
Share of results of an associate			(735)
Unallocated expenses			<u>(11,692)</u>
Profit before tax			<u>10,420</u>

For the six months ended 30 September 2018

	Sale of hardware devices <i>HK\$'000</i> (unaudited)	System support and software solution services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue – external customers	<u>19,084</u>	<u>47,198</u>	<u>66,282</u>
Segment results	<u>9,880</u>	<u>32,282</u>	42,162
Other income			11
Finance costs			(3,570)
Share of results of an associate			(341)
Unallocated expenses			<u>(8,635)</u>
Profit before tax			<u>29,627</u>

Segment results represent the profit earned by each segment without allocation of certain other income, finance costs, central administrative costs, share of results of an associate and other unallocated expenses including depreciation and amortisation expenses, and directors' remuneration that are not directly attributable to segments as disclosed in the above table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Segment assets		
Sale of hardware devices	15,357	26,174
System support and software solution services	<u>46,326</u>	<u>43,850</u>
Total segment assets	61,683	70,024
Unallocated assets:		
Property, plant and equipment	4,445	5,664
Goodwill	175,257	175,257
Intangible assets	16,544	17,118
Investment in an associate	3,967	4,702
Financial asset at fair value through other comprehensive income	19,900	19,300
Tax recoverable	–	1,140
Right-of-use assets	984	–
Prepayments and deposits	25,645	12,227
Bank balances and cash	<u>38,271</u>	<u>38,206</u>
Consolidated assets	<u><u>346,696</u></u>	<u><u>343,638</u></u>
Segment liabilities		
Sale of hardware devices	3,758	8,561
System support and software solution services	<u>8,778</u>	<u>7,359</u>
Total segment liabilities	12,536	15,920
Unallocated liabilities:		
Other payables and accrued expenses	5,055	3,564
Bank borrowings	4,500	7,380
Promissory notes	199,002	200,219
Deferred tax liabilities	2,575	2,801
Lease liabilities	994	–
Tax payable	5,344	5,401
Consolidated liabilities	<u><u>230,006</u></u>	<u><u>235,285</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, goodwill, intangible assets, investment in an associate, certain prepayment and deposits, financial asset at fair value through profit or loss, derivative financial instruments and bank balances and cash that are not attributable to respective segment.
- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, bank borrowings, promissory notes and tax payable that are not attributable to respective segment.

Other segment information

As at 30 September 2019

	Sale of hardware devices <i>HK\$'000</i> (unaudited)	System support and software solution services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Allowance for doubtful debts	<u>32</u>	<u>1,158</u>	<u>1,190</u>

As at 31 March 2019

	Sale of hardware devices <i>HK\$'000</i> (audited)	System support and software solution services <i>HK\$'000</i> (audited)	Consolidated <i>HK\$'000</i> (audited)
Allowance for doubtful debts	<u>8</u>	<u>1,535</u>	<u>1,543</u>

Geographical information

Non-current assets by geographical location

An analysis of the Group's non-current assets by geographical location is as follows:

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Hong Kong	216,458	215,332
Australia	<u>6,084</u>	<u>7,011</u>
	<u>222,542</u>	<u>222,343</u>

Revenue by geographical location

An analysis of the Group's revenue from external customers by geographical location, determined based on the shipment destination for the sale of hardware devices and the location of services rendered for system support and software solution services are detailed below:

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	46,204	58,841
Macau	12,774	3,550
Australia	3,701	3,609
Others	691	282
	<u>63,370</u>	<u>66,282</u>

6. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Delivery income	44	—	412	—
Bank interest income	8	1	18	2
Others	—	57	4	103
	<u>52</u>	<u>58</u>	<u>434</u>	<u>105</u>

7. OTHER LOSSES

	For the three months ended 30 September		For the six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net exchange losses	255	52	406	69
Allowance for doubtful debt	(10)	133	(28)	133
Fair value losses on financial asset at fair value through profit or loss and derivative financial instruments	—	208	—	208
Loss on write-off of property, plant and equipment	2	—	12	114
	<u>247</u>	<u>393</u>	<u>390</u>	<u>524</u>

8. FINANCE COSTS

	For the three months ended		For the six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on bank and other borrowings	76	36	146	56
Interest expenses of lease liabilities	11	–	24	–
Interest on promissory notes	2,534	2,883	5,183	3,514
	<u>2,621</u>	<u>2,919</u>	<u>5,353</u>	<u>3,570</u>

9. INCOME TAX EXPENSE

	For the three months ended		For the six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
Hong Kong Profits Tax	1,223	3,256	2,802	5,500
Overseas income tax	31	57	64	111
Total current income tax	1,254	3,313	2,866	5,611
Deferred income tax	(83)	131	(226)	(90)
Total tax change for the period	<u>1,171</u>	<u>3,444</u>	<u>2,640</u>	<u>5,521</u>

Hong Kong Profits Tax has been provided for at the rate of 16.5% (for the six months ended 30 September 2018: 16.5%) on the estimated assessable profits for the Reporting Period.

Tax on overseas profits in Australia has been calculated at the prevailing tax rate based on existing legislation, interpretations and practices in respect thereof.

No provision for the PRC corporate income tax has been made as the Group did not generate any taxable profits in the PRC during the Reporting Period. The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

10. PROFIT FOR THE PERIOD

	For the three months ended		For the six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging/(crediting):				
Directors' remuneration				
– Directors' fees	190	96	406	192
– Salaries and allowances	471	540	927	1,380
– Retirement benefits scheme contribution	9	9	18	18
– Share-based payment expenses	–	(2,903)	–	(1,531)
Other staff costs				
– Salaries and allowances	6,205	6,702	12,830	10,594
– Retirement benefits scheme contribution	205	221	444	403
Total employee benefits expenses (including directors' emoluments)	7,080	4,665	14,625	11,056
Cost of inventories recognised as expense	4,571	3,315	11,007	9,152
Depreciation of property, plant and equipment	481	452	1,067	782
Depreciation of the right-of-use assets	354	–	708	–
Amortisation of intangible assets	554	473	1,109	630

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for both periods is based on the following data:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share	<u>2,295</u>	<u>11,950</u>	<u>7,926</u>	<u>19,710</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Number of Shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	480,000	480,000	480,000	480,000
Effect of dilutive potential ordinary shares on share option	<u>–</u>	<u>1,976</u>	<u>–</u>	<u>3,437</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u><u>480,000</u></u>	<u><u>481,976</u></u>	<u><u>480,000</u></u>	<u><u>483,437</u></u>

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$179,000 (six months ended 30 September 2018: HK\$3,017,000) and disposed and write-off of property, plant and equipment of approximately HK\$12,000 (six months ended 30 September 2018: HK\$114,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Current assets		
Trade receivables	51,578	54,022
Prepayments and other deposits	<u>26,108</u>	<u>22,716</u>
Total	<u>77,686</u>	<u>76,738</u>
Non-current asset		
Rental deposits paid to the Lo's Family, Mr. Lo Chun Wa and its related company (<i>Note a</i>)	302	246
Rental deposits paid to an independent landlord	<u>3</u>	<u>56</u>
Total	<u>305</u>	<u>302</u>

Notes:

- (a) The properties owned by (i) Mr. Lo and his spouse, Ms. Lam Ching Man (“**Ms. Lam**”) (collectively referred to as the “**Lo's Family**”); (ii) Mr. Lo Chun Wa; and (iii) Affinity Corporation Limited, an entity controlled by Mr. Lo. All of the properties rented are used as the office premises of the Group in Hong Kong.

The Group allows credit periods of 30 days to its trade customers from sourcing of EFT- POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the Reporting Period:

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Within 30 days	18,041	23,056
31 – 60 days	9,871	10,209
61 – 90 days	7,352	4,307
91 – 180 days	6,741	6,542
181 – 365 days	4,444	5,041
Over 365 days	5,129	4,867
	<u>51,578</u>	<u>54,022</u>

Included in the Group's trade receivables balance are debtors as at 30 September 2019 with an aggregate carrying amount of approximately HK\$33,538,000 (as at 31 March 2019: HK\$30,904,000) which are past due at the end of Reporting Period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group.

14. TRADE AND OTHER PAYABLES

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Current:		
Trade payables	4,789	3,890
Deferred revenue	4,381	4,915
Other payables and accrued expenses (<i>Note</i>)	4,069	11,116
Consideration payable (<i>Note 16</i>)	3,200	–
	<u>16,439</u>	<u>19,921</u>
Non-current:		
Consideration payable (<i>Note 16</i>)	–	(3,200)
	<u>16,439</u>	<u>16,721</u>

Note: As at 31 March 2019, included in other payables and accrued expenses above, approximately HK\$2.7 million represented the deposits received from EFT Payments (Asia) Limited, of which Mr. Lo holds 100% of its shareholdings.

The average credit period on trade payables is 30 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the Reporting Period.

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Within 30 days	1,962	2,528
31 – 60 days	1,201	773
61 – 90 days	626	343
Over 90 days	1,000	246
	<u>4,789</u>	<u>3,890</u>

15. SHARE CAPITAL

The movement in share capital of the Company are as follows:

	Number of shares	Amount <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 March 2019 and 30 September 2019	<u>780,000,000</u>	<u>7,800,000</u>
Issued and fully paid:		
As at 31 March 2019 and 30 September 2019	<u>480,000,000</u>	<u>4,800,000</u>

16. BUSINESS COMBINATION

On 31 May 2018, the Group acquired 70% interest in Earn World Group. Earn World Group is engaged in the provision of POS software solutions services in Hong Kong and the PRC. The purchase consideration for the acquisition was HK\$210,000,000, with HK\$16,000,000 by cash and HK\$194,000,000 by issuance of promissory notes.

On 5 April 2018, the Group completed the acquisition of 75% equity interest in Newport, which is engaged in the provision of embedded system solution services in Australia, at a consideration of approximately AUD360.

The fair values of the identifiable assets and liabilities of the acquisitions as at the respective dates of acquisitions were as follows:

	Newport	Earn World	
	Group	Group	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	–	245	245
Intangible assets	–	16,452	16,452
Trade and other receivables	281	19,776	20,057
Bank balances and cash	21	3,335	3,356
Trade and other payables	(602)	(5,740)	(6,342)
Deferred liabilities	–	(2,715)	(2,715)
Fair value of net assets acquired	(300)	31,353	31,053
Non-controlling interests	75	(8,765)	(8,690)
Financial asset at fair value through profit or loss	–	1,019	1,019
Derivative financial instruments	–	2,302	2,302
Goodwill	227	175,030	175,257
Total consideration	2	200,939	200,941
Consideration satisfied by:			
Cash (<i>Note</i>)	2	16,000	16,002
Promissory notes	–	184,939	184,939
	2	200,939	200,941

Note: As at 30 September 2018, cash consideration of HK\$3,200,000 was paid by the Group for the acquisition of 70% interest in Earn World Group, and the remaining cash consideration payable was included in the Group's other payables as at 30 September 2018.

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2018 and 2019, the Group entered into the following transactions with related parties:

Name of related party	Nature of Transactions	For the six months ended	
		30 September 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
EFT Payments (Asia) Limited (<i>Note 1</i>)	Sourcing of EFT-POS terminals and peripheral devices (<i>Note 2</i>)	5,630	1,600
	Provision of EFT-POS system support services (<i>Note 3</i>)	4,765	2,055
	Disposal of fixed asset	31	–
Mr. Lo	Rental expense paid	486	486
Ms. Lam (<i>Note 4</i>)	Rental expense paid	162	162
Mr. Lo Chun Wa (<i>Note 5</i>)	Rental expense paid	90	90
Affinity Corporation Limited (<i>Note 1</i>)	Rental expense paid	168	7
Hung Wai Innovation Limited (<i>Note 6</i>)	Purchasing cost of peripheral devices	–	1,392

Note 1: Mr. Lo is the ultimate shareholder of Affinity Corporation Limited and EFT Payments (Asia) Limited.

Note 2: The prices were made with reference to transactions prices of EFT-POS terminals products of comparable quality, quantity, specifications and delivery deadline and arrangements offered to at least 2 independent third parties in the ordinary and usual course of business.

Note 3: The services fee is based on the number of terminals deployed multiplied by a fixed system support fee per terminals that depending on the scope of services required. The charges are substantially in line with those offered to the major customers.

Note 4: Ms. Lam is a non-executive Director and the spouse of Mr. Lo.

Note 5: Mr. Lo Chun Wa is an executive Director and the brother of Mr. Lo.

Note 6: Hung Wai of which Mr. Lo holds 25%, became related company of the Group since April 2017. Hung Wai Innovation Limited is the wholly-owned subsidiary of Hung Wai Electronics (Huizhou) Limited, which is owned by Hung Wai as to 92.12% of its shareholdings. Accordingly, it is also a related company of the Group.

18. EVENT AFTER THE REPORTING PERIOD

On 11 October 2019, the Company entered into the sales and purchase agreement with connected person to dispose 70% of issued share capital of Earn World Development Limited and its subsidiaries at the consideration of HK\$210,000,000. Up to the date of approval of the interim consolidated financial statements, the said disposal has not yet completed.

FINANCIAL REVIEW

Overview

The Group recorded profit for the Reporting Period of approximately HK\$7.8 million which represented a significant decrease of approximately 67.6% on a period-to-period basis. It was mainly due to the significant decrease of profit margin from POS software solution services.

Revenue

During the Reporting Period, revenue of the Group of approximately HK\$63.4 million was recognised for the Reporting Period as compared with approximately HK\$66.3 million in the corresponding period in 2018. The Group achieved a revenue decline of approximately 4.4% on a period-to-period basis. This was mainly driven by the decrease in revenue in POS software solution services.

For sourcing of EFT-POS terminals and peripheral devices, revenue of approximately HK\$21.3 million was recognised for the Reporting Period which represented an increase of approximately 11.4% as compared to HK\$19.1 million in the corresponding period in 2018, which is attributable to increase in the number of EFT-POS terminals sold.

For provision of EFT-POS system support services, revenue of approximately HK\$26.3 million was recognised for Reporting Period which represented an increase of approximately 27.7% as compared to HK\$20.6 million in the corresponding period in 2018 due to increase in number of EFT-POS terminals covered by our system support services.

For provision of EFT-POS software solution services, revenue of approximately HK\$4.3 million was recognised for Reporting Period which represented an increase of approximately 1.4% as compared to HK\$4.2 million in the corresponding period in 2018. It was attributable to the decrease in the number of software solution projects completed during the Reporting Period.

For POS software solution services, revenue of approximately HK\$8.7 million was recognised for Report Period which represented a significant decrease of approximately 56.3% as compared to HK\$19.9 million in the corresponding period in 2018. It was attributable to the decrease in the number of POS software solution projects completed during the Reporting Period.

For the embedded system solution services, revenue of approximately HK\$2.9 million was recognised for Reporting Period which represent an increase of approximately 13.6% as compared to HK\$2.5 million in the corresponding period in 2018. It was attributed to the increase in the number of embedded system solution projects during the Reporting Period.

Costs of Goods Sold and Services

Costs of goods sold and services primarily consisted of costs of inventories recognised as expense, cost of independent service providers, tools and consumables, salaries and benefits, freight and transportation, rent, local travelling and telephone and utilities expense. Costs of goods sold and services for the Reporting Period was approximately HK\$35.6 million (six months ended 30 September 2018: HK\$24.2 million), which represented an increase of approximately 47.1% on a period-to-period basis due to increase in costs of inventories sold in accordance with the increase in revenue from sourcing of EFT-POS terminals and peripheral devices and the increase of development cost of POS software projects.

Gross Profit and Gross Profit Margin

The overall gross profit for the Reporting Period was approximately HK\$27.8 million (six months ended 30 September 2018: HK\$42.1 million), which represented a significant decrease of about 34.0%. The overall gross profit margin for the Reporting Period was about 43.8% (six months ended 30 September 2018: 63.5%), which represented a decrease of about 19.7%. The reason for the decrease was primarily due to the Group sourced more EFT-POS terminals and peripheral devices to customers with relatively lower profit margin and significant decrease of profit margin in the market of POS software solution services in the Reporting Period as compared to that in the corresponding period in 2018.

Other Incomes

Other income mainly represented delivery income charged back to customers and bank interest income. Other income for the six months ended 30 September 2018 and 2019 was approximately HK\$0.1 million and HK\$0.4 million, respectively, and was relatively stable over the corresponding periods.

Staff Costs

Staff costs of approximately HK\$14.6 million were recorded for the Reporting Period (six months ended 30 September 2018: HK\$11.1 million). The staff costs were increased due to the salary increment over the corresponding periods.

Other Administrative Expenses

Other administrative expenses (excluding staff costs) comprised mainly auditor's remuneration, depreciation, amortisation of intangible assets, legal and professional fees and office expenses.

Other administrative expenses for the Reporting Period was approximately HK\$8.7 million (six months ended 30 September 2018: HK\$6.0 million), which represented an increase of 45% as a result of the increase in amortisation of intangible assets and depreciation of property, plant and equipment.

Share of Results of an Associate

The Group had 19.8% of interest in Open Sparkz Pty Limited (“**Open Sparkz**”). Share of results of an associate represented the operating losses arising from this associate.

Finance Costs

Finance costs represented imputed interest expenses on promissory notes, interest expenses on bank borrowings and finance cost of lease liabilities. Finance costs for the Reporting Period was approximately HK\$5.4 million (six months ended 30 September 2018: HK\$3.6 million). On 31 May 2018, the Group issued promissory notes of approximately HK\$194.0 million which bear interest at 4% per annum as part of the consideration of acquisition of Earn World Group.

Profit for the Period

The Group recorded profit of approximately HK\$7.8 million for the Reporting Period (six months ended 30 September 2018: HK\$24.1 million). This was mainly due to the decline in the revenue and gross profit contributed by the provision of POS software solutions services.

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. The Group has remained at a sound financial resource level. As at 30 September 2019, the Group had net current assets of approximately HK\$6.3 million (as at 31 March 2019: approximately HK\$24.0 million), including cash and bank balances of approximately HK\$38.3 million (as at 31 March 2019: approximately HK\$38.2 million). The significant decrease in the net current assets is mainly due to the increase of the promissory notes which maturity date within twelve months.

As at 30 September 2019, the gearing ratio (calculated on the basis of total bank borrowings and promissory notes divided by the total equity as at the end of the period) of the Group was 174.4% (as at 31 March 2019: approximately 197.1%).

Pledge of Assets

As at 30 September 2019, the Group did not have any pledged assets (as at 31 March 2019: Nil).

Foreign Currency Risk

The Group’s business activities are in Hong Kong and are principally denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments and Contingent Liabilities

As at 30 September 2019, the Group had contracted capital commitment for the acquisition of a subsidiary, Earn World Development, of approximately HK\$210.0 million. Up to the date of this announcement, the Group has paid approximately HK\$12.8 million for the acquisition. Save as disclosed above, the Group did not have any significant capital commitments (as at 31 March 2019: Nil).

As at 30 September 2019, the Group did not have any significant capital expenditure (as at 31 March 2019: Nil).

As at 30 September 2019, the Group did not have any significant contingent liability (as at 31 March 2019: Nil).

Capital Structure

As at 30 September 2019, the Group had promissory notes of approximately HK\$199.0 million (as at 31 March 2019: HK\$200.2 million) and bank borrowings of approximately HK\$4.5 million (as at 31 March 2019: HK\$13.3 million). The bank borrowings were for tax purpose and unsecured.

Save as disclosed above, there has been no change in the Company's capital structure during the Reporting Period. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

Segmental Information

Segmental information is presented for the Group as disclosed in Note 5 to the condensed consolidated financial statements.

Employees and remuneration policies

As at 30 September 2019, the Group employed 68 (as at 31 March 2019: 68) full time employees (including executive Directors). We determine the employees' remuneration based on factors such as qualification, duty, contributions and years of experience. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

Event after the reporting period

On 11 October 2019 (after trading hours), the Company and the purchaser entered into the sales and purchase agreement, pursuant to which the purchaser has conditionally agreed to purchase, and the Company has conditionally agreed to sell, the Sale Shares at the Consideration of HK\$210.0 million. The Sale Shares represents 70% of the issued share capital of the Earn World Development Limited.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the Reporting Period and up to the date of this announcement.

Plans for Material Investments and Acquisitions

Saved as disclosed elsewhere in this announcement, the Group did not have any plans for material investments and acquisitions as at 30 September 2019 and up to the date of this announcement.

Dividend

The Board does not recommend payment of dividend for the Reporting Period (for the six months ended 30 September 2018: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Group is exposed to various risks in the operations of the Group's business and the Group believes that risk management is important to the Group's success. Key operational risks faced by the Group include, among others, changes in general market conditions and ability to continue to attract and retain highly qualified technical and managerial staff with the appropriate technical expertise and knowledge of the electronic payment industry. The provision of our services relies heavily on the technical know-how and skill-set of such employees and their continued employment with us is therefore crucial to our business operations. To cope with our business expansion, we conduct continuous recruitment for high calibre candidates from university graduates in computer science with a view to train them up with technical knowledge in electronic payment industry.

BUSINESS REVIEW AND OUTLOOK

The Group has continued to take a leading position as an innovative EFT-POS solution provider focusing on sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services in Hong Kong.

We are confident in positioning ourselves as a major link between EFT-POS terminal manufacturers and acquirers (i.e. acquiring bank or payment processor that processes credit or debit card payments on behalf of a merchant) to provide total EFT-POS solutions, which includes sourcing of EFT-POS terminals and peripheral devices services, as well as the development of software that comply with electronic payment standards acceptance certification, installation and ongoing maintenance and repair services of EFT-POS terminals.

The Group will continue to provide customised project-based software solution services so as to further capture the ongoing growing opportunities and expand our local market share in the EFT-POS terminal market. We will also continue to provide sourcing of EFT-POS terminals and peripheral devices services to acquirers and as well as merchants.

During the period ended 30 September 2019, the Group continued its efforts in developing the sourcing of EFT-POS terminals and peripheral devices, provision of EFT-POS system support services and software solution services and recorded growth in revenue from sourcing of EFT-POS terminals and peripheral devices and provision of EFT-POS system support services, while there was significant growth from software solution services.

We expect there are ample opportunities for growth in EFT-POS terminals and peripheral devices and provision of EFT-POS system support services and software solution services under the rapid development on the digital payment market, especially the popularity of the QR code payment, Footer Payment System (“FPS”) and e-wallet payment system.

Hardware Devices

The implementation of the SVF scheme in late 2016 and the Faster Payment System in September 2018 by the Hong Kong Monetary Authority have accelerated the development of electronic payment in Hong Kong, it encourages acquirers (i.e. acquiring bank or payment processor that processes credit or debit card payments on behalf of a merchant) to better support electronic payments. The increasing popularity of integrated payment solutions in merchant business process also escalated the need for the integrated payment terminals, which support credit cards, Near Field Communication (NFC), contactless payment, e-wallet payment, QR code payment and FPS. By leveraging our experience in the electronic payment industry and our well-established business relationships with EFT-POS terminal and peripheral device manufacturers, we have maintained a stable level of revenue for the period ended 30 June 2019 and we would continue to penetrate into electronic payment market by providing suitable EFT-POS solutions to meet the demands of our customers.

System Support and Software Solutions Services

The Group continued to develop the EFT-POS system support business which included the development of software that comply with electronic payment standards acceptance certification, the installation and ongoing maintenance and repair services of EFT-POS terminals and other related services and customised project-based software solution services. For the period ended 30 September 2019, the Group successfully provided integrated payment solutions to several mass transportation service providers in Hong Kong to accept electronic payment.

Overall

The Group will strive its best effort to achieve business growth and contribute our expertise to Hong Kong on its endeavour to transform itself into a smart city. The Group aims to further expand our market shares and strengthen our market position in electronic payment and software solution industries by increasing its capabilities and offering diverse and high quality one-stop integrated services.

However, the Group foresees the ongoing social unrest in Hong Kong may have negative impact to our performance due to the possible decrease in the sales of EFT-POS terminals and peripheral devices and the number of EFT-POS terminals covered by our system support services. We will closely monitor the conditions and keep our Shareholders informed the development.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were 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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Capacity	Notes	Long position	
			Total interests in ordinary Shares	Percentage of total number of issued Shares
Mr. Lo	Interest in a controlled corporation	1	345,600,000	72%
Ms. Lam	Interest of spouse	2	345,600,000	72%

Notes:

1. Mr. Lo is interested in the entire issued share capital of LCK and he is therefore deemed to be interested in the 345,600,000 Shares held by LCK by virtue of the SFO.
2. Ms. Lam is the spouse of Mr. Lo and she is therefore deemed to be interested in the Shares held by Mr. Lo by virtue of the SFO.

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, to the knowledge of the Directors, shareholders of the Company (the “**Shareholders**”) (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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 were as follows:

Name	Capacity	Note	Long position	
			Number of ordinary Shares	Percentage of total number of Shares
LCK	Beneficial Owner	1	345,600,000	72%

Note:

1. The entire issued share capital of LCK is legally and beneficially owned by Mr. Lo who is deemed to be interested in the Shares held by LCK by virtue of the SFO.

Save as disclosed above, as at 30 September 2019, to the knowledge of the Directors, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the Reporting Period and up to the date of this announcement, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above of this announcement, at no time during the Reporting Period and up to the date of this announcement was the Company, any of its subsidiaries, its associated companies 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).

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

For the Reporting Period and up to the date of this announcement, none of the Directors, nor the substantial shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interests (other than their interest in the Company or (prior to completion of the Reorganisation) its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed in Note 17 to the condensed consolidated financial statements in this announcement, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Saved as disclosed in Note 17 to the condensed consolidated financial statements in this announcement, there had been no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of their close associates, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of their close associates.

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

During the Reporting Period and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the Shareholders on 23 November 2016 (the “**Share Option Scheme**”).

The following is a summary of the principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group. The Share Option Scheme is valid and effective for a period of ten years commencing from the date of adoption of the scheme.

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
 - (a) contribution to the development and performance of the Group;
 - (b) quality of work performed for the Group;
 - (c) initiative and commitment in performing his/her duties; and
 - (d) length of service or contribution to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Share Option Scheme and any other schemes for the time being of the Company shall not exceed 30% of the shares in issue from time to time. Share options (the “**Option**”) of the Company which are lapsed or cancelled for the time being shall not be counted for the purpose of calculating the said 30% limit and the maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme unless approval for refreshing the 10% limit from the Company’s shareholders has been obtained. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the “**Cancelled Shares**”) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular and the approval of the Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

Upon acceptance of an option to subscribe for Shares granted pursuant to the scheme, the eligible participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be 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 of the Options;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

Details of the Options granted and outstanding under the Share Option Scheme during the corresponding period of Reporting Period were as follows:

Category	Date of grant	Exercise period	Exercise price	Number of share options				Balance as at 30 September 2018
				Balance as at 1 April 2018	Granted	Exercised	Cancelled/ lapsed (Note 5)	
Executive Directors								
Mr. Lo	9 January 2018	<i>Note 1</i>	0.530 (Note 4)	4,800,000	–	–	(4,800,000)	–
Mr. Chan (Resigned on 5 July 2019)	18 September 2017	<i>Note 2</i>	0.320 (Note 3)	24,000,000	–	–	(24,000,000)	–
Mr. Lo Chun Wa	9 January 2018	<i>Note 1</i>	0.530 (Note 4)	4,800,000	–	–	(4,800,000)	–
Non-executive Director								
Ms. Lam	9 January 2018	<i>Note 1</i>	0.530 (Note 4)	4,800,000	–	–	(4,800,000)	–
				38,400,000	–	–	(38,400,000)	–

Notes:

- 50% of the Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable after three months from the date of grant. The remaining Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable on or after the first anniversary of the date of grant.

2. 40% of the Options granted to Mr. Chan Lung Ming (“**Mr. Chan**”) shall become exercisable immediately upon approval by the Shareholders of the Company; 30% of the Options granted to Mr. Chan shall become exercisable on or after completion of one year of service on 1 September 2018 and the remaining Options granted to Mr. Chan shall become exercisable on or after completion of two years of service on 1 September 2019. Options granted to Mr. Chan have been approved by the Shareholders in its extraordinary general meeting held on 10 November 2017.
3. The closing price of shares on the date of grant was HK\$0.320. The average closing price was HK\$0.2744 per share for the five business days immediately preceding the date of grant.
4. The closing price of shares on the date of grant was HK\$0.530. The average closing price was HK\$0.520 per share for the five business days immediately preceding the date of grant.
5. The Options lapsed during the Reporting Period in accordance with the terms of the Share Option Scheme.

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions (the “**Model Code**”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code for the Reporting Period.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance in emphasising a quality board of directors, sound internal control, transparency and accountability with a view to safeguard the interests of all the Shareholders.

The Group has adopted the principles and code provisions of Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, the Company has established its audit committee (“**Audit Committee**”), a nomination committee and a remuneration committee with specific written terms of reference. During the Reporting Period and up to the date of this announcement, the Company has complied with all the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules except for the deviations as follows:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lo is the Chairman and the CEO of the Company. In view that Mr. Lo has been assuming day-to-day responsibilities in operating and managing the Group since 2008 and the rapid development of the Group, the Board believes that with the support of Mr. Lo’s extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and CEO of the Company in Mr. Lo strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to the Group. The Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

Notwithstanding the above, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established by the Board on 23 November 2016 with written terms of reference in compliance with the GEM Listing Rules. Members of the Audit Committee currently comprise Tso Ping Cheong Brian (Chairman of the Audit Committee), Dr. Wu Wing Kwen *B.B.S.* and Mr. Wong Ping Yiu, all of them being independent non-executive Directors. The primary duties of the Audit Committee include, but are not limited to, (a) monitoring the integrity of the Company’s financial statements, (b) reviewing the Company’s financial controls, internal control and risk management systems, and (c) reviewing the Group’s financial and accounting policies and practices.

The condensed consolidated financial statements of the Group for the Reporting Period have not been audited, but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. Elite Partners CPA Limited’s independent review report to the board of Directors is included on page 4.

The Audit Committee has reviewed with the management the condensed consolidated financial statements of the Group for the Reporting Period, this interim report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By Order of the Board
EFT Solutions Holdings Limited
Lo Chun Kit Andrew
Chairman and Chief Executive Officer

12 November 2019

As of the date of this announcement, the Board comprises executive Directors Mr. Lo Chun Kit Andrew and Mr. Lo Chun Wa; non-executive Directors Ms. Lam Ching Man and Mr. Lui Hin Weng Samuel; and independent non-executive Directors Dr. Wu Wing Kuen, B.B.S., Mr. Tso Ping Cheong Brian and Mr. Wong Ping Yiu.

This announcement will remain on the Stock Exchange’s website at www.hkexnews.hk and the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting and be posted on the website of the Company at www.eftsolutions.com.