



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)



2021

Interim Report



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*This report, for which the directors (the “**Directors**”) of China Smartpay Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*

FINANCIAL HIGHLIGHTS

- The revenue and gross profit of the Company and its subsidiaries (collectively referred to as the “**Group**”) amounted to approximately HK\$31.56 million and approximately HK\$17.09 million for the six months ended 30 September 2021 (the “**Review Period**”), which represented an increase of approximately 7.59% and decrease of approximately 1.40% respectively as compared with the Group’s revenue and gross profit recorded in the corresponding period in 2020.
- The Group reported a loss amounted to approximately HK\$57.15 million for the Review Period as compared with a loss of approximately HK\$45.56 million recorded in the corresponding period in 2020. The Group reported a loss attributable to owners of the Company for the Review Period which amounted to approximately HK\$45.92 million (2020: approximately HK\$37.82 million).
- Loss per share for the loss attributable to owners of the Company for the Review Period was approximately 2.11 HK cents (2020: approximately 2.30 HK cents).
- The board of Directors (the “**Board**”) does not recommend the payment of an interim dividend for the Review Period (2020: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2021

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Continuing operations					
Revenue	2	16,481	11,765	31,563	29,336
Cost of services rendered		(12,165)	(2,119)	(14,475)	(12,005)
Gross profit		4,316	9,646	17,088	17,331
Other income		1,722	3,716	3,330	4,556
General administrative expenses		(31,340)	(29,875)	(56,800)	(52,790)
Selling and distribution costs		(5,431)	(2,222)	(9,988)	(6,417)
Finance costs	4	(6,244)	(8,270)	(12,676)	(15,628)
Share of results of associates		598	3,240	1,978	2,842
Loss before tax from continuing operations	4	(36,379)	(23,765)	(57,068)	(50,106)
Income tax (expenses) credit	5	(7)	5	(80)	5
Loss for the period from continuing operations		(36,386)	(23,760)	(57,148)	(50,101)
Discontinued operations					
Profit for the period from discontinued operations	7	—	5,914	—	4,551
Loss for the period		(36,386)	(17,846)	(57,148)	(45,550)

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)**For the three months and six months ended 30 September 2021*

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	Notes	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Attributable to:					
Owners of the Company		(30,128)	(13,647)	(45,920)	(37,816)
Non-controlling interests		(6,258)	(4,199)	(11,228)	(7,734)
		(36,386)	(17,846)	(57,148)	(45,550)
From continuing and discontinued operations					
Loss per share attributable to owners of the Company					
Basic and diluted	8	(1.27) HK cents	(0.83) HK cents	(2.11) HK cents	(2.30) HK cents
From continuing operations					
Loss per share attributable to owners of the Company					
Basic and diluted		(1.27) HK cents	(1.19) HK cents	(2.11) HK cents	(2.58) HK cents

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2021

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Loss for the period	(36,386)	(17,846)	(57,148)	(45,550)
Other comprehensive income (expenses)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Share of other comprehensive expenses of associates — exchange difference on translation	6,805	7,535	10,163	8,287
Derecognition of exchange reserve upon disposal of a subsidiary	—	2,559	—	2,559
Exchange difference on translation of foreign subsidiaries	(7,842)	22,557	(203)	26,669
Total comprehensive (expenses) income for the period	(37,423)	14,805	(47,188)	(8,035)
Total comprehensive (expenses) income attributable to:				
Owners of the Company	(31,654)	12,363	(37,421)	(8,416)
Non-controlling interests	(5,769)	2,442	(9,767)	381
	(37,423)	14,805	(47,188)	(8,035)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Notes	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Non-current assets			
Interests in associates		293,714	295,632
Property, plant and equipment	9	8,973	10,080
Intangible assets	9	9,959	12,883
Right-of-use assets		24,866	26,138
Prepayment for software development expenditure		12,000	—
Financial assets at fair value through profit or loss ("FVPL")		300	300
Deferred tax assets		218	292
		350,030	345,325
Current assets			
Inventories		328	324
Tax recoverable		2,375	2,511
Trade and other receivables	10	195,855	163,162
Restricted funds	11	281,999	250,980
Cash and bank balances		67,714	67,287
		548,271	484,264

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2021

	Notes	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Current liabilities			
Trade and other payables	12	441,170	375,186
Tax payables		9,457	9,008
Bonds payables		189,949	210,385
Lease liabilities		8,454	7,367
Liability component of convertible bonds issued by a listed subsidiary	13	12,749	—
		661,779	601,946
Net current liabilities		(113,508)	(117,682)
Total assets less current liabilities		236,522	227,643
Non-current liabilities			
Liability component of convertible bonds issued by a listed subsidiary	13	—	11,859
Deferred tax liabilities		7,237	7,071
Other long-term liabilities	14	5,861	6,327
Lease liabilities		17,192	18,711
		30,290	43,968
NET ASSETS		206,232	183,675
Capital and reserves			
Share capital	15	23,676	19,730
Reserves		139,569	109,714
Equity attributable to owners of the Company		163,245	129,444
Non-controlling interests		42,987	54,231
TOTAL EQUITY		206,232	183,675

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company							Non-controlling interests			
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Existing HK\$'000	Potential HK\$'000	Total equity HK\$'000
For the six months ended 30 September 2021											
At 1 April 2021 (Audited)	19,730	1,610,966	5,498	(66,146)	11,988	13,641	(1,466,233)	129,444	53,355	876	183,675
Loss for the period	-	-	-	-	-	-	(45,920)	(45,920)	(11,228)	-	(57,148)
Other comprehensive income (expenses):											
Items that may be reclassified subsequently to profit or loss											
Share of other comprehensive expenses of associates — exchange difference on translation	-	-	-	10,163	-	-	-	10,163	-	-	10,163
Exchange difference on translation of foreign subsidiaries	-	-	-	(1,664)	-	-	-	(1,664)	1,461	-	(203)
Total comprehensive expenses for the period	-	-	-	8,499	-	-	(45,920)	(37,421)	(9,767)	-	(47,188)
Transaction with owners:											
Contributions and distributions											
Issue of shares upon placing of shares (Note 15)	3,946	66,367	-	-	-	-	-	70,313	-	-	70,313
Recognition of share-based compensation cost (Note 16)	-	-	-	-	-	909	-	909	-	-	909
Lapse of share options	-	-	-	-	-	(13,641)	13,641	-	-	-	-
Dividends paid to non-controlling interests non-wholly owned subsidiary	-	-	-	-	-	-	-	-	(1,477)	-	(1,477)
	3,946	66,367	-	-	-	(12,732)	13,641	71,222	(1,477)	-	69,745
At 30 September 2021 (Unaudited)	23,676	1,677,333	5,498	(57,647)	11,988	909	(1,498,512)	163,245	42,111	876	206,232

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*
 For the six months ended 30 September 2020

	Attributable to owners of the Company							Non-controlling interests			Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Existing HK\$'000	Potential HK\$'000	
For the six months ended 30 September 2020											
At 1 April 2020 (Audited)	16,441	1,562,367	5,498	(102,498)	11,963	21,581	(1,379,420)	135,932	69,011	—	204,943
Loss for the period	—	—	—	—	—	—	(37816)	(37816)	(7,734)	—	(45,550)
Other comprehensive income:											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Share of other comprehensive expenses of associates — exchange difference on translation	—	—	—	8,287	—	—	—	8,287	—	—	8,287
Derecognition of exchange reserve upon disposal of a subsidiary	—	—	—	2,559	—	—	—	2,559	—	—	2,559
Exchange difference on translation of foreign subsidiaries	—	—	—	18,554	—	—	—	18,554	8,115	—	26,669
Total comprehensive expenses for the period	—	—	—	29,400	—	—	(37816)	(8,416)	381	—	(8,035)
Transaction with owners:											
<i>Contributions and distributions</i>											
Recognition of share-based compensation cost (Note 16)	—	—	—	—	—	561	—	561	—	—	561
Lapse of share options	—	—	—	—	—	(11,756)	11,756	—	—	—	—
Dividends paid to non-controlling interests of non-wholly owned subsidiary	—	—	—	—	—	—	—	—	(939)	—	(939)
	—	—	—	—	—	(11,195)	11,756	561	(939)	—	(378)
Change in ownership interests convertible bonds issued by a listed subsidiary	—	—	—	—	—	—	—	—	—	876	876
At 30 September 2020 (Unaudited)	16,441	1,562,367	5,498	(73,098)	11,963	10,386	(1,405,480)	128,077	68,453	876	197,406

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

		Unaudited Six months ended 30 September	
	Notes	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES			
Cash used in operations		(27,054)	(13,957)
Interest received		1,155	148
Interest paid		(2,105)	(8,266)
Income tax paid		—	(321)
Net cash used in operating activities		(28,004)	(22,396)
INVESTING ACTIVITIES			
Additions in property, plant and equipment	9	(2,045)	(594)
Additions in intangible assets	9	(25)	—
Proceeds from disposal of property, plant and equipment	9	304	4
Prepayment made for software development expenditure		(12,000)	—
Proceeds from disposal of a subsidiary		—	36,154
Net cash (used in) from investing activities		(13,766)	35,564

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2021

		Unaudited Six months ended 30 September	
	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
FINANCING ACTIVITIES			
Issue of convertible bonds, net of issue costs	13	—	11,543
Net proceeds from placing of shares	15	70,313	—
Dividend paid to non-controlling interests		(1,477)	(939)
Repayment of bonds payables		(20,436)	(27,393)
Repayment of lease liabilities		(3,316)	(4,451)
Net cash from (used in) financing activities		45,084	(21,240)
Net increase (decrease) in cash and cash equivalents		3,314	(8,072)
Cash and cash equivalents at the beginning of the reporting period		67,287	197,498
Effect on exchange rate changes		(2,887)	1,430
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances		67,714	190,856

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

The Company was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on GEM of the Stock Exchange since 28 August 2009.

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2021 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2021 (the “**2021 Annual Financial Statements**”).

The Interim Financial Statements have been prepared on the historical costs basis and presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000) except otherwise indicated.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION *(Continued)*

Basis of preparation *(Continued)*

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2021 Annual Financial Statements except for the adoption of the new/revised HKFRSs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 April 2021.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2
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The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. The directors of the Company (the “**Directors**”) do not anticipate that the adoption of new/revised HKFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

Going Concern

In preparing the Interim Financial Statements, 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\$113,508,000 at 30 September 2021. In addition, the Group incurred a loss of approximately HK\$57,148,000 for the period ended 30 September 2021. 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 Interim Financial Statements, after taking into consideration of the followings:

- (a) an executive Director and the chairman of the Company (the “**Chairman**”), has committed and proved his ability to provide continuous financial support to the Group if necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;
- (b) the Chairman has provided personal guarantee for the bonds;
- (c) the Group is negotiating and discussing with the bondholders on 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

1. CORPORATE INFORMATION AND BASIS OF PREPARATION *(Continued)*

Going Concern *(Continued)*

- (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.

The Directors are of the opinion that, in light of the measures taken to date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements. The Directors believe that the aforementioned measures will be successful, based on the continuous efforts by the management of the Group. Accordingly, the Directors consider that it is appropriate to prepare the Interim Financial Statements on going concern basis.

2. REVENUE

Revenue for continuing operations is analysed by category as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<i>Revenue from contracts with customers within HKFRS 15</i>				
Prepaid cards and internet payment business				
Card issuing service fee income	2	42	5	83
Management fee income of prepaid cards	2,041	1,229	4,373	3,089
Merchant and technical support service fee income	13,311	879	24,472	3,096
Prestige benefits business				
Issuance income of prestige benefits cards	427	6,240	584	15,421
Hotel booking agency service income	3	41	4	51
Merchant acquiring business				
Merchant discount rate income	546	2,691	1,717	6,160
Marketing and distribution service income	5	10	13	16
<i>Revenue from other sources</i>				
Merchant acquiring business				
Foreign exchange rate discount income	146	633	395	1,420
	16,481	11,765	31,563	29,336

3. SEGMENT REPORTING

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the Directors consider that the operating segments of the Group comprise:

- (i) prepaid cards and internet payment business in the People's Republic of China (the "PRC");
- (ii) prestige benefits business in the PRC;
- (iii) merchant acquiring business in Thailand; and
- (iv) internet micro-credit business in the PRC (Discontinued).

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

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of other income, other gain or loss, finance costs, general administrative expenses incurred by corporate office, share of results of associates and income tax.

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 over 10% of the total revenue of the Group is also reflected within the operating information.

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 2021 (Unaudited)

	Prepaid cards and internet payment business <i>HK\$'000</i>	Prestige benefits business <i>HK\$'000</i>	Merchant acquiring business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	28,850	588	2,125	31,563
Segment results	(13,405)	(5,156)	(12,387)	(30,948)
Unallocated other income				3,330
Unallocated finance costs				(12,676)
Unallocated other expenses and losses				(18,752)
Share of results of associates				1,978
Loss before tax				(57,068)
Income tax expenses				(80)
Loss for the period				(57,148)

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 2020 (Unaudited)

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Internet micro-credit business HK\$'000	
Major customer A	—	12,569	—	—	12,569
Other customers	6,268	2,903	7,596	15,453	32,220
Segment revenue	6,268	15,472	7,596	15,453	44,789
Segment results	(19,113)	628	(4,778)	(198)	(23,461)
Unallocated other income					5,168
Unallocated finance costs					(15,638)
Unallocated other expenses and losses					(15,135)
Share of results of associates	3,296	—	(454)	—	2,842
Gain on disposal of a subsidiary					1,133
Loss before tax					(45,091)
Income tax expenses					(459)
Loss for the period					(45,550)

3. SEGMENT REPORTING (Continued)

Segment assets and liabilities

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

At 30 September 2021 (Unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	2,467	9	5,850	647	8,973
Right-of-use assets	21,128	2,070	232	1,436	24,866
Intangible assets	—	4,946	5,013	—	9,959
Financial assets at FVPL	—	—	—	300	300
Other assets	676,237	19,479	15,086	143,401	854,203
Total assets	699,832	26,504	26,181	145,784	898,301
Total liabilities	397,029	33,776	9,705	251,559	692,069

At 31 March 2021 (Audited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	2,338	18	7,595	129	10,080
Right-of-use assets	22,995	2,036	41	1,066	26,138
Intangible assets	8	6,909	5,966	—	12,883
Financial assets at FVPL	—	—	—	300	300
Other assets	577,177	22,831	19,832	160,348	780,188
Total assets	602,518	31,794	33,434	161,843	829,589
Total liabilities	349,502	38,753	9,687	247,972	645,914

4. LOSS BEFORE TAX

This is stated after charging:

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Finance costs					
Continuing operations					
Finance costs on other					
long-term liabilities		913	152	1,668	298
Interest on bonds payables		4,368	6,626	9,155	13,724
Finance costs on lease liabilities		291	55	546	138
Effective interest expenses					
on convertible bonds issued					
by a listed subsidiary	13	672	569	1,307	600
Other finance costs		—	868	—	868
		6,244	8,270	12,676	15,628
Discontinued operations					
Finance costs on lease liabilities		—	—	—	10
		6,244	8,270	12,676	15,638

4. LOSS BEFORE TAX (Continued)

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other items				
Continuing operations				
Amortisation of intangible assets	459	634	936	4,923
Depreciation of property, plant and equipment	964	1,441	2,346	2,850
Depreciation of right-of-use assets	1,555	2,155	4,554	3,787
Staff costs, including directors' emoluments and share-based compensation cost	12,094	7,487	27,925	20,152
Discontinued operations				
Amortisation of intangible assets	—	124	—	275
Depreciation of property, plant and equipment	—	73	—	174
Depreciation of right-of-use assets	—	66	—	132
Loss allowance on loan receivables	—	1,046	—	4,515
Staff costs, including directors' emoluments and share-based compensation cost	—	1,765	—	3,558

5. TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Continuing operations				
Deferred tax				
Reversal of over provision of deferred tax assets in prior year	7	—	80	—
	7	—	80	—
Income tax expenses (credit) for continuing operations	7	(5)	80	(5)
Discontinued operations				
Current tax				
PRC Enterprise Income Tax	—	7	—	464
Total income tax expenses for continuing and discontinued operations	7	2	80	459

- **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 the previous year, some incurred losses for taxation purposes, some had no assessable profits in Hong Kong for periods ended 30 September 2021 and 2020.

5. TAXATION (Continued)

- **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 in the Cayman Islands and the BVI respectively.

The Group’s operations in the PRC are subject to an enterprise income tax of the PRC (the “**PRC Enterprise Income Tax**”) at 25% (2020: 25%), except for 開聯通支付服務有限公司 (Open Union Payment Services Limited*, “**Open Union**”) and 上海靜元信息科技有限公司 (Shanghai Jingyuan Message Technology Limited*, “**Shanghai Jingyuan**”) (2020: Open Union and Shanghai Jingyuan), which is subject to the PRC Enterprise Income Tax at a preferential rate of 15% (2020: 15%) for high and new technology enterprises.

The Group’s operation in Thailand is subject to a Thailand income tax at 20% (2020: 20%).

The Group’s operation in Singapore is subject to a Singapore income tax at 17% (2020: 17%).

The Group’s operation in Korea is subject to a Korea corporation tax ranged from 10% to 25% (2020: 10% to 25%).

The Group’s operation in Cambodia is subject to a Cambodia Corporate Income Tax at 20% (2020: 20%).

Dividends payable by a foreign invested enterprise in the PRC or Thailand to its foreign investors are subject to a 10% (2020: 10%) withholding tax, unless any foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC or Thailand that provides for a different withholding arrangement.

Dividend payable by an enterprise in Cambodia to its foreign investors are subject to a 14% (2020: 14%) withholding tax.

* *English translation for identification purpose only.*

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2021: Nil).

7. DISCONTINUED OPERATIONS

Internet micro-credit business

On 13 March 2020, the Group entered into a sale and purchase agreement (as amended, supplemented or modified by the supplemental agreement dated 8 May 2020) to dispose of 75% equity interest of Keen Best Investments Limited (“**Keen Best**”) and its subsidiaries including Union Evernew Investment Limited (“**Union Evernew**”), 重慶市眾網小額貸款有限公司 (Massnet Microcredit Company (Chongqing) Limited*, “**Massnet Microcredit**”) and 上海洋芋信息科技有限公司 (together the “**Disposal Group**”), to an independent third party and a connected company of the Company, which is beneficially owned by Mr. Yan Dinggui, a then executive Director and the executive deputy chairman of the Board who resigned on 24 September 2020, at a consideration of HK\$120,000,000 and HK\$105,000,000, respectively (the “**Disposal**”). Since the Disposal Group carried out most of the Group’s internet micro-credit business, in the opinion of the Directors, the Disposal would cause the Group’s internet micro-credit business to be discontinued. The Disposal was completed on 29 September 2020.

For details of the Disposal, please refer to the announcements of the Company dated 13 March 2020, 29 April 2020, 8 May 2020, 30 June 2020 and 29 September 2020 respectively; and the circular dated 22 May 2020.

The results of the Disposal Group for the corresponding period have been presented separately in the Interim Financial Statements with the comparative figures re-presented to reflect a consistent presentation.

* *English translation for identification purpose only.*

7. DISCONTINUED OPERATIONS (Continued)

Internet micro-credit business (Continued)

The results of the Disposal Group for the six months ended 30 September 2020 are analysed as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Revenue		15,453
Cost of services rendered		(4,488)
<hr/>		
Gross profit		10,965
Other income		612
General administrative expenses		(7,685)
Finance costs	4	(10)
<hr/>		
Profit before tax	4	3,882
Income tax expenses	5	(464)
<hr/>		
Profit after tax		3,418
Gain on disposal of a subsidiary		1,133
<hr/>		
Profit attributable to discontinued operations		4,551

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

	Unaudited Six months ended 30 September 2020 <i>HK\$'000</i>
Net cash outflow in operating activities	(47,346)
Net cash outflow in investing activities	(210)
Net cash outflow in financing activities	(10)
<hr/>	
Total net cash outflow	(47,566)

7. DISCONTINUED OPERATIONS *(Continued)*

Internet micro-credit business *(Continued)*

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

2020
HK cents

**Earnings per share for the Disposal
Group attributable to owners
of the Company**

Basic and diluted 0.28

8. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2021 are calculated based on the unaudited consolidated loss for the period attributable to the owners of the Company of approximately HK\$30,128,000 and approximately HK\$45,920,000, respectively (2020: approximately HK\$13,647,000 and approximately HK\$37,816,000, respectively), and on the weighted average number of the three months and six months ended 30 September 2021 of 2,367,618,693 and 2,173,553,119 ordinary shares, respectively (2020: 1,644,188,693 and 1,644,188,693 ordinary shares) in issue, respectively.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and six months ended 30 September 2021 and 2020, respectively.

9. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the six months ended 30 September 2021, the Group had:

- (i) spent approximately HK\$2,045,000 (2020: approximately HK\$594,000) and HK\$25,000 (2020: Nil) on the additions to property, plant and equipment and intangible assets, which were mainly for enhancing the Group's internally developed acquired host system and payment network system, respectively; and
- (ii) disposed of approximately HK\$304,000 (2020: approximately HK\$4,000) of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Trade receivables from third parties		47,397	40,108
Less: Loss allowance		(26,700)	(26,263)
	<i>(a)</i>	20,697	13,845
Loan receivables			
Loan and interest receivables from independent third parties		128,960	103,495
Less: Loss allowance		(9,437)	(9,283)
	<i>(b)</i>	119,523	94,212
Other receivables			
Deposits paid to merchants	<i>(c)</i>	15,995	16,207
Deposits, prepayments and other debtors		28,831	28,266
Due from an associate	<i>(d)</i>	10,809	10,632
		55,635	55,105
		195,855	163,162

10. TRADE AND OTHER RECEIVABLES (Continued)

10(a) Trade receivables

The Group allows a credit period up to 45 days (31 March 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:

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Less than 1 month	2,777	2,859
1 month to 3 months	447	31
3 months to 6 months	78	2,382
6 months to 1 year	11,306	401
Over 1 year	6,089	8,172
	20,697	13,845

10(b) Loan receivables

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

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Less than 1 month	94,593	17,230
1 month to 3 months	—	509
3 months to 6 months	—	52,355
6 months to 1 year	18,461	24,118
Over 1 year	6,469	—
	119,523	94,212

At 30 September 2021, loan receivables

- (i) are unsecured (31 March 2021: unsecured);
- (ii) include an aggregate amount of approximately HK\$102,437,000 (31 March 2021: approximately HK\$75,264,000) which carries interest rates ranged from 8% to 14% per annum (31 March 2021: 8% to 14% per annum); and the remaining balances are interest-free; and
- (iii) have contractual loan period between 6 and 12 months (31 March 2021: 6 and 12 months).

10. TRADE AND OTHER RECEIVABLES (Continued)

10(c) Deposits paid to merchants

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

10(d) Due from an associate

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

11. RESTRICTED FUNDS

	Notes	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Bank deposits in:			
Thailand	(a)	32	75
The PRC	(b)	281,967	250,905
		281,999	250,980

11(a) Thailand

Pursuant to the agreements signed with a third party card acquiring business partner, the amounts represent bank balances in banks in Thailand maintained solely for the purpose of settlement of outstanding trade payables for the third party card acquiring business and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Thai Bhat ("Baht").

11(b) The PRC

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards' holders/internet payment accounts' holders make purchase transactions with respective merchants and are not allowed to be used by the Group for any other purpose. The deposits are denominated in RMB and represented savings/current/fixed deposits accounts maintained with banks. They bear an interest rate of 0.35% (31 March 2021: 0.35%) per annum.

12. TRADE AND OTHER PAYABLES

	Notes	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Trade payables	(a)	18,452	14,078
Prestige benefits cards — provision of hotel and catering expenses		15,337	15,086
Unutilised float funds	(b)	281,873	212,351
		315,662	241,515
Other payables			
Accruals and other payables	(c)	124,643	132,820
Due to a director	(d)	120	118
Due to an associate	(d)	745	733
		125,508	133,671
		441,170	375,186

12(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:

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Less than 1 month	12,263	7,177
1 month to 3 months	89	—
Over 3 months	6,100	6,901
	18,452	14,078

12. TRADE AND OTHER PAYABLES *(Continued)*

12(b) Unutilised float funds

The balances represented amounts prepaid by the prepaid cards' holders and internet payment accounts' holders to the Group and unutilised at the end of the reporting period. The Group is required to pay to the merchants from these funds when the prepaid cards' holders and internet payment accounts' holders make purchase transactions with respective merchants. The settlement terms with merchants vary and are dependent on the negotiation between the Group and individual merchants and number of purchase transactions.

12(c) Accruals and other payables

At the end of the reporting period, accruals and other payables included:

- (i) other payable to a third party of HK\$15,000,000 which is unsecured, interest-bearing at 10% per annum and repayable on 25 May 2022 (31 March 2021: other payable to a third party of approximately HK\$1,392,000 which was guaranteed by a director of Oriental Payment Group Holdings Limited ("**OPG**"), interest-bearing at 8% per annum and was settled on 30 August 2021);
- (ii) other borrowings from independent third parties of approximately (a) HK\$80,668,000 which is unsecured, interest-bearing at 9% per annum, and repayable within one year; (b) HK\$6,285,000 which is unsecured, interest-bearing at 12% per annum, and repayable on demand; and (c) HK\$6,000,000 which is guaranteed by a director of OPG, interest-bearing at 12% per annum and repayable within one year (31 March 2021: other borrowings from independent third parties of approximately HK\$79,348,000 and HK\$8,700,000 which were unsecured, and repayable within one year and on demand in which carries interest rates of 9% and 12% per annum, respectively); and
- (iii) interest payables of approximately HK\$2,553,000 (31 March 2021: approximately HK\$1,225,000) which are unsecured, interest-free and repayable within one year.

The remaining items of accruals and other payables are unsecured, interest-free and have no fixed repayment term.

12(d) Due to a director/an associate

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

13. CONVERTIBLE BONDS ISSUED BY A LISTED SUBSIDIARY

On 26 June 2020 (the “**Bond Issue Date**”), OPG, the subsidiary of the Company, issued convertible bonds (the “**Convertible Bonds**”) with a coupon interest rate of 7% per annum in an aggregate principal amount of HK\$11,850,000 to not less than six independent placees who, and where applicable, whose ultimate beneficial owners were independent third parties. The Convertible Bonds will mature on the date (the “**Maturity Date**”) falling upon the expiry of two years from the Bond Issue Date or if such date is not a business day, the immediate preceding business day.

The coupon interest is accrued on a day to day basis on the principal amount of the Convertible Bonds outstanding and shall only be payable by OPG semi-annually in arrears on the dates falling six months and one year after the Bond Issue Date and on the anniversary(ies) of such dates for each year thereafter up to and including the Maturity Date. Bondholders will be entitled to receive an additional interest at the rate of 10% per annum from the Bond Issue Date up to and including the Maturity Date chargeable on the principal amount of the Convertible Bonds, which will be payable by OPG on the Maturity Date, if they have not converted any of their Convertible Bonds into new shares of OPG.

The Convertible Bonds can be converted into a maximum number of 79,000,000 ordinary shares of OPG at the initial conversion price of HK\$0.15 per share of OPG.

13. CONVERTIBLE BONDS ISSUED BY A LISTED SUBSIDIARY (Continued)

The Convertible Bonds recognised at the end of the reporting period are calculated as follows:

	HK\$'000
Liability component	
Fair value of liability component at the Bond Issue Date	10,951
Issue costs	(284)
<hr/>	
At the Bond Issue Date	10,667
Effective interest expenses	1,823
Interest paid	(420)
Interest accrued	(211)
<hr/>	
At 31 March 2021 (audited)	11,859
<hr/>	
Effective interest expenses (Note 4)	1,307
Interest accrued	(417)
<hr/>	
At 30 September 2021 (unaudited)	12,749
<hr/>	
Equity component	
Nominal value of the Convertible Bonds	11,850
Fair value of liability component at the Bond Issue Date	(10,951)
Issue costs	(23)
<hr/>	
At the Bond Issue Date, at 31 March 2021 (audited) and at 30 September 2021 (unaudited)	876

For details of the placing of the Convertible Bonds by OPG, please refer to the joint announcements of the Company and OPG dated 10 June 2020 and 26 June 2020 respectively.

14. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent the preference shares issued by Oriental City Group (Thailand) Company Limited ("**OCG Thailand**").

At 30 September 2021, the Group had an outstanding amount due to a non-controlling shareholder of Baht 25,500,000 (equivalent to approximately HK\$5,861,000) (31 March 2021: Baht 25,500,000 (equivalent to approximately HK\$6,327,000) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum (31 March 2021: 9.5% per annum), with no accrued dividend payable (31 March 2021: Nil) as included in "Accruals and other payables".

15. SHARE CAPITAL

	Unaudited At 30 September 2021		Audited At 31 March 2021	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
At the beginning of reporting period	2,000,000,000	20,000	2,000,000,000	20,000
Increase in authorised share capital (Note i)	8,000,000,000	80,000	—	—
At the end of reporting period	10,000,000,000	100,000	2,000,000,000	20,000
Issued and fully paid:				
At the beginning of the reporting period	1,973,018,693	19,730	1,644,188,693	16,441
Issue of shares upon placing of shares (Note ii)	394,600,000	3,946	328,830,000	3,289
At the end of reporting period	2,367,618,693	23,676	1,973,018,693	19,730

Notes:

(i) Pursuant to an ordinary resolution passed on 13 May 2021, the authorised share capital of the Company was increased from HK\$20,000,000 (comprising 2,000,000,000 ordinary shares of HK\$0.01 each) to HK\$100,000,000 (comprising 10,000,000,000 ordinary shares of HK\$0.01 each) by creation of an additional 8,000,000,000 new ordinary shares of HK\$0.01 each in the Company.

(ii) On 6 January 2021, the Company issued 328,830,000 ordinary shares by way of placing at a placing price of HK\$0.16 per share. The net proceeds from the 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 payables, together with the interest accrued thereon) and provide additional working capital to the Group. These shares rank pari passu with all existing shares in all respects.

On 30 June 2021, the Company issued 394,600,000 ordinary shares by way of placing at a placing price of HK\$0.18 per share. The net proceeds from the 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 payables, together with the interest accrued thereon) and provide additional working capital to the Group. These shares rank pari passu with all existing shares in all respects.

16. SHARE OPTION SCHEME

Reference is made to the share option scheme (the “**Scheme**”) adopted by the Company on 13 May 2021, whose details were set out in the circular dated 22 April 2021, during the six months period ended 30 September 2021, movements on the number of share options outstanding are as follows:

	<i>Notes</i>	Number of share options
At 31 March 2021		21,000,000
Granted during the period	<i>(i)</i>	197,300,000
Lapsed during the period	<i>(ii)</i>	(21,000,000)
At 30 September 2021		197,300,000

Notes:

- (i) On 23 August 2021, options of 197,300,000 shares (the “**Share Options**”) were granted to certain eligible persons, of which 46,000,000 Share Options were granted to the Group’s directors under the Scheme to subscribe for the Company’s ordinary shares at the exercise price of HK\$0.2 per share. Details of number of Share Options granted to the Group’s directors are set out below:

Name of executive Directors	Number of Share Options granted
Lin Xiaofeng	8,000,000
Song Xiangping	19,000,000
Wu Hao	19,000,000

16. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(i) (Continued)

The validity period of the Share Options is 3 years from 23 August 2021 (the “**Date of Grant**”) to 22 August 2024, subject to the vesting conditions as stated in the offer letter and the provisions contained in the Scheme:

- 65,766,667 Share Options will be vested on the date falling on the first anniversary of the Date of Grant and exercisable from 23 August 2022 to 22 August 2024, both dates inclusive;
- 65,766,667 Share Options will be vested on the date falling on the second anniversary of the Date of Grant and exercisable from 23 August 2023 to 22 August 2024, both dates inclusive.
- 65,766,666 Share Options will be vested on 15 August 2024 and exercisable from 15 August 2024 to 22 August 2024, both dates inclusive.

The fair values of Share Options granted on 23 August 2021 ranges from HK\$0.07 to HK\$0.08 per Share Option, which are calculated using the Binomial Option Pricing Model with different exercisable periods the following key inputs:

Share price at grant date	HK\$0.183
Exercise price	HK\$0.200
Expected volatility	66.28%
Risk-free interest rate	0.29%
Expected dividends	Nil
Voluntary exercise boundary multiple	2.47x (executive directors), 1.60x (other employees)

The expected volatility was determined using the historic volatility of the Company's share prices.

During the six months ended 30 September 2021, with reference to the fair value of the share options granted, the Group recognised approximately HK\$909,000 (2020: approximately HK\$561,000) as the share-based compensation cost.

(ii) Upon the expiry of the validity period on 31 August 2021, options of 21,000,000 shares granted to the Group's director and senior management to subscribe for the Company's ordinary shares at an exercise price of HK\$1.68 per share lapsed.

17. COMMITMENTS

Capital expenditure commitments

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Contracted but not provided for, net of deposits paid:		
— Acquisition of equity interests in an associate	14,448	13,763
— Acquisition of intangible assets in respect of further developing the acquiring host system	129	201
	14,577	13,964

18. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 11 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has been engaged in the following businesses during the Review Period:

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 PRC. 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 capitalising on its own advantages.

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

However, due to the impact of the outbreak of the coronavirus disease 2019 ("**COVID-19**") pandemic, the trend of domestic consumption has been shifting toward online consumption, and the consumption with traditional prepaid cards has been suppressed to a certain extent at the merchant side, resulting in a decline in the number of cards issued. Nevertheless, the main reason for the decline in the Group's revenue was that the development of internet business and cross-border business did not progress as expected. Firstly, due to the impact of the outbreak of the COVID-19 pandemic to the general environment, the development of cross-border business has been stagnant for a long period of time; secondly, the Company has raised the rating standard for the internet business at the merchant onboarding side, and we have also strengthened our efforts in anti-money laundering control to fulfil the inspection requirements of the People's Bank of China ("**PBOC**") for the license renewal of the Company in 2021. With the successful completion of the license renewal in May 2021, we are actively expanding the corresponding payment business. Regarding the traditional prepaid cards, we will continue to strengthen our efforts in further developing our existing client base while also actively expanding other forms of card issuance (i.e. online card and co-branded cards issuing); cross-border RMB business has completed system integration with several banks while the whole operation processes of the "big trade function (大貿功能)" have successfully launched online. In terms of internet business, the branches of Open Union Payment (開聯通) are actively expanding the onboarding of qualified merchants, and all the currently onboarded merchants processed a certain transaction scale. At this point, we will achieve quality and sound development and growth in the payment business in the new financial year.

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

On 15 August 2021, the Company entered into a sale and purchase agreement with Mr. Lu Linmin (盧林銘) and Xi'an Jurui Real Estate Co., Ltd.* (西安聚瑞置業有限公司) (a company incorporated in the PRC with limited liability) (collectively referred to as the “**Vendors**”), 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.

For details, please refer to the announcements on 15 August 2021 and 26 October 2021, and the circular on 26 October 2021.

* *English translation for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Regarding the prestige benefits business, with the increased market demands and business cooperation needs, we launched the new official website and additional online sales channels to rollout prestige benefits products directly to end customers in a gradual pace. In the prestige membership benefit service industry of banking and credit card organizations, in addition to the leading banks that issued more volume of the original credit cards, there are more and more small-and-medium banks concerned with benefit service for the cardholders and providing the customers of retail or credit card businesses with value-added benefit services. Besides, with the emerging consumption pattern of paid membership, there will be more demand for membership benefit in new retail sector and on internet platform. As to the industry ahead, there will be more service targets and larger market scale. The original scheduled equity procurement contract projects with major cooperative banks were completed in September 2020. The number of cooperative equity procurement projects with banks have been significantly reduced due to the continued impact of the outbreak of COVID-19 pandemic, it is also expected that the impact of the COVID-19 pandemic on the industry will exist for a long period of time, the Company is actively adjusting the direction of its future business development. In addition to providing services to the original existing products, the Group also developed new products and new businesses in light of the new situation of the epidemic, therefore, the income recorded for the Review Period has decreased significantly compared with that in the corresponding period in 2020.

For merchant acquiring business, during the Review Period, OPG (together with its subsidiaries, the “**OPG Group**”) has continuously faced the risks of the uncertainties in the impact of Sino-US trade war and the outbreak of the COVID-19 pandemic, which continuously affected Chinese tourists’ spending in Thailand. In particular, the outbreak of COVID-19 pandemic which led to the suspension of a majority of international flights to Thailand resulted in a material adverse effect to the income of the OPG Group. In order to reduce the business risks in reliance upon tourism, the Group has engaged information technology companies to provide research and design services on other payment related software development, so that it can explore the expansion of businesses relating to payment, marketing and value-added which focus on local consumption in Asia Pacific (including Hong Kong), and businesses relating to cross-border e-commerce collection and payment.

While the OPG Group is exploring investment opportunities in online and offline payment related business in Asia Pacific, OPG Group completed a placing of the Convertible Bonds in June 2020 to raise funds. Taking into account the speedy recovery of the economy of the PRC from the impacts of the COVID-19 pandemic and the favourable policies towards the Guangdong – Hong Kong – Macau Greater Bay Area (the “**Greater Bay Area**”), the OPG Group is also exploring investment opportunities in new economies such as the fintech industry and IT industry in the PRC, and, in particular, in the Greater Bay Area.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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

FINANCIAL REVIEW

Revenue

The merchant acquiring transaction fee income and the foreign exchange rate discount income generated from merchant acquiring business in Thailand, the prepaid cards and internet payment business and the prestige benefits business all contributed to the total revenue of the Group for the Review Period. Total revenue of the Group for the Review Period amounted to approximately HK\$31.6 million, of which approximately HK\$28.9 million was attributed to the prepaid cards and internet payment business; approximately HK\$2.1 million was attributed to the merchant acquiring business in Thailand; and approximately HK\$0.6 million was attributed to the prestige benefits business respectively.

The Group's revenue for the Review Period was approximately HK\$31.6 million, representing an increase of approximately 8% as compared with that of the corresponding period in 2020 because of the significant increase in the revenue of the prepaid cards and internet payment business. The decrease in the revenue of the prestige benefits business were due to the outbreak of the COVID-19 pandemic, the citizens reduced their frequency of outgoing and hence caused the significant decrease in the transaction volume.

As for the merchant acquiring business in Thailand, there was a decrease by approximately HK\$5.5 million when comparing with that of the corresponding period in 2020. The decrease was primarily attributable to the facts that (i) some of the Chinese tourists, who were previously stuck in Thailand due to the lockdown in Thailand and closure of airports in the PRC for the corresponding period in 2020, gradually returned to the PRC and (ii) a majority of the international flights to Thailand remained not resumed. This resulted in a further drop of the Chinese tourists' spending in Thailand, and hence a further decrease in the transaction volume via UPI processed by the OPG Group for the Review Period as compared with that of the corresponding period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$14.5 million, representing an increase of approximately 21% as compared with that recorded in the corresponding period in 2020. The cost of services rendered increased in line with the increase in revenue.

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$56.8 million. The increase in general administrative expenses by approximately 8% was mainly due to the increment in the salaries and benefits for the directors and staff of the OPG Group.

Selling and Distribution Costs

The selling and distribution costs for the Review Period amounted to approximately HK\$10.0 million, representing an increase of approximately 56% from that in the corresponding period in 2020. The increase in selling and distribution costs was mainly due to the number of salesman increased for the prepaid cards and internet payment business.

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$12.7 million, representing a decrease of approximately 19% from that in the corresponding period in 2020. The decrease was primarily attributable to the repayment of bonds.

Loss for the Review Period

During the Review Period, the Group reported a net loss attributable to owners of the Company amounted to approximately HK\$45.9 million. Basic loss per share was approximately 2.11 HK cents as compared with approximately 2.30 HK cents recorded in the corresponding period in 2020.

Liquidity and Financial Resources

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

On 30 September 2021, the Group's other long-term borrowings amounted to approximately Baht25,500,000 (equivalent to approximately HK\$5,861,000) (31 March 2021: approximately Baht 25,500,000 (equivalent to approximately HK\$6,327,000)) due to a non-controlling shareholder, represented the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum (31 March 2021: 9.5% per annum) and such dividend was recorded as finance costs.

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, as at 30 September 2021 and 31 March 2021 were approximately 34.6% and 36.1% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

As at 30 September 2021, the Group had net current liabilities of approximately HK\$114 million (31 March 2021: HK\$118 million). The current ratio as at 30 September 2021 was 0.83 (31 March 2021: 0.80). The cash and cash equivalents of the Group as at 30 September 2021 were approximately HK\$68 million (31 March 2021: approximately HK\$67 million).

Foreign Exchange Exposure

The Group mainly operates in Hong Kong, the PRC and Thailand with the majority of business transactions denominated and settled in HK\$, Renminbi (“**RMB**”) and Baht, which are the functional currencies of the relevant subsidiaries. The Group’s trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars (“**US\$**”). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 30 September 2021, the Group has no outstanding foreign currency forward contracts for the exchange of US\$ with Baht. (31 March 2021: Nil). The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 September 2021.

Employees and Remuneration Policy

At at 30 September 2021, the Group had a total staff of 210 (31 March 2021: 192) of whom 26 (31 March 2021: 26) were based in Hong Kong, 168 (31 March 2021: 150) were based in the PRC, 15 (31 March 2021: 15) were based in Thailand, 1 (31 March 2021: 1) was based in Singapore. For the Review Period, the total staff costs, including key management’s remuneration, amounted to approximately HK\$27,925,000 (30 September 2020: approximately HK\$23,710,000). 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Fund Raising Activities and Use of Proceeds

Date of announcement	Fund raising activities	Net Proceeds	Intended use of proceeds	Actual use of 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\$22 million was used as general working capital and approximately HK\$27 million was unutilised.

Material Acquisition, Disposals and Significant Investment

Save as disclosed in this report, the Group has made no other material acquisitions, disposals or any significant investments during the Review Period.

Segment Information

Details of the Group's segment information are set out in Note 3 to the Interim Financial Statements.

Charges on Assets

Saved as disclosed in this report, as at 30 September 2021, the Group did not have any charges on assets.

Contingent Liabilities

As at 30 September 2021, the Group did not have any significant contingent liabilities.

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

As at 30 September 2021, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Lin Xiaofeng ("Mr. Lin")	Beneficial owner (Note 1)	8,000,000	0.33%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner (Note 2)	19,000,000	0.80%
Mr. Wu Hao ("Mr. Wu")	Beneficial owner (Note 3)	19,000,000	0.80%

Notes:

1. These Shares represent the underlying Shares under the 8,000,000 share options granted to Mr. Lin pursuant to the Company's share option scheme which was adopted by the Company on 13 May 2021 (the "Share Option Scheme"). Accordingly, pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of the share options granted thereunder.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(a) Long positions in ordinary Shares *(Continued)*

Notes: (Continued)

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

Save as disclosed above, as at 30 September 2021, so far as was known to any of the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and except for the Share Option Scheme, at no time during the Review Period, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and except for the Share Option Scheme, at no time during the Review Period was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

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

As at 30 September 2021, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Zhang Chang ("Mr. Zhang")	Interest in a controlled corporation (Note 1)	314,130,000	13.27%
	Beneficial owner (Note 1)	93,090,000	3.93%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner (Note 1)	314,130,000	13.27%
Vered Capital Limited ("Vered Capital")	Person having a security interest in shares (Note 2)	260,090,000	10.99%

Note:

1. Out of 407,220,000 Shares, 314,130,000 Shares were held by Sino Starlet, which in turn is wholly owned by Mr. Zhang. As Mr. Zhang is the controlling shareholder of Sino Starlet, he is deemed to be interested in these 314,130,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.
2. Pursuant to the disclosure of interests notice filed by Vered Capital on 29 August 2018, on 27 July 2018, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang, respectively.

Save as disclosed above, as at 30 September 2021, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

During the Review Period, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

SHARE OPTION SCHEME

(A) THE COMPANY

The share option scheme (the “**Old Scheme**”) adopted by the Company on 14 August 2009 expired on 13 August 2019. The terms of the Old Scheme remained in force for those share options already granted under it and still outstanding during the Reporting Period.

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

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

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

SHARE OPTION SCHEME *(Continued)*

(A) THE COMPANY *(Continued)*

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

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

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

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

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

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

SHARE OPTION SCHEME (Continued)

(A) **THE COMPANY** (Continued)

For the Review Period, the Company had the following share options granted to the Directors, senior management and employees under the Scheme:

Grantees	Date of grant	Exercise price (/HK\$)	Closing price immediately before the date of grant	Options	Options	Options	Options	Options
				outstanding as at 1 April 2021	granted since 1 April 2021	exercised since 1 April 2021	lapsed/forfeited since 1 April 2021	outstanding as at 30 September 2021
Directors, chief executives and substantial shareholders								
Mr. Wu	23 August 2021 (Note 2)	0.20	0.183	—	19,000,000	—	—	19,000,000
Mr. Song	23 August 2021 (Note 2)	0.20	0.183	—	19,000,000	—	—	19,000,000
Mr. Lin	23 August 2021 (Note 2)	0.20	0.183	—	8,000,000	—	—	8,000,000
	1 September 2016 (Note 1)	1.68	1.68	11,000,000	—	—	(11,000,000)	—
Employees and senior management								
	23 August 2021 (Note 2)	0.20	0.183	—	151,300,000	—	—	151,300,000
	1 September 2016 (Note 1)	1.68	1.68	10,000,000	—	—	(10,000,000)	—
				21,000,000	197,300,000	—	(21,000,000)	197,300,000

SHARE OPTION SCHEME *(Continued)*

(A) THE COMPANY *(Continued)*

Notes:

1. The share options had a validity period of 5 years from 1 September 2016 to 31 August 2021 and lapsed upon the expiry of the validity period.
2. One third of the share options shall be vested on the date falling on the first anniversary of the date of grant and exercisable from 23 August 2022 to 22 August 2024, both dates inclusive.

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

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

(B) SUBSIDIARY OF THE COMPANY

The share option scheme of OPG (the “**OPG Share Option Scheme**”) was adopted by way of shareholder’s written resolution passed on 18 September 2018. The terms of the OPG Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the OPG Share Option Scheme and there was no share option outstanding as at 30 September 2021.

UPDATE ON DIRECTORS’ INFORMATION UNDER RULE 17.50A OF THE GEM LISTING RULES

There is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

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 Review Period.

CORPORATE GOVERNANCE

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies for the Group with a view to developing its business and enhancing its corporate value. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for approval by the Board before publication, the execution of business strategies and initiatives adopted by the Board, the implementation of adequate internal control systems and risk management procedures, and the compliance with relevant statutory requirements and rules and regulations.

Besides, as a part of the corporate governance practices, the Board has established a nomination committee, a remuneration committee, an audit committee, an internal control committee and a compliance committee. The Board is responsible for developing and reviewing the Group's policies and practices on corporate governance and reviewing and monitoring the training and continuous professional development of our Directors. The internal control committee is vested with the responsibility of reviewing and monitoring the training and continuous professional development of the Group's senior management whilst the compliance committee is responsible for developing, reviewing and monitoring the code of conduct applicable to our Directors and the Group's employees and reviewing the Company's compliance with the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules and the disclosure in the Company's Corporate Governance Report.

During the Review Period, the Company has complied with all the code provisions of the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 enquiries to all Directors, the Company was not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2021 to 30 September 2021.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises Dr. Yuan Shumin, Mr. Lu Dongcheng and Mr. Wang Yiming, all of whom are independent non-executive Directors. Dr. Yuan Shumin has been appointed as the chairman of the Audit Committee.

AUDIT COMMITTEE *(Continued)*

The primary responsibilities of the Audit Committee are (i) to review the annual report and accounts, half yearly reports and quarterly reports and to provide advice, comments thereon to the Board and (ii) to review and supervise the financial reporting process, risk management and internal control system of the Group.

The Group's unaudited interim results for the six months ended 30 September 2021 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board

Mr. Zhang Xi

Chairman

Hong Kong, 11 November 2021

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