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China Smartpay Group Holdings Limited

中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of China Smartpay Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the third quarterly results of the Group for the nine months ended 31 December 2021. This announcement, containing the full text of the third quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of the third quarterly results.

By order of the Board
China Smartpay Group Holdings Limited
Zhang Xi
Chairman

Hong Kong, 11 February 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

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*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\$95.25 million and HK\$33.53 million for the nine months ended 31 December 2021 (the “**Review Period**”), which represented an increase of approximately 61.53% and 4.54% respectively as compared with the Group’s revenue and gross profit recorded in the corresponding period in 2020 (the “**Corresponding Period**” or “**2020**”).
- The Group reported a loss amounted to approximately HK\$58.88 million for the Review Period as compared with that of approximately HK\$65.04 million recorded in the Corresponding Period. The Group reported a loss attributable to equity holders of the Company for the Review Period amounted to approximately HK\$47.66 million (2020: approximately HK\$53.39 million).
- Loss per share for the loss attributable to equity holders of the Company for the Review Period was approximately 2.01 HK cents (2020: approximately 3.25 HK cents).
- The Board does not recommend the payment of an interim dividend for the Review Period (2020: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board (the “**Board**”) of Directors is pleased to present the unaudited condensed consolidated financial results of the Group for the three months and nine months ended 31 December 2021 together with the comparative figures for the corresponding periods in 2020 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2021

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Continuing operations					
Revenue	2	63,682	29,629	95,245	58,965
Cost of services rendered		(47,241)	(14,886)	(61,716)	(26,891)
Gross profit		16,441	14,743	33,529	32,074
Other income		2,822	2,433	6,152	6,989
General administrative expenses		(28,583)	(33,534)	(85,384)	(86,324)
Selling and distribution costs		(14,043)	(2,753)	(24,031)	(9,170)
Finance costs	4	(6,272)	(7,674)	(18,948)	(23,302)
Gain on disposal of equity interest in associates		22,737	—	22,737	—
Share of results of associates		5,164	7,291	7,142	10,133
Loss before tax from continuing operations	4	(1,734)	(19,494)	(58,803)	(69,600)
Income tax (expenses) credit	5	—	—	(80)	5
Loss for the period from continuing operations		(1,734)	(19,494)	(58,883)	(69,595)
Discontinued operations					
Profit for the period from discontinued operations	7	—	—	—	4,551
Loss for the period		(1,734)	(19,494)	(58,883)	(65,044)

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the three months and nine months ended 31 December 2021

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Attributable to:					
Equity holders of the Company		(1,736)	(15,577)	(47,657)	(53,393)
Non-controlling interests		2	(3,917)	(11,226)	(11,651)
		(1,734)	(19,494)	(58,883)	(65,044)
From continuing and discontinued operations					
Loss per share attributable to equity holders of the Company					
Basic and diluted	8	(0.08) HK cents	(0.95) HK cents	(2.01) HK cents	(3.25) HK cents
From continuing operations					
Loss per share attributable to equity holders of the Company					
Basic and diluted	8	(0.08) HK cents	(1.19) HK cents	(2.01) HK cents	(4.23) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2021

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Loss for the period	(1,734)	(19,494)	(58,883)	(65,044)
Other comprehensive income (expenses)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Share of other comprehensive income of associates – exchange difference on translation	3,773	10,527	13,936	18,814
Derecognition of exchange reserve upon disposal of a subsidiary	—	—	—	2,559
Exchange difference on translation of foreign subsidiaries	8,558	12,291	8,355	38,960
Total comprehensive income (expenses) for the period	10,597	3,324	(36,592)	(4,711)
Attributable to:				
Equity holders of the Company	9,769	4,272	(27,653)	(4,144)
Non-controlling interests	828	(948)	(8,939)	(567)
	10,597	3,324	(36,592)	(4,711)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 31 December 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 were listed on GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed consolidated third quarterly financial statements of the Company for the nine months ended 31 December 2021 (the “**Third Quarterly Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The preparation of the Third Quarterly Financial Statements requires the management to make judgements, 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 Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial 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, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2021 (the “**2021 Annual Financial Statements**”).

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

Basis of preparation *(Continued)*

The Third Quarterly 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 thousand (HK\$’000) except otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in the preparation of the 2021 Annual Financial Statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period, which had no significant effects on the results and financial position of the Group for current and prior periods.

At the date of authorisation of the Third Quarterly Financial Statements, the Group has not early adopted the new/revised HKFRSs that have been issued but are not yet effective. The Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	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	47	38	52	121
Management fee income of prepaid cards	1,602	1,274	5,975	4,363
Merchant and technical support service fee income	60,945	22,037	85,417	25,133
Prestige benefits business				
Issuance income of prestige benefits cards	496	3,435	1,080	18,856
Hotel booking agency service income	—	6	4	57
Merchant acquiring business				
Merchant discount rate income	476	2,273	2,193	8,433
Marketing and distribution service income	7	9	20	25
<i>Revenue from other sources</i>				
Merchant acquiring business				
Foreign exchange rate discount income	109	557	504	1,977
	63,682	29,629	95,245	58,965

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 the:

- (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, gain on disposal of equity interest in associates, 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 locations where services are provided. The geographical segment information is reflected within operating segment information as the Group's four distinctive business activities are provided in two different locations.

3. SEGMENT REPORTING (Continued)

Nine months ended 31 December 2021 (Unaudited)

	Prepaid cards and internet pay ment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Consolidated HK\$'000
Segment revenue	91,444	1,084	2,717	95,245
Segment results	(17,844)	(6,413)	(7,649)	(31,906)
Unallocated other income				6,152
Unallocated finance costs				(18,948)
Unallocated other expenses				(43,980)
Gain on disposal of equity interest in associates				22,737
Share of results of associates				7,142
Loss before tax				(58,803)
Income tax expenses				(80)
Loss for the period				(58,883)

3. SEGMENT REPORTING (Continued)

Nine months ended 31 December 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	
Segment revenue	29,617	18,913	10,435	15,453	74,418
Segment results	(14,081)	(1,241)	(7,221)	(198)	(22,741)
Unallocated other income					7,601
Unallocated finance costs					(23,312)
Unallocated other expenses					(37,399)
Share of results of associates					10,133
Gain on disposal of a subsidiary					1,133
Loss before tax					(64,585)
Income tax expenses					(459)
Loss for the period					(65,044)

4. LOSS BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
This is stated after charging:				
Finance costs				
Continuing operations				
Finance costs on				
other long-term liabilities	893	291	2,561	589
Interest on bonds payables	4,369	6,638	13,524	20,362
Finance costs on lease liabilities	327	175	873	313
Effective interest expenses				
on convertible bonds				
issued by a listed subsidiary	683	570	1,990	1,170
Other finance costs	—	—	—	868
	6,272	7,674	18,948	23,302
Discontinued operations				
Finance costs on lease liabilities	—	—	—	10
	6,272	7,674	18,948	23,312

4. LOSS BEFORE TAX (Continued)

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other items				
Continuing operations				
Amortisation of intangible assets	3,164	2,022	4,100	6,945
Depreciation of property, plant and equipment	918	1,429	3,264	4,279
Depreciation of right-of-use assets	2,245	2,251	6,799	6,038
Staff costs, including directors' emoluments and share-based compensation cost	20,544	17,668	48,469	37,820
Discontinued operations				
Amortisation of intangible assets	—	—	—	275
Depreciation of property, plant and equipment	—	—	—	174
Depreciation of right-of-use assets	—	—	—	132
Loss allowances on loan receivables	—	—	—	4,515
Staff costs, including directors' emoluments and share-based compensation cost	—	—	—	3,558

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Continuing operations				
Current tax				
PRC Enterprise Income Tax	—	—	—	(5)
Reversal of over provision of deferred tax assets in prior year	—	—	80	—
	—	—	80	(5)
Income tax expenses (credit) for continuing operations	—	—	80	(5)
Discontinued operations				
Current tax				
PRC Enterprise Income Tax	—	7	—	464
Total income tax expenses for continuing and discontinued operations	—	7	80	459

5. TAXATION (Continued)

(i) **Hong Kong Profits Tax**

Hong Kong Profits Tax has not been provided as certain group entities' estimated assessable profits for the period were absorbed by unrelieved tax losses brought forward from previous year, some incurred a loss for taxation purposes and some had no assessable profits in Hong Kong for the periods ended 31 December 2021 and 2020.

(ii) **Income taxes outside Hong Kong**

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

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 are 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, if commenced, is subject to a Cambodia Corporate Income Tax at 20% (2020: 20%). During both periods, the Group's operation in Cambodia has not yet commenced its business.

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, unless any foreign investor's jurisdiction of incorporation has a tax treaty with Cambodia that provides for a different withholding arrangement.

* *English translation for identification purpose only.*

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2021 (2020: 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 person of the Company, which is beneficially owned by Mr. Yan Dinggui (who resigned as an executive Director and the executive deputy chairman of the Board 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, 12 June 2020, 30 June 2020, 31 August 2020 and 29 September 2020 respectively; and the circular dated 22 May 2020.

The results of the Disposal Group have been presented separately in the Third Quarterly 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 nine months ended 31 December 2020 are analysed as follows:

	<i>Notes</i>	2020 <i>HK\$'000</i>
Revenue		15,453
Cost of services rendered		(4,488)
Gross profit		10,965
Other income		612
General administrative expenses		(7,685)
Finance costs	4	(10)
Profit before tax	4	3,882
Income tax expenses	5	(464)
Profit after tax		3,418
Gain on disposal of a subsidiary		1,133
Profit attributable to discontinued operations		4,551

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

	2020 <i>HK cents</i>
Earnings per share for the Disposal Group attributable to owners of the Company	
Basic and diluted	0.28

7. DISCONTINUED OPERATIONS *(Continued)*

Internet micro-credit business *(Continued)*

Further on 10 December 2021, the Group has further entered into a deed of settlement and share transfer with an independent third party and a security agent (as designated by the independent third party) to transfer 25% of equity interest of Keen Best (the “**Transfer**”) at a consideration of RMB74,302,082 (equivalent to approximately HK\$89,163,000) to settle in full the debt amount owing the Group to the independent third party. Upon completion of the Transfer, the Group will no longer hold any equity interests in Keen Best and Keen Best will cease to be an associate of the Group.

The Transfer was completed on 17 December 2021. Gain on disposal of interest in Keen Best of approximately HK\$22,737,000 was resulted during the nine months ended 31 December 2021.

For details of the Transfer, please refer to the announcements of the Company dated 10 December 2021 and 17 December 2021.

8. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 31 December 2021 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$1,736,000 and approximately HK\$47,657,000, respectively (2020: approximately HK\$15,577,000 and approximately HK\$53,393,000, respectively), and on the weighted average number of the three months and nine months ended 31 December 2021 of 2,367,618,693 and 2,238,476,875 ordinary shares (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 nine months ended 31 December 2021 and 2020, respectively.

9.

MOVEMENT OF EQUITY

	Attributable to equity holders 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 option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Existing HK\$'000		Potential HK\$'000
For the nine months ended 31 December 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	-	-	-	-	-	-	(47,657)	(47,657)	(11,226)	-	(58,883)
Other comprehensive income (expenses): <i>Items that may be reclassified subsequently to profit or loss:</i>											
Share of other comprehensive income of associates	-	-	-	13,936	-	-	-	13,936	-	-	13,936
- exchange difference on translation	-	-	-	6,068	-	-	-	6,068	2,287	-	8,355
Exchange difference on translation of foreign subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive expenses for the period	-	-	-	20,004	-	-	(47,657)	(27,653)	(8,939)	-	(36,592)
Transaction with owners:											
<i>Contribution and distributions</i>											
Issue of shares upon placing shares	3,946	66,367	-	-	-	-	-	70,313	-	-	70,313
Recognition of share-based compensation cost	-	-	-	-	-	3,109	-	3,109	-	-	3,109
Lapse of share options	-	-	-	-	-	(13,641)	13,641	-	-	-	-
Dividends paid to non-controlling interests of non-wholly owned subsidiary	-	-	-	-	-	-	-	-	(1,502)	-	(1,502)
	3,946	66,367	-	-	-	(10,532)	13,641	73,422	(1,502)	-	71,920
At 31 December 2021 (Unaudited)	23,676	1,677,333	5,498	(46,142)	11,988	3,109	(1,500,249)	175,213	42,914	876	219,003

MOVEMENT OF EQUITY (Continued)

	Attributable to equity holders 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 option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Existing HK\$'000	Potential HK\$'000	Total equity HK\$'000
For the nine months ended 31 December 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	—	—	—	—	—	—	(53,393)	(53,393)	(11,651)	—	(65,044)
Other comprehensive income											
Items that may be reclassified subsequently to profit or loss:											
Share of other comprehensive income of associates	—	—	—	18,814	—	—	—	18,814	—	—	18,814
Derecognition of exchange reserve upon disposal of a subsidiary	—	—	—	2,559	—	—	—	2,559	—	—	2,559
Exchange difference on translation of foreign subsidiaries	—	—	—	27,876	—	—	—	27,876	11,084	—	38,960
Total comprehensive expenses for the period	—	—	—	49,249	—	—	(53,393)	(4,144)	(667)	—	(4,711)
Transaction with owners:											
Contribution and distributions	—	—	—	—	—	—	—	—	—	—	—
Recognition of share-based compensation cost	—	—	—	—	—	3,305	—	3,305	—	—	3,305
Lapse of share options	—	—	—	—	—	(11,756)	11,756	—	—	—	—
Dividends paid to non-controlling interests of non-wholly owned subsidiary	—	—	—	—	—	—	—	—	(939)	—	(939)
Change in ownership interests of non-wholly owned subsidiary	—	—	—	—	—	(8,451)	11,766	3,305	(939)	—	2,366
At:31 December 2020 (Unaudited)	16,441	1,562,367	5,498	(53,249)	11,963	13,130	(1,421,057)	135,093	67,505	876	203,474

9. MOVEMENT OF EQUITY *(Continued)*

<Remark>

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

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the “**PRC Subsidiaries**”), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years’ losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years’ losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

10. OTHER AND SUBSEQUENT EVENTS

On 31 January 2022, Oriental Payment Group Holdings Limited (“**OPG**”, together with its subsidiaries, the “**OPG Group**”), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM of the Stock Exchange (stock code: 8613), entered into a subscription agreement with a subscriber, namely Mr. Tsang Chi Kit (the “**Subscriber**”), pursuant to which OPG has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for a total of 200,000,000 new ordinary shares of OPG (the “**Subscription Shares**”), representing 20% of the total issued share capital of OPG as at the date of its annual general meeting held on 31 August 2021 (the “**OPG AGM**”), at a subscription price of HK\$0.078 per Subscription Share (the “**Subscription**”). The Subscription Shares will be allotted and issued by OPG to the Subscriber under the general mandate granted to the OPG directors to allot, issue and otherwise deal with up to 20% of the total number of the issued OPG shares as at the date of OPG AGM. For details, please refer to the joint announcement of the Company and OPG dated 31 January 2022 (the “**Joint Announcement**”)

At the date of this report, the Company is a controlling shareholder holding 325,000,000 shares of OPG, representing 32.5% of the total issued share capital of OPG, through Charm Act Group Limited (“**Charm Act**”), a wholly-owned subsidiary of the Company.

10. OTHER AND SUBSEQUENT EVENTS *(Continued)*

Assuming that there will be no other changes to the total issued share capital of OPG between the date of the Joint Announcement and the date on which completion of the Subscription takes place (the “**Completion**”), immediately following the allotment and issue of 200,000,000 Subscription Shares by OPG to the Subscriber, the shareholding interest of the Company and Charm Act in OPG will be diluted from 32.5% to approximately 27.08%, representing a decrease of approximately 5.42% of the total issued share capital of OPG. Accordingly, such dilution of shareholding interest of the Company and Charm Act in OPG immediately after the Completion of the Subscription is deemed as a disposal by the Company of its shareholding interest in OPG (the “**Deemed Disposal**”).

Upon the Completion, OPG will cease to be a subsidiary of the Company, and the financial results and financial positions of OPG Group will no longer be consolidated into the consolidated financial statements of the Group, and will be accounted for using the equity method.

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

Upon the completion of the Placing, assuming that all 325,000,000 Placing Shares have been successfully placed by the Placing Agent, the shareholding in OPG held by Charm Act will be reduced from 32.5% to 0%, whereupon the Group will no longer own any equity interests in OPG. As disclosed in the Joint Announcement, OPG would cease to be a subsidiary of the Company and would be accounted for using the equity method as a result of the Deemed Disposal, if materialised. Assuming that all 325,000,000 Placing Shares have been successfully placed, on one hand, if the Deemed Disposal has not taken place prior to the completion of the Placing or is not effected at all, OPG would cease to be a subsidiary of the Company as a result of the Placing and the financial results and financial positions of the OPG Group would no longer be consolidated into the consolidated financial statements of the Group; and on the other hand, if the Deemed Disposal has taken place prior to the completion of the Placing, OPG would cease to be accounted for using the equity method as a result of the Placing. For details, please refer to the announcement of the Company dated 4 February 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has 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 to provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand. As one of the limited national prepaid card enterprises, we will utilise the resources of our branches to vigorously develop prepaid cards business across the nation in the future and intensively strengthen its presence in the areas of industry cooperation capitalising on its own advantages.

During the three months ended 31 December 2021, the Group boosts the sales volume in prepaid cards and internet payment business by increasing the sales agents to promote our services to the merchants. Therefore, the revenue from the third quarter of the Review Period was approximately HK\$60.95 million, which represents an increase of approximately 176% from that in the corresponding period in the last year.

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

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 on the general business 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.

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.

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. In terms of internet business, the branches of Open Union (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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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

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

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

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

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

* *English translation for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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

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

For merchant acquiring business, during the Review Period, OPG 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 subsequent waves of the outbreak of COVID-19 pandemic caused by the variants of the coronavirus 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 OPG 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

While the OPG Group is exploring investment opportunities in online and offline payment related business in Asia Pacific, the 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.

The OPG 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 OPG Group and take necessary actions to maintain the stability and sustainability of the businesses. The OPG Group will also continue to closely monitor the market conditions and adjust the OPG Group’s business strategies to cope with the fluctuations in the transaction value derived from its merchant network as well as to explore and identify any other potential investment opportunities from time to time.

On 31 January 2022, OPG entered into a subscription agreement with the Subscriber in relation to the Subscription of 200,000,000 new shares of OPG. For details, please refer to Note 10 to the Third Quarterly Financial Statements on p.21 and the joint announcement of the Company and OPG dated 31 January 2022.

On 3 February 2022, the Company entered into a placing agreement with the Placing Agent to procure the Placing on the best effort basis of up to a maximum of 325,000,000 shares of OPG held by it through Charm Act. For details, please refer to Note 10 to the Third Quarterly Financial Statements on p.21 and the announcement of the Company dated 3 February 2022. As disclosed in such announcement of the Company, taking into account the financial position of the OPG Group as well as the business environment in which the OPG Group is engaged, associated with the continuing uncertainties in the merchant acquiring market in Thailand, the Group is skeptical of the future prospect and growth of the merchant acquiring market in Thailand and intends to make a gradual shift of its business and operational focus, and hence re-allocate its investment and resources, to its other business segments (such as the prepaid card and internet payment business as well as the prestige benefits business in the PRC) in the long run.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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\$95.2 million, of which approximately HK\$91.4 million was attributed to the prepaid cards and internet payment business; approximately HK\$2.7 million was attributed to the merchant acquiring business in Thailand; and approximately HK\$1.1 million was attributed to the prestige benefits business, respectively.

The Group's revenue for the Review Period was approximately HK\$95.2 million, representing an increase of approximately 61.5% as compared with that of the Corresponding Period because of the significant increase in the revenue of the prepaid cards and internet payment business. The increase in the revenue of the prepaid cards and internet payment business was mainly because the Group enhanced the number of transactions in prepaid cards and internet payment business by increasing the sales agents.

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$61.7 million, representing an increase of approximately 130% as compared with that recorded in the Corresponding Period. The increase in cost of services rendered was in line with the increase in revenue.

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$85.4 million, representing a decrease of approximately 1% from that of the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Selling and Distribution Costs

The selling and distribution costs for the Review Period amounted to approximately HK\$24.0 million, representing an increase of approximately 162% from that in the Corresponding Period. The increase in selling and distribution costs was mainly due to the increase in commissions paid to the agents for boosting the volume of transactions in prepaid cards and internet payment business.

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$18.9 million, representing a decrease of approximately 19% from that in the Corresponding Period. The decrease was primarily attributable to a decrease in the interests on bond payable.

Loss for the Review Period

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$47.7 million. Basic loss per share was approximately 2.01 HK cents as compared with approximately 3.25 HK cents recorded in the Corresponding Period.

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

As at 31 December 2021, the interests and short positions 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 (Chapter 571 of the Laws of Hong Kong) (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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

(a) Long positions in ordinary shares (the "Shares") of HK\$0.01 each of the Company and underlying Shares in equity derivatives

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

Notes:

1. These Shares represent the underlying Shares under the share options granted to Mr. Lin on 23 August 2021 pursuant to the Company's share option scheme which was adopted by the Company on 13 May 2021 (the "**Share Option Scheme**"). 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 such share options granted thereunder.
2. These Shares represent the underlying Shares under the share options granted to Mr. Song on 23 August 2021 pursuant to the Share Option Scheme. 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 such share options granted thereunder.
3. These Shares represent the underlying Shares under the share options granted to Mr. Wu on 23 August 2021 pursuant to the Share Option Scheme. 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 such share options granted thereunder.

Save as disclosed above, as at 31 December 2021, so far as is known to 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the 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

As at 31 December 2021, so far as is known to the Directors, the following substantial shareholders or other persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be notified to the Company and the Stock Exchange 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:

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Zhang Chang ("Mr. Zhang")	Interest in a controlled corporation (Note 1)	437,230,000	18.47%
	Beneficial owner (Note 1)	93,090,000	3.93%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner (Note 1)	437,230,000	18.47%
Vered Capital Limited ("Vered Capital")	Person having a security interest in Shares (Note 2)	260,090,000	10.99%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Note:

1. Out of 530,320,000 Shares, 437,230,000 Shares were held by Sino Starlet, which was in turn wholly owned by Mr. Zhang. Accordingly, Mr. Zhang is deemed to be interested in these 437,230,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.
2. Pursuant to the disclosure of interests notices filed by Vered Capital on 29 August 2018, on 27 July 2018, Vered Capital acquired the security interests of 170,000,000 Shares and 90,090,000 Shares respectively.

Save as disclosed above, as at 31 December 2021, there was no any substantial shareholder or other person (other than a Director or chief executive of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be notified to the Company and the Stock Exchange 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.

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 or has or may have any conflicts of interest with the Group.

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 CODE

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, interim and quarterly 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 (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 applicable 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 31 December 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.

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 and 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 quarterly results for the nine months ended 31 December 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

Zhang Xi

Chairman

Hong Kong, 11 February 2022

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