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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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 unaudited condensed consolidated results of the Group for the six months ended 30 September 2022. This announcement, containing the full text of the 2022 interim 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 interim results.

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

Hong Kong, 14 November 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 Stock Exchange’s website at <http://www.hkexnews.hk> for at least 7 days from the date of its posting and on the Company’s website at <http://www.chinasmartpay.com>.

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

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

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*This 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\$176.8 million (2021: approximately HK\$29.4 million) and approximately HK\$41.4 million (2021: approximately HK\$16.3 million) for the six months ended 30 September 2022 (the “**Review Period**”), which represented an increase of approximately 500.6% and increase of approximately 154.4% respectively as compared with the Group’s revenue and gross profit recorded in the six months ended 30 September 2021 (the “**Corresponding Period**” or “**2021**”).
- The Group reported a loss amounted to approximately HK\$4.3 million for the Review Period as compared with a loss of approximately HK\$57.2 million recorded in the Corresponding Period. The Group reported a loss attributable to owners of the Company for the Review Period which amounted to approximately HK\$4.6 million (2021: approximately HK\$45.9 million).
- Loss per share for the loss attributable to owners of the Company for the Review Period was approximately 0.19 HK cents (2021: approximately 2.11 HK cents).
- The board of Directors (the “**Board**”) does not recommend the payment of an interim dividend for the Review Period (2021: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2022

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Continuing operations					
Revenue	2	53,810	15,784	176,803	29,438
Cost of services rendered		(34,373)	(11,768)	(135,383)	(13,159)
Gross profit		19,437	4,016	41,420	16,279
Other income		1,554	1,200	3,428	2,154
General administrative expenses		(17,240)	(24,603)	(36,409)	(45,239)
Selling and distribution costs		(2,946)	(3,585)	(6,071)	(5,826)
Finance costs	4	(4,612)	(4,654)	(9,157)	(9,691)
Share of results of associates		1,732	893	2,457	2,602
Loss before tax from continuing operations	4	(2,075)	(26,733)	(4,332)	(39,721)
Income tax expenses	5	—	(7)	—	(7)
Loss for the period from continuing operations		(2,075)	(26,740)	(4,332)	(39,728)
Discontinued operations					
Loss for the period from discontinued operations	7	—	(9,646)	—	(17,420)
Loss for the period		(2,075)	(36,386)	(4,332)	(57,148)

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the three months and six months ended 30 September 2022

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Attributable to:					
Owners of the Company		(2,237)	(30,128)	(4,591)	(45,920)
Non-controlling interests		162	(6,258)	259	(11,228)
		(2,075)	(36,386)	(4,332)	(57,148)
From continuing and discontinued operations					
Loss per share attributable to owners of the Company					
Basic and diluted	8	(0.09) HK cents	(1.27) HK cents	(0.19) HK cents	(2.11) HK cents
From continuing operations					
Loss per share attributable to owners of the Company					
Basic and diluted		(0.09) HK cents	(0.86) HK cents	(0.19) HK cents	(1.31) HK cents
From discontinuing operations					
Loss per share attributable to owners of the Company					
Basic and diluted	7	N/A	(0.41) HK cents	N/A	(0.80) HK cents

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2022

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Loss for the period	(2,075)	(36,386)	(4,332)	(57,148)
Other comprehensive (expenses) income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Share of other comprehensive expenses of associates – exchange difference on translation	(16,751)	6,805	(21,037)	10,163
Exchange difference on translation of foreign subsidiaries	(33,691)	(7,842)	(43,320)	(203)
Total comprehensive expenses for the period	(52,517)	(37,423)	(68,689)	(47,188)
Total comprehensive expenses attributable to:				
Owners of the Company	(50,707)	(31,654)	(63,854)	(37,421)
Non-controlling interests	(1,810)	(5,769)	(4,835)	(9,767)
	(52,517)	(37,423)	(68,689)	(47,188)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	Notes	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Non-current assets			
Interests in associates		208,096	236,178
Property, plant and equipment	9	8,323	5,999
Intangible assets	9	145	173
Right-of-use assets		14,196	19,504
Deferred tax assets		9	9
		230,769	261,863
Current assets			
Inventories		180	202
Tax recoverable		12	12
Trade and other receivables	10	149,219	169,576
Restricted funds	11	551,912	324,137
Cash and bank balances		15,680	30,870
		717,003	524,797

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2022

	Notes	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Current liabilities			
Trade and other payables	12	599,627	366,354
Tax payables		8,578	9,660
Bonds payables		189,949	189,949
Lease liabilities		6,572	7,528
		804,726	573,491
Net current liabilities		(87,723)	(48,694)
Total assets less current liabilities		143,046	213,169
Non-current liabilities			
Deferred tax liabilities		5,234	6,302
Lease liabilities		8,779	12,953
		14,013	19,255
NET ASSETS		129,033	193,914
Capital and reserves			
Share capital	13	23,676	23,676
Reserves		63,309	123,355
Equity attributable to owners of the Company		86,985	147,031
Non-controlling interests		42,048	46,883
TOTAL EQUITY		129,033	193,914

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share options reserve	Accumulated losses	Total	Non-Controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2022										
At 1 April 2022 (Audited)	23,676	1,677,333	5,498	(56,611)	11,363	5,134	(1,519,362)	147,031	46,883	193,914
(Loss) Profit for the period	-	-	-	-	-	-	(4,591)	(4,591)	259	(4,332)
Other comprehensive expenses:										
Items that may be reclassified subsequently to profit or loss										
Share of other comprehensive expenses of associates — exchange difference on translation	-	-	-	(21,037)	-	-	-	(21,037)	-	(21,037)
Exchange difference on translation of foreign subsidiaries	-	-	-	(38,226)	-	-	-	(38,226)	(5,094)	(43,320)
Total comprehensive expenses for the period	-	-	-	(59,263)	-	-	(4,591)	(63,854)	(4,835)	(68,689)
Transaction with owners:										
Contributions and distributions										
Recognition of share-based compensation cost (Note 14)	-	-	-	-	-	3,808	-	3,808	-	3,808
	-	-	-	-	-	3,808	-	3,808	-	3,808
At 30 September 2022 (Unaudited)	23,676	1,677,333	5,498	(115,874)	11,363	8,942	(1,523,953)	86,985	42,048	129,033

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*
For the six months ended 30 September 2021

	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 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):											
<i>Items that may be reclassified subsequently to profit or loss</i>											
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 income (expenses) for the period	—	—	—	8,499	—	—	(45,920)	(37,421)	(9,767)	—	(47,188)
Transaction with owners:											
<i>Contributions and distributions</i>											
Issue of shares upon placing of shares (Note 13)	3,946	66,367	—	—	—	—	—	70,313	—	—	70,313
Recognition of share-based compensation cost (Note 14)	—	—	—	—	—	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 CASH FLOWS

For the six months ended 30 September 2022

		Unaudited Six months ended 30 September	
	Notes	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES			
Cash used in operations		(1,688)	(27,054)
Interest received		2,197	1,155
Interest paid		(4,321)	(2,105)
Net cash used in operating activities		(3,812)	(28,004)
INVESTING ACTIVITIES			
Additions in property, plant and equipment	9	(4,103)	(2,045)
Additions in intangible assets	9	—	(25)
Proceeds from disposal of property, plant and equipment	9	—	304
Prepayment made for software development expenditure		—	(12,000)
Net cash used in investing activities		(4,103)	(13,766)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2022

		Unaudited Six months ended 30 September	
	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
FINANCING ACTIVITIES			
Net proceeds from placing of shares	13	—	70,313
Dividend paid to non-controlling interests		—	(1,477)
Repayment of bonds payables		—	(20,436)
Repayment of lease liabilities		(3,107)	(3,316)
Net cash (used in) from financing activities		(3,107)	45,084
Net (decrease) increase in cash and cash equivalents		(11,022)	3,314
Cash and cash equivalents at the beginning of the Review Period		30,870	67,287
Effect on exchange rate changes		(4,168)	(2,887)
Cash and cash equivalents at the end of the Review Period, represented by cash and bank balances		15,680	67,714

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 (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 2022, 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 2022 (the “**2022 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 adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period has no significant effects on the results and financial position of the Group for both periods.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted the new/revised HKFRSs that have been issued but not yet effective.

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\$87,723,000 at 30 September 2022. In addition, the Group incurred a loss of approximately HK\$4,332,000 for the six months ended 30 September 2022. There is a material uncertainty related to these matters that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- (a) Mr. Zhang Xi, an executive Director and the chairman of the Company (the "**Chairman**"), has committed and proved his ability to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;
- (b) the Chairman has provided personal guarantee for the bonds by entered the deed of guarantee with the bond subscribers;
- (c) an independent third party has provided an undertaking in favour of the Chairman in case he is unable to provide sufficient financial support to the Group in respect of (a) and (b) as mentioned above;
- (d) 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)

- (e) 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	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
<u>Revenue from contracts with customers within HKFRS 15</u>				
Prepaid cards and internet payment business				
Card issuing service fee income	—	2	—	5
Management fee income of prepaid cards	1,589	2,041	4,417	4,373
Merchant and technical support service fee income	52,007	13,311	172,048	24,472
Prestige benefits business				
Issuance income of prestige benefits cards	213	427	337	584
Hotel booking agency service income	1	3	1	4
	53,810	15,784	176,803	29,438

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; and
- (iii) merchant acquiring business in Thailand (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.

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 2022 (Unaudited)

	Continuing operations		Consolidated HK\$'000
	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	
Segment revenue	176,465	338	176,803
Segment results	10,596	(2,200)	8,396
Unallocated other income			3,428
Unallocated finance costs			(9,157)
Unallocated other expenses and losses			(9,456)
Share of results of associates			
– Under segment	2,561	–	2,561
– Unallocated	–	–	(104)
Loss before tax			(4,332)
Income tax expenses			–
Loss for the period			(4,332)

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 2021 (Unaudited)

	Continuing operations		Discontinued operations	
	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Consolidated HK\$'000
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				
– Under segment	3,048	—	(624)	2,424
– Unallocated	—	—	—	(446)
Loss before tax				(57,068)
Income tax expenses				(80)
Loss for the period				(57,148)

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 2022 (Unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	8,002	4	317	8,323
Right-of-use assets	11,506	1,250	1,440	14,196
Intangible assets	145	—	—	145
Other assets	899,496	8,792	16,820	925,108
Total assets	919,149	10,046	18,577	947,772
Total liabilities	582,193	32,639	203,907	818,739

At 31 March 2022 (Audited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	5,531	—	468	5,999
Right-of-use assets	16,672	1,393	1,439	19,504
Intangible assets	173	—	—	173
Other assets	677,280	10,839	72,865	760,984
Total assets	699,656	12,232	74,772	786,660
Total liabilities	350,478	36,298	205,970	592,746

4. LOSS BEFORE TAX

Loss before tax from continuing operations is stated after charging:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Finance costs				
Interest on bonds payables	4,369	4,368	8,690	9,155
Finance costs on lease liabilities	243	286	467	536
	4,612	4,654	9,157	9,691

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Other items				
Amortisation of intangible assets	11	8	28	30
Depreciation of property, plant and equipment	525	223	844	426
Depreciation of right-of-use assets	1,783	1,255	3,609	3,989
Staff costs, including directors' emoluments and share-based compensation cost	14,002	8,614	28,959	20,744

5. TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Continuing operations				
Deferred tax				
Reversal of over provision of deferred tax assets in prior year	–	7	–	7
Income tax expenses for continuing operations	–	7	–	7

- ### 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 2022 and 2021.

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% (2021: 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**”) (2021: Open Union and Shanghai Jingyuan), which is subject to the PRC Enterprise Income Tax at a preferential rate of 15% (2021: 15%) for high and new technology enterprises.

The Group’s operation in Singapore is subject to a Singapore income tax at 17% (2021: 17%).

The Group’s operation in Korea is subject to a Korea corporation tax ranged from 10% to 25% (2021: 10% to 25%).

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

No PRC Enterprise Income Tax, Singapore Income Tax and Korea Corporate Income Tax has been provided for the six months ended 30 September 2022 and 2021 as the Group incurred a loss for taxation purposes from continuing operations in the respective jurisdiction.

* *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 2022 (2021: Nil).

7. DISCONTINUED OPERATIONS

Merchang acquiring business

During the year ended 31 March 2022, Oriental Payment Group Holdings Limited (“**OPG**”), a former non-wholly owned subsidiary of the Group prior to the Deemed Disposal (as defined below), entered into the subscription agreement with the subscriber (the “**OPG Placing Subscriber**”), pursuant to which OPG has conditionally agreed to allot and issue to the OPG Placing Subscriber, and the OPG Placing Subscriber has conditionally agreed to subscribe for a total of 200,000,000 new ordinary shares of OPG (the “**Subscription**”).

The Subscription was completed on 22 February 2022. As a result, the equity interests of the Group in OPG were diluted from approximately 32.50% to approximately 27.08%. Accordingly, upon the dilution of equity interests of the Group in OPG immediately after the completion of the Subscription, and also considering other relevant factors on the assessment of the control over OPG, such dilution of equity interests of the Group in OPG immediately after completion of the Subscription was regarded as a deemed disposal by the Group of its equity interests in OPG (the “**Deemed Disposal**”).

Upon completion the Subscription, OPG ceased to be a subsidiary of the Group, and the financial results and financial position of OPG and its subsidiaries (together the “**OPG Group**”) were no longer consolidated into the consolidated financial statement of the Group, and the remaining interests in OPG of the Group were subsequently disposed through placing agreement. Since the OPG Group carried out merchant acquiring business in Thailand, in the opinion of the Directors, the Deemed Disposal caused the Group’s merchant acquiring business to be discontinued.

7. DISCONTINUED OPERATIONS (Continued)

Merchant acquiring business (Continued)

The results of the OPG Group for the six months ended 30 September 2021 are analysed as follows:

	<i>HK\$'000</i>
Revenue	2,125
Cost of services rendered	(1,316)
<hr/>	
Gross profit	809
Other income	1,176
General administrative expenses	(11,561)
Selling and distribution costs	(4,162)
Finance costs	(2,985)
Share of results of an associate	(624)
<hr/>	
Loss before tax	(17,347)
Income tax expenses	(73)
<hr/>	
Loss for the period	(17,420)

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

	Unaudited Six months ended 30 September 2021 <i>HK\$'000</i>
Net cash inflow in operating activities	8,303
Net cash outflow in investing activities	(12,688)
Net cash outflow in financing activities	(563)
<hr/>	
Total net cash outflow	(4,948)

7. DISCONTINUED OPERATIONS (Continued)

Merchant acquiring business (Continued)

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

2021
HK cents

**Loss per share for the OPG Group
Attributable to owners of the Company**

Basic and diluted (0.80)

8. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2022 are calculated based on the unaudited consolidated loss for the period attributable to the owners of the Company of approximately HK\$2,237,000 and approximately HK\$4,591,000, respectively (2021: approximately HK\$30,128,000 and approximately HK\$45,920,000, respectively), and on the weighted average number of the three months and six months ended 30 September 2022 of 2,367,618,693 and 2,367,618,693 ordinary shares (2021: 2,367,618,693 and 2,173,553,119) 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 2022 and 2021, respectively.

9. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the six months ended 30 September 2022, the Group had:

- (i) spent approximately HK\$4,103,000 (2021: approximately HK\$2,045,000) and HK\$Nil (2021: HK\$25,000) 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\$Nil (2021: approximately HK\$304,000) of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Trade receivables		41,267	47,725
Less: Loss allowance		(35,308)	(39,349)
	<i>(a)</i>	5,959	8,376
Loan receivables			
Loan and interest receivables		100,466	122,628
Less: Loss allowance		(17,448)	(18,498)
	<i>(b)</i>	83,018	104,130
Other receivables			
Deposits paid to merchants	<i>(c)</i>	10,855	13,153
Deposits, prepayments and other debtors		39,418	32,808
Due from an associate	<i>(d)</i>	9,969	11,109
		60,242	57,070
		149,219	169,576

10. TRADE AND OTHER RECEIVABLES (Continued)

10(a) Trade receivables

The Group allows a credit period up to 45 days (31 March 2022: 45 days) to its trade debtors. At the end of the Review Period, the ageing analysis of the trade receivables (net of loss allowance) by invoice date is as follows:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Less than 1 month	187	162
1 month to 3 months	6	10
3 months to 6 months	2	256
6 months to 1 year	4,796	6,830
Over 1 year	968	1,118
	5,959	8,376

10(b) Loan receivables

At the end of the Review 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 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Less than 1 month	43,456	—
1 month to 3 months	—	—
3 months to 6 months	39,562	—
Over 6 months	—	104,130
	83,018	104,130

At 30 September 2022, loan receivables

- (i) are unsecured (31 March 2022: unsecured);
- (ii) include an aggregate amount of approximately HK\$65,311,000 (31 March 2022: approximately HK\$82,094,000) which carries interest rates ranged from 10% to 12% per annum (31 March 2022: 10% to 12% per annum); and the remaining balances are interest-free; and
- (iii) have contractual loan period ranging from 12 to 15 months (31 March 2022: 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 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Bank deposits in:			
The PRC	(a)	551,912	324,137

11(a) 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 Renminbi ("RMB") and represented savings/current/fixed deposits accounts maintained with banks. They bear an interest rate of 0.07% to 1.1% (31 March 2022: 0.35% to 1.1%) per annum.

12. TRADE AND OTHER PAYABLES

	<i>Notes</i>	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Trade payables	<i>(a)</i>	39,239	29,950
Prestige benefits cards — provision of hotel and catering expenses		12,896	13,602
Unutilised float funds	<i>(b)</i>	499,567	277,965
		551,702	321,517
Other payables			
Accruals and other payables	<i>(c)</i>	47,814	44,714
Due to a director	<i>(d)</i>	111	123
		47,925	44,837
		599,627	366,354

12(a) Trade payables

The credit periods of trade payables ranged from 30 to 60 days (31 March 2022: 30 to 60 days). At the end of the Review Period, the ageing analysis of the trade payables by invoice date is as follows:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Less than 1 month	34,405	23,422
1 month to 3 months	—	—
Over 3 months	4,834	6,528
	39,239	29,950

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

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. SHARE CAPITAL

	Unaudited At 30 September 2022		Audited At 31 March 2022	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
At the beginning of Review Period	10,000,000,000	100,000	2,000,000,000	20,000
Increase in authorised share capital (<i>Note i</i>)	—	—	8,000,000,000	80,000
At the end of Review Period	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At the beginning of the reporting period	2,367,618,693	23,676	1,973,018,693	19,730
Issue of shares upon placing of shares (<i>Note ii</i>)	—	—	394,600,000	3,946
At the end of reporting period	2,367,618,693	23,676	2,367,618,693	23,676

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 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.

14. 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 2022, movements on the number of share options outstanding are as follows:

	<i>Notes</i>	Number of share options
At 31 March 2022 and at 30 September 2022	<i>(i)</i>	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

14. 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 2022, with reference to the fair value of the Share Options granted, the Group recognised approximately HK\$3,808,000 (2021: approximately HK\$909,000) as the share-based compensation cost.

15. COMMITMENTS

Capital expenditure commitments

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Contracted but not provided for, net of deposits paid: Acquisition of equity interests in an associate	13,280	14,800

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 14 November 2022.

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 prepaid cards and 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 cards enterprises, we will utilise the resources of our branches to vigorously develop prepaid cards business across the nation in the future and intensively strengthen its presence in the areas of industry cooperation leveraging its own advantages.

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

With this cornerstone set and unwavering efforts made to recover business from the COVID-19 pandemic, the Group achieved a promising growth of approximately 512% in the total revenue for its prepaid cards and internet payment business during the Review Period. The prepaid cards business expanded to 15 provinces collaborating with over 1,600 merchants and 11 retail real estate developers, while the internet payment business signed 196 new merchants. Furthermore, new business opportunities such as payment services for the digital currency electronic payment are on the horizon. Nonetheless, due to the every so often COVID control measures, the prestige benefits business hinged much on social leisure activities has yet to get recovered.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUING OPERATIONS ONLY)

Revenue

The continuing operations contributed to the total revenue of the Group for the Review Period. The total revenue of the Group for the Review Period amounted to approximately HK\$176.8 million (2021: approximately HK\$29.4 million), of which approximately HK\$176.5 million (2021: approximately HK\$28.9 million) was attributed to the prepaid cards and internet payment business; and approximately HK\$0.3 million (2021: approximately HK\$0.5 million) was attributed to the prestige benefits business.

The Group's revenue for the Review Period was approximately HK\$176.8 million, representing an increase of approximately 500.6% as compared with that of the Corresponding Period, which is closely related to the adjustment of the Group's business strategy. Due to the serious impact of COVID-19 pandemic on the Group's business continuously, especially the significant decline in the prestige benefits business, the Group timely adjusted its internal resources to completely support the development of prepaid cards and internet business, as well as expanding to the key and large-scale merchants. Therefore, the revenue of prepaid card and internet payment business achieved a significant increase. Since the Group expanded its prepaid card business model from signing individual merchants and companies at regional level to entering into nationwide partnership with major commercial and retirement real estate developers, which not only buttressed robust business growth but also opened up avenues for consumer-oriented payment business.

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$135.4 million (2021: approximately HK\$13.2 million), representing an increase of approximately 928.8% as compared with that recorded in the Corresponding Period. 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\$36.4 million (2021: approximately HK\$45.2 million), representing a decrease of approximately 19.5% from that of the Corresponding Period. The Group enhanced the control of the overall general administrative expenses under the effect of the COVID-19.

Selling and Distribution Costs

The selling and distribution costs for the Review Period amounted to approximately HK\$6.1 million (2021: approximately HK\$5.8 million), representing an increase of approximately 4.2% from that incurred in the Corresponding Period. The increase was mainly due to that the Group has been exploring the prepaid cards and internet payment business as mentioned in the Business Review and Outlook section above.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUING OPERATIONS ONLY) *(Continued)*

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$9.2 million (2021: approximately HK\$9.7 million), representing a decrease of approximately 5.5% from that incurred in the Corresponding Period. The decrease was primarily attributable to the decrease of the principal of the bond payables in the Corresponding Period.

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\$4.6 million (2021: approximately HK\$45.9 million). Basic loss per share was approximately 0.19 HK cents as compared with that of approximately 1.31 HK cents recorded in the Corresponding Period.

Liquidity and Financial Resources

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

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, as at 30 September 2022 and 31 March 2022 were approximately 20.0% and 24.1% respectively.

As at 30 September 2022, the Group had net current liabilities of approximately HK\$87.7 million (31 March 2022: HK\$48.7 million). The current ratio as at 30 September 2022 was 0.89 (31 March 2022: 0.92). The cash and cash equivalents of the Group as at 30 September 2022 were approximately HK\$15.7 million (31 March 2022: approximately HK\$30.9 million).

Foreign Exchange Exposure

The Group's operating activities such as revenue, direct costs, expenses, monetary assets and liabilities are all transacted and denominated in HK\$ and RMB, which are the functional currencies of relevant subsidiaries. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 September 2022, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities (31 March 2022: Nil). The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 30 September 2022, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions (31 March 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUING OPERATIONS ONLY) *(Continued)*

Employees and Remuneration Policy

As at 30 September 2022, the Group had a total staff of 148 (31 March 2022: 161) of whom 15 (31 March 2022: 16) were based in Hong Kong and 133 (31 March 2022: 145) were based in the PRC. For the Review Period, the total staff costs, including key management's remuneration, amounted to approximately HK\$28,959,000 (2021: approximately HK\$20,744,000). 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.

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 2022, the Group did not have any charges on assets.

Contingent Liabilities

As at 30 September 2022, 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 2022, 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	0.34%
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 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.

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 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 30 September 2022, 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 2022, 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)	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%

Note:

1. Out of 530,320,000 Shares, 437,230,000 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 437,230,000 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 2022, 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

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 Review Period.

The Company adopted the Share Option Scheme on 13 May 2021 for the purpose of recognising and motivating the contribution of the eligible participants (“**Participant(s)**”) to the Group. Pursuant to the Share Option 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.

SHARE OPTION SCHEME *(Continued)*

The maximum number of shares in respect of which all outstanding options are granted and yet to be exercised under the Share Option 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 Share Option Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

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 Share Option 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 Share Option 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 Share Option Scheme.

A maximum of 197,301,869 shares may be issued upon exercise of all the options to be granted under the Share Option 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 Share Option 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 Share Option 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 Share Option 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.

SHARE OPTION SCHEME (Continued)

The subscription price shall, subject to any adjustments made referred to in the Share Option 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 Share Option Scheme, the Share Option Scheme would remain valid for a period of 10 years commencing from 13 May 2021 and will expire on 12 May 2031.

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 2022	granted since 1 April 2022	exercised since 1 April 2022	lapsed/forfeited since 1 April 2022	outstanding as at 30 September 2022
Directors, chief executives and substantial shareholders								
Mr. Wu	23 August 2021 (Note 1)	0.20	0.183	19,000,000	—	—	—	19,000,000
Mr. Song	23 August 2021 (Note 1)	0.20	0.183	19,000,000	—	—	—	19,000,000
Mr. Lin	23 August 2021 (Note 1)	0.20	0.183	8,000,000	—	—	—	8,000,000
Employees and senior management	23 August 2021 (Note 1)	0.20	0.183	151,300,000	—	—	—	151,300,000
				197,300,000	—	—	—	197,300,000

SHARE OPTION SCHEME *(Continued)*

Notes:

1. 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.

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 and directions 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, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. During the Review Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Part 2 of Appendix 15 to the GEM Listing Rules (the “**CG Code**”).

As 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 while 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 CG Code 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 2022 to 30 September 2022.

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, 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 2022 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, 14 November 2022

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.