中　國　支　付　通

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 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

*This announcement, 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 of Hong Kong Limited (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.*

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK$437.69 million for the nine months ended 31 December 2018. The Group's gross profit amounted to approximately HK$152.32 million, which represented a decrease of approximately 24.30% as compared with the Group's gross profit recorded in the corresponding period in 2017.

- The Group reported a loss amounted to approximately HK$80.53 million for the nine months ended 31 December 2018 as compared with that of approximately HK$120.89 million recorded in the corresponding period in 2017. The Group reported a loss attributable to equity holders of the Company for the nine months ended 31 December 2018 amounted to approximately HK$78.84 million (2017: approximately HK$122.30 million).

- For the three months ended 31 December 2018, the Group reported a profit amounted to approximately HK$5.29 million as compared with a loss of approximately HK$29.29 million for the three months ended 31 December 2017. The Group reported a profit attributable to equity holders of the Company for the three months ended 31 December 2018 amounted to approximately HK$8.48 million (2017: loss approximately HK$28.14 million).

- Loss per share for the loss attributable to equity holders of the Company for the nine months ended 31 December 2018 was approximately 4.79 HK cents (2017: approximately 7.92 HK cents).

- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (2017: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors of the Company (the "**Board**") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months and nine months ended 31 December 2018 together with the comparative figures for the corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2018

	Note	Unaudited Three months ended 31 December **2018** *HK$'000*	2017 *HK$'000*	Unaudited Nine months ended 31 December **2018** *HK$'000*	2017 *HK$'000*
Revenue	*2*	**152,363**	175,353	**437,693**	479,447
Cost of services rendered and cost of goods sold		**(87,557)**	(91,939)	**(285,375)**	(278,232)
Gross profit		**64,806**	83,414	**152,318**	201,215
Other income		**4,656**	3,382	**18,575**	8,032
General administrative expenses		**(84,368)**	(86,602)	**(205,630)**	(199,887)
Selling and distribution costs		**(6,486)**	(13,494)	**(23,429)**	(42,233)
Finance costs	*4*	**(12,340)**	(12,031)	**(36,974)**	(36,051)
Waiver of contingent consideration		**37,766**	—	**37,766**	—
Fair value loss on contingent consideration		**—**	—	**—**	(20,589)
Fair value gain (loss) on derivative financial instruments	*9*	**504**	(1,875)	**1,527**	13,757
Fair value gain (loss) on financial assets at fair value through profit or loss		**3,556**	(508)	**(15,748)**	(41,148)
Loss on disposal of a subsidiary	*10*	**—**	—	**(9,484)**	(10)
Loss on disposal of equity interest in a joint venture		**(4)**	—	**(33)**	(78)
Share of results of associates		**(962)**	(4,136)	**6,843**	(2,746)
Share of results of joint ventures		**—**	(11)	**—**	120
Profit (Loss) before tax	*4*	**7,128**	(31,861)	**(74,269)**	(119,618)
Income tax (expenses) credit	*5*	**(1,840)**	2,575	**(6,259)**	(1,272)
Profit (Loss) for the period		**5,288**	(29,286)	**(80,528)**	(120,890)
Attributable to:					
Equity holders of the Company		**8,481**	(28,140)	**(78,837)**	(122,302)
Non-controlling interests		**(3,193)**	(1,146)	**(1,691)**	1,412
		5,288	(29,286)	**(80,528)**	(120,890)
Earnings (Loss) per share for profit (loss) attributable to equity holders of the Company					
Basic and diluted	*7*	**0.52 HK cents**	(1.74) HK cents	**(4.79) HK cents**	(7.92) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit (Loss) for the period	**5,288**	(29,286)	**(80,528)**	(120,890)
Other comprehensive (loss) income				
Item that will not be reclassified to profit or loss:				
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-cycling)	**—**	—	**(10,463)**	—
Items that may be reclassified subsequently to profit or loss:				
Increase in fair value on available-for-sale financial assets (recycling)	**—**	5,400	**—**	31,715
Share of other comprehensive (loss) income of associates – exchange difference on translation	**(5,511)**	6,841	**(22,697)**	13,596
Share of other comprehensive income (loss) of joint ventures – exchange difference on translation	**—**	143	**(459)**	572
Derecognition of exchange reserve upon disposal of equity interest in a joint ventures	**—**	—	**120**	—
Exchange difference on translation of foreign subsidiaries	**(31,023)**	28,357	**(50,934)**	77,562
Total comprehensive (loss) income for the period	**(31,246)**	11,455	**(164,961)**	2,555
Attributable to:				
Equity holders of the Company	**(27,021)**	10,015	**(155,481)**	(4,232)
Non-controlling interests	**(4,225)**	1,440	**(9,480)**	6,787
	(31,246)	11,455	**(164,961)**	2,555

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

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 consolidation third quarterly financial statements of the Company for the nine months ended 31 December 2018 (the "**Third Quarterly Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rule**").

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 financial performance of the Group since 31 March 2018, 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 2018 (the "**2017/2018 Annual Financial Statements**").

The Third Quarterly Financial Statements have been prepared on the historical costs basis except for financial assets at fair value through profit or loss ("**FVPL**"), financial assets designated at fair value through other comprehensive income ("**FVOCI**"), contingent consideration — consideration shares and derivative financial instruments which were stated at fair value.

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the 2017/2018 Annual Financial Statements except for the adoption of the new/revised HKFRSs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 April 2018.

Except for HKFRS 9 and HKFRS 15, the adoption of other new/revised HKFRSs did not result in material impact on the Group's consolidated financial statements for current and prior periods.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment requirements for financial assets. Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading and contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

At 1 April, 2018, the Directors assessed which business model should be applied to the financial assets and liabilities held by the Group on the initial application to HKFRS 9. The Group made the irrecoverable election to continue to present available-for-sale equity investment at FVOCI (non-recycling). Accordingly, the accumulated fair value reserve of approximately HK$24,965,000 at 1 April 2018 relevant to this investment will not be reclassified to profit or loss in future period. For the classification of other financial assets, there was no material impact after application of HKFRS 9. In addition, the expected credit loss model was resulted in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. Impairment based on expected credit loss model on these financial assets has no significant financial impact to the Group's consolidated financial statements.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Company considers that the performance obligations that may be identified under HKFRS 15 are similar to the identification of revenue components under the Group's existing revenue recognition policy and therefore, the adoption of HKFRS 15 do not have any significant impact on recognition of revenue.

Future changes in HKFRSs

At the date of authorisation of the Third Quarterly Financial Statements, the HKICPA has issued the new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

The Directors are in the process of assessing the possible impact on the future adoption of these new/ revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepaid cards and internet payment business				
Merchant service fee income and management fee income	**73,166**	42,360	**169,958**	95,794
Interest income from accumulated unutilised float funds	**129**	1,824	**1,359**	5,669
Software development income	**—**	659	**—**	2,523
Sales and service fee income of point of sales machines	**37**	530	**608**	2,994
Prestige benefits business				
Issuance income of prestige benefits cards	**37,427**	52,609	**112,502**	170,834
Hotel booking agency service income	**12,838**	16,107	**48,460**	47,781
Internet micro-credit business				
Sales of goods	**—**	1,107	**—**	20,279
Loan interest income	**5,006**	32,301	**23,093**	63,681
Merchant acquiring business				
Merchant discount rate income	**18,309**	21,599	**63,454**	53,390
Foreign exchange rate discount income	**5,246**	6,257	**18,021**	15,926
Marketing and distribution service income	**205**	—	**238**	576
	152,363	175,353	**437,693**	479,447

3. SEGMENT REPORTING

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

(i) prepaid cards and internet payment business in the People's Republic of China (the "**PRC**");

(ii) prestige benefits business in the PRC;

(iii) internet micro-credit business in the PRC;

(iv) merchant acquiring business in Thailand; and

(v) securities investment business in Hong Kong.

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, finance costs, general administrative expenses incurred by corporate office, share of results of joint ventures and 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. The geographical segment information is reflected within operating segment information as the Group's five distinctive business activities are provided in three different locations.

Nine months ended 31 December 2018 (unaudited)

	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	Internet micro-credit business *HK$'000*	Merchant acquiring business *HK$'000*	Securities investment business *HK$'000*	Consolidated *HK$'000*
Segment revenue	**171,925**	**160,962**	**23,093**	**81,713**	**—**	**437,693**
Segment results	**(1,637)**	**(7,976)**	**(2,974)**	**6,689**	**(15,748)**	**(21,646)**
Unallocated other income						**18,575**
Unallocated finance costs						**(36,974)**
Unallocated other expenses						**(70,843)**
Waiver of contingent consideration						**37,766**
Fair value gain on derivative financial instruments						**1,527**
Loss on disposal of a subsidiary						**(9,484)**
Loss on disposal of equity interest in a joint venture						**(33)**
Share of results of associates						**6,843**
Loss before tax						**(74,269)**
Income tax expenses						**(6,259)**
Loss for the period						**(80,528)**

Nine months ended 31 December 2017 (unaudited)

	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	Internet micro-credit business *HK$'000*	Merchant acquiring business *HK$'000*	Securities investment business *HK$'000*	Consolidated *HK$'000*
Segment revenue	106,980	218,615	83,960	69,892	—	479,447
Segment results	(2,659)	16,035	5,716	8,182	(41,365)	(14,091)
Unallocated other income						8,032
Unallocated finance costs						(36,051)
Unallocated other expenses						(67,962)
Fair value loss on contingent consideration						(20,589)
Fair value gain on derivative financial instruments						13,757
Loss on disposal of subsidiaries						(10)
Loss on disposal of equity interest in a joint venture						(78)
Share of results of associates						(2,746)
Share of results of joint ventures						120
Loss before tax						(119,618)
Income tax expenses						(1,272)
Loss for the period						(120,890)

4. PROFIT (LOSS) BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
This is stated after charging (crediting):				
Finance costs				
Effective interest expense on convertible bonds *(Note 9)*	**3,344**	3,038	**10,030**	9,112
Finance costs on other long-term liabilities	**44**	41	**132**	127
Interest on bonds	**8,952**	8,952	**26,812**	26,812
	12,340	12,031	**36,974**	36,051
Other items				
Amortisation of intangible assets	**4,529**	4,037	**12,761**	10,314
Cost of goods sold	**—**	1,075	**—**	19,688
Depreciation of property, plant and equipment	**2,139**	2,638	**7,396**	7,178
Operating lease charges on premises	**3,051**	3,944	**9,623**	10,960
Staff costs, including directors' emoluments and share-based compensation cost	**31,474**	28,522	**93,999**	93,272
Share-based compensation cost to service providers	**—**	1,861	**836**	6,140
Spin-off expenses *(Note a)*	**8,323**	—	**14,547**	—
Waiver of contingent consideration *(Note b)*	**(37,766)**	—	**(37,766)**	—
Written-off of property, plant and equipment	**—**	779	**—**	779

Note a: The amount represents expenses incurred for processing the spin-off and separate listing of the subsidiary, Oriental Payment Group Holdings Limited ("**OPG**") on GEM.

Note b: On 31 December 2018, the Group and certain independent third parties (the "**Vendors**") have executed a deed (the "**Deed of Confirmation**") confirming and ratifying the contents of their previous oral agreement made after their discussion and negotiation in relation to the second tranche consideration and the third tranche consideration contemplated under the sale and purchase agreement of the acquisition of the entire issued share capital of AE Investment Consulting Limited (collectively the "**Contingent Consideration**") that the Vendors unconditionally and irrevocably:

- waived and surrendered all his rights, title, interests and claims whatsoever (whether present or future) of and in the options of the Contingent Consideration together the bonus elements as set out in the sale and purchase agreement (the "**Bonus**") absolutely in all respects and for all purposes; and

- released and discharged the Group from all the obligations and liabilities to pay approximately of HK$37,766,000, being the total shortfall resulted from the Contingent Consideration together with the Bonus, or any part thereof.

No amount would be payable between the Group and the Vendors in connection with the Deed of Confirmation. Waiver of the Contingent Consideration of approximately HK$37,766,000 was recognised in profit or loss. Details of the Deed of Confirmation are set out in the Company's announcement dated 31 December 2018.

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
PRC Enterprise Income Tax	**1,167**	288	**(709)**	4,697
Thailand Enterprise Income Tax	**265**	589	**1,294**	1,310
Withholding tax on dividend declared by a foreign subsidiary	**567**	—	**567**	655
	1,999	877	**1,152**	6,662
Deferred tax				
Recognition of tax losses	**(55)**	(327)	**—**	(327)
(Reversal) Origination of temporary difference	**(104)**	(3,125)	**5,107**	(5,063)
	(159)	(3,452)	**5,107**	(5,390)
Income tax expenses (credit) for the period	**1,840**	(2,575)	**6,259**	1,272

(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 and certain Group Entities' incurred losses for taxation purposes for the periods ended 31 December 2018 and 2017.

(ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in the Cayman Islands and 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 enterprise income tax of the PRC ("**PRC Enterprise Income Tax**") at 25% (2017: 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**"), which is subject to PRC Enterprise Income Tax at a preferential rate of 15% (2017: 15%) for high and new technology enterprises.

The Group's operation in Thailand is subject to Thailand income tax at 20% (2017: 20%).

The Group's operation in Singapore is subject to Singapore income tax at 17% (2017: 17%).

The Group's operation in Korea is subject to Korea corporation tax ranged from 10% to 22% (2017: 10% to 22%).

Dividends payable by a foreign invested enterprise in the PRC or Thailand to its foreign investors are subject to a 10% (2017: 15%) 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.

* *English translation for identification purpose only.*

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (2017: Nil).

7. Earnings (LOSS) PER SHARE

Basic earnings (loss) per share for the three months and nine months ended 31 December 2018 are calculated based on the unaudited consolidated profit (loss) for the period attributable to the equity holders of the Company of profit approximately HK$8,481,000 and loss approximately HK$78,837,000 respectively, (2017: loss approximately HK$28,140,000 and loss approximately HK$122,302,000 respectively) and on the weighted average number of 1,644,188,693 ordinary shares (2017: 1,620,857,045 and 1,544,225,902 ordinary shares) in issue during the period.

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and nine months ended 31 December 2018 and 2017 respectively.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company											
	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	Fair value Reserve (recycling) HK$'000	Fair value Reserve (non-recycling) HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
For the nine months ended 31 December 2018												
At 1 April 2018 (audited)	16,441	1,562,367	5,498	48,494	7,336	234,837	24,965	–	(577,445)	1,322,493	79,264	1,401,757
Impact on initial application of HKFRS 9 *(Note 1)*	–	–	–	–	–	–	(24,965)	24,965	–	–	–	–
At 1 April 2018 (audited)	16,441	1,562,367	5,498	48,494	7,336	234,837	–	24,965	(577,445)	1,322,493	79,264	1,401,757
Loss for the period	–	–	–	–	–	–	–	–	(78,837)	(78,837)	(1,691)	(80,528)
Total other comprehensive (loss) income:												
Item that will not be reclassified to profit or loss:												
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	–	–	–	–	–	–	–	(10,463)	–	(10,463)	–	(10,463)
Items that may be reclassified subsequently to profit or loss:												
Share of other comprehensive loss of associates – exchange difference translation	–	–	–	(22,697)	–	–	–	–	–	(22,697)	–	(22,697)
Share of other comprehensive income of joint ventures	–	–	–	(459)	–	–	–	–	–	(459)	–	(459)
Derecognition of exchange reserve upon disposal of equity interest in a joint venture	–	–	–	120	–	–	–	–	–	120	–	120
Exchange difference on translation of foreign subsidiaries	–	–	–	(43,145)	–	–	–	–	–	(43,145)	(7,789)	(50,934)
Total comprehensive loss for the period	–	–	–	(66,181)	–	–	–	(10,463)	(78,837)	(155,481)	(9,480)	(164,961)
Realisation of fair value reserve upon disposal of a subsidiary	–	–	–	–	–	–	–	(14,502)	14,502	–	–	–
Transaction with owners:												
Contribution and distributions												
Forfeiture of share options	–	–	–	–	–	(11,853)	–	–	11,853	–	–	–
Lapse of share options	–	–	–	–	–	(23,938)	–	–	23,938	–	–	–
Recognition of share-based compensation cost	–	–	–	–	–	13,511	–	–	–	13,511	–	13,511
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,430)	(2,430)
Transfer to statutory reserve	–	–	–	–	3,638	–	–	–	(3,638)	–	–	–
	–	–	–	–	3,638	(22,280)	–	–	32,153	13,511	(2,430)	11,081
Changes in ownership interests												
Deemed disposal of partial interest in OPG *<Remark 1>*	–	–	–	–	–	–	–	–	21,748	21,748	19,763	41,511
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	1,311	1,311	(2,132)	(821)
	–	–	–	–	–	–	–	–	23,059	23,059	17,631	40,690
At 31 December 2018 (unaudited)	16,441	1,562,367	5,498	(17,687)	10,974	212,557	–	–	(586,568)	1,203,582	84,985	1,288,567

	Attributable to equity holders of the Company										
	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*	Fair value reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
For the nine months ended 31 December 2017											
At 1 April 2017 (audited)	14,611	1,329,806	6,996	(99,344)	6,256	192,747	–	(215,816)	1,235,256	60,406	1,295,662
Loss for the period	–	–	–	–	–	–	–	(122,302)	(122,302)	1,412	(120,890)
Total other comprehensive income:											
Items that may be reclassified subsequent to profit or loss:											
Increase in fair value on available-for-sale financial assets	–	–	–	–	–	–	31,715	–	31,715	–	31,715
Share of other comprehensive income of associates-exchange difference translation	–	–	–	13,596	–	–	–	–	13,596	–	13,596
Share of other comprehensive income of joint ventures-exchange difference translation	–	–	–	572	–	–	–	–	572	–	572
Exchange difference on translation of foreign subsidiaries	–	–	–	72,187	–	–	–	–	72,187	5,375	77,562
Total comprehensive loss for the period	–	–	–	86,355	–	–	31,715	(122,302)	(4,232)	6,787	2,555
Transaction with owners:											
Contribution and distributions											
Shares issued upon subscription in August 2018	1,500	185,668	–	–	–	–	–	–	187,168	–	187,168
Consideration shares issued upon fulfillment of performance target in December 2018	330	43,260	–	–	–	–	–	–	43,590	–	43,590
Recognition of share-based compensation cost	–	–	–	–	–	36,728	–	–	36,728	–	36,728
Lapse of share options	–	–	–	–	–	(2,571)	–	2,571	–	–	–
	1,830	228,928	–	–	–	34,157	–	2,571	267,486	–	267,486
Changes in ownership interests											
Non-controlling interests arising from acquiring of a subsidiary	–	–	–	–	–	–	–	–	–	47,397	47,397
	–	–	–	–	–	–	–	–	–	47,397	47,397
At 31 December 2017 (unaudited)	16,441	1,558,734	6,996	(12,989)	6,256	226,904	31,715	(335,547)	1,498,510	114,590	1,613,100

<Remark 1>

On 16 October 2018, the shares of OPG, a non-wholly owned subsidiary of the Company, were listed on GEM of the Stock Exchange by way of share offer (Stock code: 8613). 250,000,000 new ordinary shares of OPG of HK$0.01 each were issued at HK$0.22 per share (the "**OPG Share Offer**"). On the same date, 749,999,800 ordinary shares of OPG of HK$0.01 each were issued to its existing shareholders through capitalisation of HK$7,499,998 standing to the credit of share premium account of OPG (the "**Capitalisation Issue**"). Immediately following completion of the Capitalisation Issue and the OPG Share Offer, the Company's effective equity interests in OPG decreased from 70% to 52.50%. OPG would remain as the non-wholly owned subsidiary of the Company. The net proceeds for the Share Offer amounted to approximately HK$41,511,000.

The financial impact of the OPG Share Offer is set out as follow:

	HK$'000
Net consideration received	41,511
Carrying amount of interests in OPG disposed	(19,763)
Difference recognised directly in equity	21,748

The details of the OPG Share Offer was set out in the prospectus issued by OPG dated 27 September 2018 and the announcements of the Company dated 15 October 2018 and 16 October 2018.

9. CONVERTIBLE BONDS

The carrying amounts of the Convertible Bonds recognised are calculated as follows:

Derivative Component, classified as financial liabilities at fair value through profit or loss

	Conversion option *HK$'000*	**Early redemption option** *HK$'000*	**Total** *HK$'000*
At 1 April 2017	29,001	(10,796)	18,205
Fair value changes	(27,474)	10,796	(16,678)
At 31 March 2018 (Audited)	1,527	—	1,527
Fair value changes	(1,527)	—	(1,527)
At 31 December 2018 (Unaudited)	**—**	**—**	**—**

Liability Component, classified as financial liability at amortised costs

	HK$'000
At 1 April 2017	70,284
Effective interest expenses	12,147
Interest paid	(3,781)
At 31 March 2018 (Audited)	78,650
Effective interest expenses *(Note 4)*	10,030
Interest paid for the period	(1,888)
At 31 December 2018 (Unaudited)	**86,792**

10. DISPOSAL OF A SUBSIDIARY

In June 2018, the Group entered into a sales and purchase agreement pursuant to which the Group agreed to transfer its 100% equity interests in Vantage Network at a consideration of HK$5,000,000 to certain independent third parties. The principal activities of Vantage Network are investment holding. The disposal transaction was completed on 4 June 2018.

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

	HK$'000
Net assets disposed of	
Financial assets designated at FVOCI	23,962
Other receivables	4,406
Other payables	(13,884)
	14,484
Loss on disposal of a subsidiary *(Note)*	(9,484)
	5,000
Net cash flow on disposal of a subsidiary	
Cash consideration received	5,000
Net inflow of cash and cash equivalents	**5,000**

Note:

Having considered the realisation of the accumulated change in fair value of equity investment of approximately HK$14,502,000, the total realised gain on disposal of a subsidiary of approximately HK$5,018,000 was resulted.

11. OTHER AND SUBSEQUENT EVENTS

(a) On 28 September 2017, Joy Grand Investment Limited ("**Joy Grand**"), an indirectly wholly owned subsidiary of the Company, entered into a share disposal agreement with Mr. Wu Xiaoming ("**Mr. Wu**"), the executive director and the chief executive officer of Zhi Cheng Holdings Limited ("**Zhi Cheng**"), to dispose of 508,000,000 Zhi Cheng's shares, at a price of HK$0.16 per share (the "**Zhi Cheng Disposal**") to Mr. Wu. The total consideration of the Zhi Cheng Disposal is HK$81,280,000.

On 14 February 2019, Joy Grand and Mr. Wu have entered into the Termination Deed, pursuant to which the parties have, conditional upon and subject to the execution and completion of the 2019 Zhi Cheng Disposal (as defined below) in the manner to Joy Grand's absolute satisfaction, undertaken to each other, among others, that the share disposal agreement of the Zhi Cheng Disposal shall be terminated.

On the same date, Joy Grand as vendor, Mr. Wu and the Company as guarantors, and Dadi International Holdings Co., Limited ("**Dadi International**") as purchaser have entered into the sale and purchase agreement, pursuant to which Joy Grand has agreed to sell, and Dadi International has agreed to purchase 508,000,000 Zhi Cheng's shares, at a consideration of HK$90,424,000 in aggregate, representing a price of HK$0.178 per each Zhi Cheng Shares (the "**2019 Zhi Cheng Disposal**"). Upon completion of the 2019 Zhi Cheng Disposal, the Group's entire interests in Zhi Cheng will be derecognised.

At 31 December 2018, a deposit of HK$3 million (31 March 2018: HK$1 million) had been received from Mr. Wu and was included in "Accruals and other payables" and will be refunded upon termination of the Zhi Cheng Disposal.

Details of the above transactions are set out in the Company's announcements dated 28 September 2017, 8 February 2018, 8 May 2018, 27 June 2018, 10 September 2018, 9 November 2018 and 14 February 2019. The 2019 Zhi Cheng Disposal transactions are not yet completed at the date of approving the Third Quarterly Financial Statements.

(b) On 21 September 2018, the Group entered into the share transfer agreement with an independent third party to dispose of 34.12% equity interests in 浙江捷盈金融服務外包有限公司 (Zhejiang Jie Ying Financial Contracting Service Limited*, "**Zhejiang Jie Ying**"), which is incorporated in the PRC, at a consideration of RMB3 million (equivalent to approximately HK$3.4 million) (the "**Zhejiang Jie Ying Disposal**"). The principal activity of Zhejiang Jie Ying is leasing of point of sales machines. At 31 December 2018, such consideration had been fully received and was included in "Accruals and other payables". Upon completion of the Zhejiang Jie Ying Diposal, the equity interests in Zhejiang Jie Ying owned by the Group will decrease from 65% to 30.88% and Zhejiang Jie Ying will become an associate of the Group. The transaction is not yet completed at the date of approving the Third Quarterly Financial Statements.

* *English translation for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group has been engaged in the following businesses during the nine months ended 31 December 2018 (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 Company'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.

For 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 the one hand, and provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand.

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

For 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. On 31 December 2018, the Group have executed a deed (the "**Deed of Confirmation**") confirming and ratifying the contents of their previous oral agreement made after their discussion and negotiation in relation to the second tranche consideration and the third tranche consideration contemplated under the sale and purchase agreement. Each of the Vendors unconditionally and irrevocably waives and surrenders all his rights, title, interests and claims whatsoever (whether present or future) of and in the second tranche option, the third tranche option and the bonus absolutely in all respects and for all purposes; and releases and discharges the purchaser from all the obligations and liabilities to pay the sum of HK$37,765,988, being the total sum of the second tranche shortfall, the third tranche shortfall and the bonus, or any part thereof. For details, please refer to announcement dated 31 December 2018.

The Group is fully promoting further development of internet micro-credit business through infrastructure technology upgrading and business model optimisation. By adhering to its positioning of providing "inclusive financial services" and leveraging the internet scene platform, big data capability and technical applications, the Group will provide borrowers with various customised credit products based on their actual situations and meet their borrowing and consumption needs. On 26 September 2018, the Group subscribed for the CMB Wealth Management Product ("**CMB**") in the principal amount of RMB100,000,000 (equivalent to approximately HK$113,850,000). The source of funds of the CMB subscription was made from the idle self-owned funds of the Group. The daily annualised rate of return of the CMB Wealth Management Product ranged from approximately 3% to approximately 3.5%. On 27 December 2018, the CMB Wealth Management Product under the CMB subscription is fully redeemed and the Group does not hold any CMB Wealth Management Product following the further CMB redemption.

For merchant acquiring business in Thailand, the transaction value handled by the Group during the Review Period amounted to Baht 19,567 million, representing a significant increase of approximately 12.95% when comparing with the corresponding period last year. It was mainly attributable to the increased merchant discount rate charged to the merchants last year due to the significant raise of issuer reimbursement fee on certain types of payment cards by Unionpay International. After launching marketing promotion and incentive campaigns to the key merchants, the Group managed to recover the transaction value in the Review Period.

In June 2018, the Group disposed of its 100% equity interests in a subsidiary which including the equity investment, Nexion Technologies Limited, to certain independent third parties. Having considered the realisation of the accumulated change in fair value of equity investment of approximately HK$14,502,000, the total realised gain on disposal of a subsidiary of approximately HK$5,018,000 was resulted.

On 28 September 2017, 8 February 2018, 8 May 2018, 27 June 2018 and 10 September 2018, the Group entered into a share disposal agreement and four supplemental agreements respectively. The purchaser, Mr. Wu Xiaoming ("**Mr. Wu**") agreed to purchase 508,000,000 ordinary shares of Zhi Cheng Holdings Limited ("**Zhi Cheng**"), the issued shares of which are listed on GEM (stock code: 8130), representing approximately 14.25% of the entire issued share capital of Zhi Cheng, at the price of HK$0.16 per share. The total consideration is HK$81,280,000. On 14 February 2019, the Company and Mr. Wu, as guarantors, and Dadi International Holding Co., Limited ("**Dadi International**") as a new purchaser have entered into the new sales and purchase agreement that Dadi International has agreed to purchase 508,000,000 ordinary shares of Zhi Cheng, representing approximately 14.25% of the entire issued share capital of Zhi Cheng at a consideration of HK$90,424,000 in aggregate, representing a price of HK$0.178 per share. For details, please refer to announcement dated 14 February 2019.

Spin-off of merchant acquiring business

Purpose of the Spin-Off

The principal purpose of the spin-off (the "**Spin-Off**") and the listing (the "**Listing**") of OPG is to create separate listing platform on the Stock Exchange for the merchant acquiring business and the business activities engaged by the Group following completion of the Spin-off and the Listing (the "**Remaining Group**"), namely (i) the prepaid cards and internet payment business; (ii) the prestige benefits business; (iii) the internet micro-credit business; and (iv) the securities investment business (collectively known as the "**Remaining Businesses**") so that these business activities may raise equity and debt financing independently according to their respective business needs. The market positions and the valuation of the merchant acquiring business and the Remaining Businesses are distinctively different. Prior to the Spin-Off and the Listing, directors of the Group received from time to time feedbacks from shareholders and prospective investors that the positioning of the Group is unclear and that it would be difficult to appraise the value of the Group as a whole with such diverse business activities. Investors who have interest in the merchant acquiring business as one of the well-recognised merchant acquiring businesses in this sector may not at the same time have interest in the Remaining Businesses. The situation limited the efforts of the Group in broadening its investor base. By implementing the Spin-Off and the Listing, the value of each of the merchant acquiring business and the Remaining Businesses would not rely on each other and can be fully reflected in the respective trading prices of their shares.

Benefits of the Spin-Off

The Spin-Off and the Listing are beneficial to the Company for the following reasons:

(a) the Spin-Off will create an investment opportunity which would enable investors to have a better understanding of the business of the Remaining Group rather than a conglomerate of diversified business activities. The Remaining Businesses can then be valued on a standalone basis, which can release its true intrinsic value;

(b) the Spin-Off and the Listing will allow the Company to target its shareholder base more effectively, which would in turn improve capital raising on a competitive basis and have better capital allocation to enhance growth within the Remaining Group;

(c) the Spin-Off and the Listing will lead to a more direct alignment of the responsibilities and accountability of the management of the Remaining Businesses with its operating and financial performance;

(d) the Spin-Off and the Listing will enable each of the Company and OPG to have its own fund raising platform to directly and independently access both the debt and equity capital markets; and

(e) the Spin-Off and the Listing will deliver greater shareholder value to the Company on its merits and increase operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the Remaining Businesses.

Based on the above backgrounds and benefits, the Board had decided to spin-off the Merchant Acquiring Business under separately listed company, OPG submitted application to the Stock Exchange in February 2018. The spin-off exercise was completed on 16 October 2018 and OPG became a separately listed company on the Stock Exchange with stock code 8613.

Business Outlook

For payment and benefits business, the Group focuses on business areas with rapid growth potentials to consolidate its market position.

For credit business, the Group will continue to expand its internet-based credit services that can complement with the payment and benefits business.

For merchant acquiring business in Thailand, the Group faced the risks of uncertainties in Thailand's economic outlook and its relationship with China, which would affect Chinese tourists' spending sentiments in Thailand. The management would closely monitor the market conditions and adjust the Group's business strategies to cope with the fluctuation in transaction value derived from its merchant network.

By implementing the Spin-Off and the Listing, funding was raised by way of share offer and we expect to use in various investments including i) continuously improving the availability and enhancing functions of our stock of smart point-of-sale terminals; ii) developing our acquiring host system; iii) strengthening and broadening our marketing initiatives; iv) recruiting new talents; v) extending our payment processing services to cover other payment network associations; and vi) expanding to Cambodia.

For securities investment business, the Group will continue to capitalise on financial investment opportunities in the Company's related industries or markets to enhance capital returns, facilitate future growth and develop of our core business segments.

Financial Review

Revenue

The internet micro-credit services, the merchant discount rate 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$438 million, of which approximately HK$23 million was attributed to the internet micro-credit business; approximately HK$172 million was attributed to the prepaid cards and internet payment business; approximately HK$82 million was attributed to the merchant acquiring business in Thailand; and approximately HK$161 million was attributed to the prestige benefits business respectively.

For prepaid cards and internet payment business, there is a significant increase in revenue by approximately 60.71% as compared with the corresponding period of last year. It was mainly due to the significant increase the number of sales staff in various regions to promote the internet payment services in the PRC during the Review Period.

Cost of Goods Sold/Cost of Services Rendered

Total cost of goods sold and cost of services rendered was amounted to approximately HK$285 million, represented an increase of approximately 2.57% as compared to the corresponding period of last year. Cost of goods sold for the internet micro-credit business represented the cost for goods traded. The cost of services rendered comprised the IT network service fee and franchise license fee of merchant acquiring business in Thailand.

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK$206 million, representing an increase of approximately 2.87% as compared to the corresponding period of last year. The increase was primarily attributable to an increase in expenses for spin-off project and an impairment loss on loan receivables.

Selling and Distribution Costs

The selling and distribution costs for the Review Period amounted to approximately HK$23 million, representing a decrease of approximately 44.52% as compared to the corresponding period of last year. The decrease was mainly due to the Group reduced the promotion expenses on the internet micro-credit business.

Finance Costs

The finance costs for the Review Period amounted to approximately HK$37 million, representing an increase of approximately 2.56% as compared to the corresponding period of last year. The increase was mainly due to the increase in effective interest expense on convertible bonds.

Loss for the Period

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK$79 million. Basic loss per share was approximately 4.79 HK cents as compared with approximately 7.92 HK cents recorded in the corresponding period of last year.

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

As at 31 December 2018, 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 ("Shares")

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Yan Dinggui ("**Mr. Yan**")	Interest in controlled corporations *(Note 1)*	490,019,430	29.80%
Dr. Cao Guoqi ("**Dr. Cao**")	Interest in a controlled corporation *(Note 2)*	150,000	0.01%
	Beneficial owner *(Note 3)*	21,000,000	1.28%
	Interest of spouse *(Note 4)*	1,370,000	0.08%
Mr. Zhang Huaqiao ("**Mr. Zhang**")	Beneficial owner *(Note 3)*	25,000,000	1.52%
Mr. Song Xiangping ("**Mr. Song**")	Beneficial owner *(Note 3)*	5,000,000	0.30%
Dr. Zhou Jinhuang ("**Dr. Zhou**")	Beneficial owner *(Note 3)*	1,400,000	0.09%

Notes:

1. Mr. Yan Dinggui directly holds 75% of the issued share capital of上海嘉銀金融服務有限公司, which in turn holds 100% of the issued share capital of上海嘉凝信息技術有限公司, which in turn holds 100% of the issued share capital of Jiayin Asia Limited, which in turn holds 100% of the issued share capital of Bright New Vision Inc., which in turn holds 100% of the issued share capital of Invech Holdings Limited. Therefore, Mr. Yan Dinggui is taken to be interested in the number of Shares held by Invech Holdings Limited pursuant to Part XV of the SFO.

2. These 150,000 Shares were held by Probest Limited ("**Probest**") which in turn is wholly owned by Dr. Cao Guoqi, an executive Director. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 150,000 Shares held by Probest pursuant to Part XV of the SFO.

3. These Shares represent the share options granted to Dr. Cao, Mr. Zhang, Mr. Song and Dr. Zhou pursuant to the Company's share option scheme. Accordingly pursuant to Part XV of the SFO, they are taken to be interested in the underlying shares of the Company that they are entitled to subscribe for subject to the exercise of the share options granted.

4. These 1,370,000 Shares were held by Ms. Zheng Lu who is the wife of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu pursuant to Part XV of the SFO.

(b) Associated corporations

Save as disclosed above, as at 31 December 2018, so far as is known to any 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 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, 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 in the share option scheme of the Company, 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 31 December 2018, so far as is 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Zhang Chang	Interest in a controlled corporation *(Note 1)*	170,000,000	10.34%
	Beneficial owner *(Note 1)*	93,090,000	5.66%
Vered Capital	Beneficial owner *(Note 1)*	170,000,000	10.34%
上海嘉銀金融服務有限公司	Interest in a controlled corporation *(Note 2)*	490,019,430	29.80%
上海嘉凝信息技術有限公司	Interest in a controlled corporation *(Note 2)*	490,019,430	29.80%
Jiayin Asia Limited ("**Jiayin Asia**")	Interest in a controlled corporation *(Note 2)*	490,019,430	29.80%
Bright New Vision Inc. ("**Bright New Vision**")	Interest in a controlled corporation *(Note 2)*	490,019,430	29.80%
Invech Holdings Limited ("**Invech**")	Beneficial owner *(Note 2)*	490,019,430	29.80%
Lujiazui Finance (Hong Kong) Limited	Beneficial owner *(Note 3)*	114,210,000	6.95%

Save as disclosed above, as at 31 December 2018, 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Note:

1. Of 263,090,000 Shares, 170,000,000 Shares were held by Vered Capital, which in turn is wholly owned by Mr. Zhang Chang. As Mr. Zhang Chang is the controlling shareholder of Vered Capital, he is deemed to be interested in these 170,000,000 Shares held by Vered Capital pursuant to Part XV of the SFO.

2. 上海嘉銀金融服務有限公司directly holds 100% of the issued share capital of上海嘉凝信息技術有限公司, which in turn holds 100% of the issued share capital of Jiayin Asia, which in turn holds 100% of the issued share capital of Bright New Vision, which in turn holds 100% of the issued share capital of Invech. Therefore, 上海嘉銀金融服務有限公司, 上海嘉凝信息技術有限公司, Jiayin Asia and Bright New Vision are taken to be interested in the number of Shares held by Invech pursuant to Part XV of the SFO.

3. Information is extracted from the corporate substantial shareholder notice filed by Lujiazui Finance (Hong Kong) Limited on 27 July 2018. According to the notice, (i) LJF Payment Company Limited has entered into voluntary liquidation, therefore LJF Payment Company Limited transferred 114,210,000 Shares to its parent company, Lujiazui Finance (Hong Kong) Limited as a result of the liquidation assets processing and (ii) Lujiazui Finance (Hong Kong) Limited or its directors are accustomed or obliged to act in accordance with the directions or instructions of 上海陸家嘴金融發展有限公司, 上海陸家嘴金融貿易區開發股份有限公司 and 上海陸家嘴(集團)有限公司.

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.

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 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 Appendix 15 to the GEM Listing Rules.

Besides, 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 whist 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 Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the disclosure in the Company's Corporate Governance Report.

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 enquiry of all Directors, the Company is 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 2018 to 31 December 2018.

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 provide advice, comments thereon to the Board and (ii) 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 2018 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. Yan Dinggui
Executive Deputy Chairman

Hong Kong, 14 February 2019

As at the date of this announcement, the Board of Directors of the Company comprise three executive Directors, namely Mr. Yan Dinggui, Dr. Cao Guoqi and Mr. Song Xiangping, one non-executive Director, namely Mr. Zhang Huaqiao and four independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.chinasmartpay.com.