



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)



2020

First Quarterly Report



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FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$17.57 million for the three months ended 30 June 2020. The Group's gross profit amounted to approximately HK\$7.69 million, which represented a decrease of approximately 65.85% as compared with the Group's gross profit recorded in the corresponding period in 2019.
- The Group reported a loss amounted to approximately HK\$27.70 million for the three months ended 30 June 2020 as compared with a loss of approximately HK\$21.79 million recorded in the corresponding period in 2019. The Group reported a loss attributable to equity holders of the Company for the period ended 30 June 2020 which amounted to approximately HK\$24.17 million (2019: approximately HK\$22.12 million).
- Loss per share for the loss attributable to equity holders of the Company from continuing and discontinued operations for the three months ended 30 June 2020 was approximately 1.47 HK cents (2019: approximately 1.35 HK cents).
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2020 (2019: Nil).



FIRST QUARTERLY RESULTS (UNAUDITED)

The board (the “**Board**”) of Directors of the Company 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 ended 30 June 2020 (the “**Review Period**”) together with the comparative figures for the corresponding period in 2019 (the “**Corresponding Period**” or “**2019**”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2020

		Unaudited Three months ended 30 June	
	Notes	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations			
Revenue	2	17,571	66,005
Cost of services rendered		(9,886)	(43,503)
Gross profit		7,685	22,502
Other income		840	832
General administrative expenses		(22,915)	(38,049)
Selling and distribution costs		(4,195)	(4,425)
Finance costs	4	(7,358)	(7,408)
Share of results of associates		(398)	3,176
Loss before tax from continuing operations	4	(26,341)	(23,372)
Income tax expenses	5	—	(309)
Loss for the period from continuing operations		(26,341)	(23,681)
Discontinued operations			
(Loss) Profit for the period from discontinued operations	7	(1,363)	1,893
Loss for the period		(27,704)	(21,788)



**Unaudited
Three months ended
30 June**

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Attributable to:			
Equity holders of the Company		(24,169)	(22,122)
Non-controlling interests		(3,535)	334
		(27,704)	(21,788)
From continuing and discontinued operations			
Loss per share attributable to equity holders of the Company			
Basic and diluted	8	(1.47) HK cents	(1.35) HK cents
From continuing operations			
Loss per share attributable to equity holders of the Company			
Basic and diluted		(1.39) HK cents	(1.47) HK cents



CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

Unaudited
Three months ended
30 June

	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Loss for the period	(27,704)	(21,788)
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	752	(7,377)
Exchange difference on translation of foreign subsidiaries	4,112	(17,343)
Total comprehensive expenses for the period	(22,840)	(46,508)
Total comprehensive expenses attributable to:		
Equity holders of the Company	(20,779)	(50,087)
Non-controlling interests	(2,061)	3,579
	(22,840)	(46,508)



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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 Company's shares got listed on GEM of The Stock Exchange of Hong Kong Limited on 28 August 2009.

Basis of preparation

The unaudited condensed first quarterly financial statements of the Company for the three months ended 30 June 2020 (the "**First Quarterly Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The preparation of the First 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 First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the financial performances of the Group since 31 March 2020, 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 Interpretation 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 2020 (the "**2020 Annual Financial Statements**").



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

Basis of preparation *(Continued)*

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

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for current and prior periods.

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



2. REVENUE

Revenue for continuing operations is analysed by category as follows:

		Unaudited Three months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Re-presented)
<i><u>Revenue from contracts with customers within HKFRS 15</u></i>			
Prepaid cards and internet payment business			
Card issuing service fee income	41	166	
Management fee income of prepaid cards	1,860	738	
Merchant service fee income	2,217	21,298	
Prestige benefits business			
Issuance income of prestige benefits cards	9,181	22,113	
Hotel booking agency service income	10	153	
Merchant acquiring business			
Merchant discount rate income ("MDR income")	3,469	16,169	
Marketing and distribution service income	6	489	
<i><u>Revenue from other sources</u></i>			
Merchant acquiring business			
Foreign exchange rate discount income	787	4,879	
	17,571	66,005	



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

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. 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)

Three months ended 30 June 2020 (unaudited)

	Continuing operations			Discontinued operations
Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Internet micro-credit business HK\$'000	Consolidated HK\$'000
Segment revenue	4,118	9,191	4,262	9,122
Segment results	(5,076)	(2,483)	(5,069)	(1,175)
Unallocated other income				1,256
Unallocated finance costs				(7,368)
Unallocated other expenses and losses				(6,934)
Share of results of associates				(398)
Loss before tax				(27,247)
Income tax expenses				(457)
Loss for the period				(27,704)



3. SEGMENT REPORTING (Continued)

Three months ended 30 June 2019 (unaudited)

	Continuing operations		Discontinued operations	
Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Internet micro-credit business HK\$'000	Consolidated HK\$'000
Segment revenue	22,202	22,266	21,537	9,020
Segment results	(9,436)	1,982	1,662	2,488
Unallocated other income				1,656
Unallocated finance costs				(7,418)
Unallocated other expenses and losses				(15,186)
Share of results of associates				3,176
Loss before tax				(21,076)
Income tax expenses				(712)
Loss for the period				(21,788)



4. LOSS BEFORE TAX

This is stated after charging:

	Note	2020 HK\$'000	Unaudited Three months ended 30 June	2019 HK\$'000 (Re-presented)
Finance costs				
Continuing operations				
Finance costs on other long-term liabilities		146		152
Interest on bonds payables		7,098		7,143
Finance costs on lease liabilities		83		113
Effective interest expenses on convertible bonds issued by a listed subsidiary	9	31		—
		7,358		7,408
Discontinued operations				
Finance costs on lease liabilities		10		10
		7,368		7,418
Other items				
Continuing operations				
Amortisation of intangible assets		4,289		5,086
Depreciation of property, plant and equipment		1,409		1,978
Depreciation of right-of-use assets		1,632		1,302
Operating lease charges on premises		384		544
Staff costs, including directors' remuneration and share-based compensation cost		12,665		18,834
Discontinued operations				
Amortisation of intangible assets		151		185
Depreciation of property, plant and equipment		101		110
Depreciation of right-of-use assets		66		74
Loss allowance on loan receivables		3,469		1,736
Staff costs, including directors' remuneration and share-based compensation cost		1,793		1,132



5. TAXATION

		Unaudited Three months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations			
Current tax			
Thailand Enterprise Income Tax	—	309	
Income tax expenses for continuing operations	—	309	
Discontinued operations			
Current tax			
PRC Enterprise Income Tax	457	403	
Total income tax expenses for continuing and discontinued operations	457	712	

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as certain group entities' estimated assessable profits for the period were absorbed by unrelieved tax losses brought forward from previous year, some incurred a loss for taxation purposes, and some had no assessable profits in Hong Kong for the periods ended 30 June 2020 and 2019.

(ii) Income taxes outside Hong Kong

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

The Group's operations in the PRC are subject to enterprise income tax ("PRC Enterprise Income Tax") of the PRC at 25% (2019: 25%), except for 開聯通支付服務有限公司 (Open Union Payment Services Limited*, "Open Union") and 上海靜元信息技術有限公司 (Shanghai Jingyuan Message Technology Limited*, "Shanghai Jingyuan") (2019: Open Union and Shanghai Jingyuan) which are subject to PRC Enterprise Income Tax at a preferential rate of 15% (2019: 15%) for high and new technology enterprises.

* English translation for identification purpose only.



5. TAXATION *(Continued)*

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

The Group's operation in Thailand is subject to Thailand Enterprise Income Tax at 20% (2019: 20%).

The Group's operation in Singapore is subject to Singapore Income Tax at 17% (2019: 17%).

The Group's operation in Korea is subject to Korea Corporate Income Tax ranged from 10% to 25% (2019: 10% to 25%).

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2020 (2019: Nil).

7. DISCONTINUED OPERATIONS

Internet micro-credit business

On 13 March 2020, the Group entered into a sale and purchase agreement to dispose of its 75% equity interest of Keen Best Investment Limited ("Keen Best") and its subsidiaries, Union Evernew Investment Limited ("Union Evernew"), 重慶市眾網小額貸款有限公司 (Massnet Microcredit Company (Chongqing) Limited*, "Massnet Microcredit") and上海洋芋信息科技有限公司 (together the "Disposal Group"), to an independent third party and a related company of the Company, which is beneficially owned by Mr. Yan Dinggui, an executive Director of the Company, at a consideration of HK\$120,000,000 and HK\$105,000,000, respectively (the "Disposal"). Since the Disposal Group carried out most of the Group's internet micro-credit business, in the opinion of the Directors, the Disposal would cause the Group's internet micro-credit business to be discontinued. The Disposal was not yet completed up to the date of approving the First Quarterly Financial Statements.

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

The results of the Disposal Group have been presented separately in the First Quarterly Financial Statements with the comparative figures represented to reflect a consistent presentation.

* English translation for identification purpose only.



7. DISCONTINUED OPERATIONS (Continued)

Internet micro-credit business (Continued)

The results of the Disposal Group for the Review Period and Corresponding Period are analysed as follows:

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue		9,122	9,020
Cost of services rendered		(2,581)	(830)
Gross profit		6,541	8,190
Other income		416	824
General administrative expenses		(7,853)	(6,708)
Finance costs	4	(10)	(10)
(Loss) Profit before tax	4	(906)	2,296
Income tax expenses	5	(457)	(403)
(Loss) Profit for the period		(1,363)	1,893

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

	2020 HK cents	2019 HK cents
(Loss) Earnings per share for the Disposal group attributable to owners of the Company		
Basic and diluted	(0.08)	0.12



8. LOSS PER SHARE

Basic loss per share for the Review Period is calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$24,169,000 (2019: approximately HK\$22,122,000) and on the weighted average number of 1,644,188,693 ordinary shares (2019: 1,644,188,693 ordinary shares) in issue during the period.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the periods ended 30 June 2020 and 2019 respectively.

9. CONVERTIBLE BONDS ISSUED BY A LISTED SUBSIDIARY

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

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

The Convertible Bonds can be converted into a maximum number of 79,000,000 ordinary shares of OPG at the initial conversion price of HK\$0.15 per share. Assuming all Convertible Bonds were fully converted into the ordinary shares of OPG, the Company’s shareholding in OPG would be diluted from 32.5% to 30.12% which would result in deemed disposal of the equity interest in OPG.



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

At initial recognition, the Convertible Bonds are separated into a liability component and an equity component representing the conversion options of bondholders which is reported as potential non-controlling interest. The fair values of the liability component and the equity conversion component were determined at the Bond Issue Date.

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

	Note	HK\$'000
Liability component		
Fair value of liability component at the Bond		
Issue Date		10,951
Issue costs		(284)
		10,667
Effective interest expenses	4	31
Liability component at 30 June 2020		10,698
Potential non-controlling interests		
Nominal value of the Convertible Bonds		11,850
Fair value of liability component at the Bond		
Issue Date		(10,951)
Issue costs		(23)
Potential non-controlling interests at the Bond Issue Date and at 30 June 2020		876

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

	Attributable to equity holders of the Company						Non-controlling interests				
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve <Remarks>	Accumulated losses	Total	Existing	Potential holders <More>	Total equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
For the three months ended 30 June 2020											
At 1 April 2020 (audited)	16,441	1,562,367	5,498	[102,498]	11,963	21,581	(1,379,420)	135,932	69,011	-	204,943
Loss for the period	-	-	-	-	-	-	(24,69)	(24,169)	(3,535)	-	(27,704)
Other comprehensive income											
Items that may not be reclassified subsequently to profit or loss											
Share of other comprehensive expenses of associates exchange difference on translation of foreign subsidiaries	-	-	-	752	-	-	-	752	-	-	752
Exchange difference on translation of foreign subsidiaries	-	-	-	2,638	-	-	-	2,638	1,474	-	4,112
Total comprehensive expenses for the period	-	-	-	3,390	-	-	(24,69)	(20,779)	(2,061)	-	(22,840)
Transaction with owners											
Contribution and distributions	-	-	-	-	-	313	-	313	-	-	313
Recognition of share-based compensation cost	-	-	-	-	-	(11,756)	1,756	-	-	-	-
Lapse of share options	-	-	-	-	-	(11,443)	1,756	313	-	-	313
Change in ownership interests											
Convertible bonds issued by a listed subsidiary	-	-	-	-	-	-	-	-	-	-	876
At 30 June 2020 (unaudited)	16,441	1,562,367	5,498	(99,108)	11,963	10,138	(1,391,833)	115,466	66,950	876	183,292

10. MOVEMENT OF EQUITY (Continued)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve <Remark>	Accumulated losses	Share option reserve	Total	controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the three months ended 30 June 2019										
At 1 April 2019 (audited)	16,441	1,562,367	5,498	(45,625)	10,834	215,870	(816,471)	948,914	87,308	1,036,222
Loss for the period	—	—	—	—	—	—	(22,122)	(22,122)	334	(21,788)
Other comprehensive expenses										
Item that may not be reclassified subsequently to profit or loss										
Share of other comprehensive expenses of associates-exchange difference on translation	—	—	—	(7,377)	—	—	—	(7,377)	—	(7,377)
Exchange difference on translation of foreign subsidiaries	—	—	—	(20,589)	—	—	—	(20,589)	3,245	(17,343)
Total comprehensive expenses for the period	—	—	—	(27,965)	—	—	(22,122)	(50,087)	3,579	(46,508)
Transaction with owners										
Contribution and distributions	—	—	—	—	—	—	2,895	—	2,895	—
Recognition of share-based compensation cost	—	—	—	—	—	—	2,895	—	2,895	—
At 30 June 2019 (unaudited)	16,441	1,562,367	5,498	(73,590)	10,834	218,765	(839,593)	901,722	90,887	902,609



10. MOVEMENT OF EQUITY *(Continued)*

<Remark>

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has been engaged in the following businesses during the three months ended 30 June 2020 (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 People’s Republic of China (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.

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

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

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. In the prestige membership benefit service industry of banking and credit card organizations, in addition to the leading banks that issued more volume of the original credit cards, there are more and more small-and-medium banks concerned with benefit service for the cardholders and providing the customers of retail or credit card businesses with value-added benefit services. Besides, with the emerging consumption pattern of paid membership, there will be more demand for membership benefit in new retail sector and on internet platform. As to the industry ahead, there will be more service targets and larger market scale.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

For internet micro-credit business, the Group entered into the sale and purchase agreement (as amended, supplemented or modified by the supplemental agreement dated 8 May 2020) with the purchasers, Geerong (HK) Limited and Oak Bay International Limited, pursuant to which the Company has conditionally agreed to sell 75% of the entire issued share capital of Keen Best Investments Limited ("Keen Best") and its indirect wholly-owned subsidiary, 重慶市眾網小額貸款有限公司 (Massnet Microcredit Company (Chongqing) Limited*) ("Massnet Microcredit") at a total consideration of HK\$225 million (the "Disposal"). During the past few years, the business environment for microcredit in the PRC has become more competitive with the tightening regulatory policies in the PRC. Massnet Microcredit's financial performance and position has been deteriorating as a result of the intense competition in the market and the increase in default risk. The Group will continue to hold 25% of the equity interests in Keen Best which would become an associate of the Group. Resolution in relation to the Disposal was passed by independent shareholders of the Company at the extraordinary general meeting of the Company held on 12 June 2020.

For merchant acquiring business, it is an established merchant acquirer in providing a suite of comprehensive payment processing services to merchants of all sizes frequently visited by Chinese tourists in Thailand.

There are three main revenue streams derived from the merchant acquiring business, including (i) merchant discount rate income ("MDR income"); (ii) foreign exchange rate discount income; and (iii) marketing and distribution service income. For each successful transaction processed via its point-of-sale ("POS") terminals, MDR income is charged to its merchants based on certain percentage of the transaction value. Foreign exchange rate discount income is derived from its daily settlement with UnionPay International ("UPI") whereby a favourable spot exchange rate in Baht to United States dollars ("US\$") is offered by UPI in translating the nominated transaction value in Baht. The marketing and distribution service income represents the income derived from developing marketing channels for expanding the use of payment service system through its merchant network.

* English translation for identification purpose only.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

During the Review Period, the Group continuously faced the risks of uncertainties in Thailand's economic outlook, the impact of Sino-US trade war and the impact of the outbreak of COVID-19 pandemic, which would affect Chinese tourists' spending sentiments in Thailand. In particular, the outbreak of COVID-19 pandemic which led to the suspension of international flights to Thailand since April 2020, resulted in a material adverse effect to the income of the Group in the last few months. 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.

The Group will stay alert to the development and situation of the COVID-19 pandemic, continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to maintain the stability of the businesses. The Group will keep proactive to seek business opportunities that will contribute and sustain the Group's future development on generating better return to the shareholders of the Company.

FINANCIAL REVIEW (CONTINUING AND DISCONTINUED OPERATIONS)

Revenue

The internet micro-credit services, the merchant acquiring transaction fee income and the foreign exchange rate discount income generated from merchant acquiring business in Thailand, the prepaid cards and internet payment business and the prestige benefits business all contributed to the total revenue of the Group for the Review Period. Total revenue of the Group for the Review Period amounted to approximately HK\$27 million, of which approximately HK\$9 million was attributed to the internet micro-credit business; approximately HK\$4 million was attributed to the prepaid cards and internet payment business; approximately HK\$5 million was attributed to the merchant acquiring business in Thailand; and approximately HK\$9 million was attributed to the prestige benefits business respectively.

The Group's revenue for the Review Period was approximately HK\$27 million, representing a decrease of approximately 64% as compared with that of the Corresponding Period because of the significant decrease in the revenue of the prepaid cards and internet payment business, prestige benefits business and merchant acquiring business. The decrease in the revenue of the prepaid cards and interest payment business and prestige benefits business were due to the outbreak of the COVID-19 pandemic, the citizens reduced their frequency of outgoing and hence caused the significant decrease in the transaction volume.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUING AND DISCONTINUED OPERATIONS)

(Continued)

Revenue *(Continued)*

As for the merchant acquiring business in Thailand, there was a decrease in MDR income and foreign exchange rate discount income by approximately HK\$13 million and HK\$4 million respectively when comparing with the Corresponding Period. The decrease in these two income streams was primarily due to the significant decrease in the transaction volume via UPI processed by the Group for the Review Period as compared with that of the Corresponding Period as a result of the outbreak of the COVID-19 pandemic.

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$12 million, representing a decrease of approximately 72% as compared with that recorded in the Corresponding Period. The cost of services rendered decreased in line with the decrease in revenue.

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$31 million, representing a decrease of approximately 31% from that of the Corresponding Period. The decrease was primarily attributable to a decrease in share based compensation costs, salaries, allowances and other short-term employee benefits.

Selling and Distribution Costs

The selling and distribution costs for the Review Period amounted to approximately HK\$4 million, representing a decrease of approximately 5% from that in the Corresponding Period.

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$7 million, representing a decrease of approximately 1% from that 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\$24 million. Basic loss per share was approximately 1.47 HK cents as compared with approximately 1.35 HK cents recorded in the Corresponding Period.



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

As at 30 June 2020, 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:

Long positions in ordinary shares of HK\$0.01 each of the Company (the “**Shares**”)

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yan Dinggui ("Mr. Yan")	Interest in controlled corporations (Note 1)	334,019,430	20.32%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner (Note 2)	5,000,000	0.30%

Notes:

- These 334,019,430 Shares were held by Invech Holdings Limited (“**Invech**”). Invech was wholly owned by Bright New Vision Inc. (“**BNV**”) which was in turn indirectly wholly owned by 上海嘉銀金融服務有限公司 (“上海嘉銀”). 上海嘉銀 was held by Mr. Yan as to 75%. Accordingly, Mr. Yan, 上海嘉銀 and BNV were deemed to be interested in such 334,019,430 Shares held by Invech pursuant to Part XV of the SFO. On 14 July 2020, Invech disposed of an aggregate of 241,650,000 Shares to certain purchasers who were independent third parties (the “**Share Disposal**”). Upon completion of the Share Disposal, Invech continues to hold 92,369,430 Shares, representing approximately 5.62% of the total issued share capital of the Company.

For details of the Share Disposal, please refer to the announcement dated 14 July 2020.

- These Shares represent the share options granted to Mr. Song 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 that they are entitled to subscribe for subject to the exercise of the share options granted.



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

Long positions in ordinary Shares (Continued)

Save as disclosed above, as at 30 June 2020, so far as is known to any of the Directors or the 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 & 8 of part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rules 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 30 June 2020, 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 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/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Zhang Chang ("Mr. Zhang")	Interest in a controlled corporation (Note 1) Beneficial owner (Note 1)	170,000,000 93,090,000	10.34% 5.66%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner (Note 1)	170,000,000	10.34%
Vered Capital Limited ("Vered Capital")	Person having a security interest in shares (Note 2)	260,090,000	15.82%
上海嘉銀	Interest in controlled corporation (Note 3)	334,019,430	20.32%
BNV	Interest in a controlled corporation (Note 3)	334,019,430	20.32%
Invech	Beneficial owner (Note 3)	334,019,430	20.32%



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

The Company (Continued)

Long positions in Shares (Continued)

Note:

1. Out of 263,090,000 Shares, 170,000,000 Shares were held by Sino Starlet, which is wholly owned by Mr. Zhang. As Mr. Zhang is the controlling shareholder of Sino Starlet, he is deemed to be interested in these 170,000,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.
2. 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.
3. These 334,019,430 Shares were held by Invech. Invech was wholly owned by BNV which was in turn indirectly wholly owned by 上海嘉銀. 上海嘉銀 was held by Mr. Yan, an executive Director, as to 75%. Accordingly, Mr. Yan, 上海嘉銀 and BNV were deemed to be interested in such 334,019,430 shares held by Invech pursuant to Part XV of the SFO. On 14 July 2020, Invech disposed of an aggregate of 241,650,000 shares to certain purchasers who were independent third parties. Upon completion of the Share Disposal, Invech continues to hold 92,369,430 shares, representing approximately 5.62% of the total issued share capital of the Company.

For details of the Share Disposal, please refer to the announcement dated 14 July 2020.

Save as disclosed above, as at 30 June 2020, 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.



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, except for the deviation from code provision A.2.1 as stated below, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Song Qian has been appointed as the chairlady and the chief executive officer of the Company (the "**CEO**") since 20 January 2020 following her appointment as an executive Director. The Board believes that vesting the roles of both the CEO and the chairlady in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate under such circumstances.

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 whilst the compliance committee is responsible for developing, reviewing and monitoring the code of conduct applicable to our Directors and the Group's employees and reviewing the Company's compliance with the CG Code 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 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 2020 to 30 June 2020.

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 Shunmin 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 Review Period 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

Song Qian

Chairlady

Hong Kong, 14 August 2020

As at the date of this report, the Board comprises (i) five executive Directors, namely, Mr. Yan Dinggui, Ms. Song Qian, Mr. Song Xiangping, Mr. Lin Xiaofeng and Mr. Liu Liang; and (ii) three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.