



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)



2020
Interim Report



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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FINANCIAL HIGHLIGHTS

- The Group's revenue and gross profit amounted to approximately HK\$29.34 million and approximately HK\$17.33 million for the six months ended 30 September 2020, which represented a decrease of approximately 75.07% and 68.85% respectively as compared with the Group's revenue and gross profit recorded in the corresponding period in 2019.
- The Group reported a loss amounted to approximately HK\$45.56 million for the six months ended 30 September 2020 as compared with a loss of approximately HK\$44.00 million recorded in the corresponding period in 2019. The Group reported a loss attributable to equity holders of the Company for the six months ended 30 September 2020 which amounted to approximately HK\$37.82 million (2019: approximately HK\$43.93 million).
- Loss per share for the loss attributable to equity holders of the Company for the six months ended 30 September 2020 was approximately 2.30 HK cents (2019: approximately 2.67 HK cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).



CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2020

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations					
Revenue	2	11,765	51,660	29,336	117,665
Cost of services rendered		(2,119)	(18,520)	(12,005)	(62,023)
Gross profit		9,646	33,140	17,331	55,642
Other income		3,716	1,781	4,556	2,613
General administrative expenses		(29,875)	(48,406)	(52,790)	(86,455)
Selling and distribution costs		(2,222)	(32)	(6,417)	(4,457)
Finance costs	4	(8,270)	(9,395)	(15,628)	(16,803)
Share of results of associates		3,240	5,419	2,842	8,595



		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	Notes	2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Loss before tax from continuing operations	4	(23,765)	(17,493)	(50,106)	(40,865)
Income tax credit (expenses)	5	5	(1,628)	5	(1,937)
Loss for the period from continuing operations		(23,760)	(19,121)	(50,101)	(42,802)
Discontinued operations					
Profit (Loss) for the period from discontinued operations	7	5,914	(3,089)	4,551	(1,196)
Loss for the period		(17,846)	(22,210)	(45,550)	(43,998)
Attributable to:					
Equity holders of the Company		(13,647)	(21,806)	(37,816)	(43,928)
Non-controlling interests		(4,199)	(404)	(7,734)	(70)
		(17,846)	(22,210)	(45,550)	(43,998)
From continuing and discontinued operations					
Loss per share attributable to equity holders of the Company					
Basic and diluted	8	(0.83) HK cents	(1.32) HK cents	(2.30) HK cents	(2.67) HK cents
From continuing operations					
Loss per share attributable to equity holders of the Company					
Basic and diluted		(1.19) HK cents	(1.16) HK cents	(2.58) HK cents	(2.60) HK cents



CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2020

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 <i>(Re-presented)</i>	2020 HK\$'000	2019 HK\$'000 <i>(Re-presented)</i>
Loss for the period	(17,846)	(22,210)	(45,550)	(43,998)
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	7,535	(13,658)	8,287	(21,035)
Derecognition of exchange reserve upon disposal of a subsidiary (Note 18)	2,559	—	2,559	—
Exchange difference on translation of foreign subsidiaries	22,557	(44,676)	26,669	(62,019)
Total comprehensive income (expenses) for the period	14,805	(80,544)	(8,035)	(127,052)
Total comprehensive income (expenses) attributable to:				
Equity holders of the Company	12,363	(72,679)	(8,416)	(122,766)
Non-controlling interests	2,442	(7,865)	381	(4,286)
	14,805	(80,544)	(8,035)	(127,052)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	<i>Notes</i>	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Non-current assets			
Interests in associates		292,679	206,351
Goodwill	<i>9</i>	—	—
Property, plant and equipment	<i>10</i>	11,583	13,490
Intangible assets	<i>10</i>	28,447	33,721
Right-of-use assets		4,703	9,164
Financial assets at fair value through profit or loss ("FVPL")		300	300
Deferred tax assets		197	194
		337,909	263,220
Current assets			
Inventories		311	296
Tax recoverable		2,464	2,287
Trade and other receivables	<i>11</i>	156,044	148,435
Restricted funds	<i>12</i>	276,916	292,970
Cash and bank balances		190,856	65,524
		626,591	509,512
Assets of disposal group classified as assets held for sale		—	283,446
		626,591	792,958



	<i>Notes</i>	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Current liabilities			
Trade and other payables	13	440,981	495,993
Tax payables		8,663	8,467
Bonds payables		286,619	314,012
Lease liabilities		3,954	7,753
		740,217	826,225
Liabilities associated with disposal group classified as held for sale		—	9,291
		740,217	835,516
Net current liabilities		(113,626)	(42,558)
Total assets less current liabilities		224,283	220,662
Non-current liabilities			
Convertible bonds	14	11,267	—
Deferred tax liabilities		8,442	8,056
Other long-term liabilities	15	6,246	6,050
Lease liabilities		922	1,613
		26,877	15,719
NET ASSETS		197,406	204,943
Capital and reserves			
Share capital	16	16,441	16,441
Reserves		111,636	119,491
Equity attributable to equity holders of the Company		128,077	135,932
Non-controlling interests		69,329	69,011
TOTAL EQUITY		197,406	204,943



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to equity holders of the Company							Non-controlling interests			Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Existing HK\$'000	Potential HK\$'000	
For the six months ended 30 September 2020											
At 1 April 2020 (Audited)	16,441	1,562,367	5,498	(102,498)	11,963	21,581	(1,379,420)	135,932	69,011	–	204,943
Loss for the period	–	–	–	–	–	–	(37,816)	(37,816)	(7,734)	–	(45,550)
Other comprehensive income:											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Share of other comprehensive expenses of associates – exchange difference on translation	–	–	–	8,287	–	–	–	8,287	–	–	8,287
Derecognition of exchange reserve upon disposal of a subsidiary	–	–	–	2,559	–	–	–	2,559	–	–	2,559
Exchange difference on translation of foreign subsidiaries	–	–	–	18,554	–	–	–	18,554	8,115	–	26,669
Total comprehensive expenses for the period	–	–	–	29,400	–	–	(37,816)	(8,416)	381	–	(8,035)



Attributable to equity holders of the Company

Non-controlling interests

	Share							Non-controlling interests			Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Existing HK\$'000	Potential HK\$'000	
Transaction with owners:											
<i>Contributions and distributions</i>											
Recognition of share-based compensation cost	-	-	-	-	-	561	-	561	-	-	561
Lapse of share options	-	-	-	-	-	(11,756)	11,756	-	-	-	-
Dividends paid to non-controlling interests of non-wholly owned subsidiary	-	-	-	-	-	-	-	-	(939)	-	(939)
	-	-	-	-	-	(11,195)	11,756	561	(939)	-	(378)
Change in ownership interests											
convertible bonds issued by a listed subsidiary	-	-	-	-	-	-	-	-	-	876	876
At 30 September 2020 (Unaudited)	16,441	1,562,367	5,498	(73,098)	11,963	10,386	(1,405,480)	128,077	68,453	876	197,406



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 options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
For the six months ended 30 September 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	—	—	—	—	—	—	(43,928)	(43,928)	(70)	(43,998)
Other comprehensive expenses:										
<i>Item that may be reclassified subsequently to profit or loss</i>										
Share of other comprehensive expenses of associates	—	—	—	(21,035)	—	—	—	(21,035)	—	(21,035)
Exchange difference on translation of foreign subsidiaries	—	—	—	(57,803)	—	—	—	(57,803)	(4,216)	(62,019)
Total comprehensive expenses for the period	—	—	—	(78,838)	—	—	(43,928)	(122,766)	(4,286)	(127,052)



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 options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Transaction with owners:										
<i>Contributions and distributions</i>										
Recognition of share-based compensation cost	—	—	—	—	—	5,401	—	5,401	—	5,401
Forfeiture of share options	—	—	—	—	—	(2,352)	2,352	—	—	—
Lapse of share options	—	—	—	—	—	(98,271)	98,271	—	—	—
	—	—	—	—	—	(95,222)	100,623	5,401	—	5,401
At 30 September 2019 (Unaudited)	16,441	1,562,367	5,498	(124,463)	10,834	120,648	(759,776)	831,549	83,022	914,571



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

		Unaudited	
		Six months ended	
		30 September	
		2020	2019
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
OPERATING ACTIVITIES			
		(13,957)	14,831
		148	1,519
		(8,266)	(17,050)
		(321)	(556)
Net cash used in operating activities		(22,396)	(1,256)
INVESTING ACTIVITIES			
	<i>10</i>	(594)	(3,855)
		4	59
		—	(504)
	<i>18</i>	36,154	—
Net cash from (used in) investing activities		35,564	(4,300)



**Unaudited
Six months ended
30 September**

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
FINANCING ACTIVITIES			
Issue of convertible bonds, net of issue costs	14	11,543	—
Dividend paid to non-controlling interests		(939)	—
Repayment of bonds payables		(27,393)	(62,787)
Repayment of lease liabilities		(4,451)	(3,613)
Net cash used in financing activities		(21,240)	(66,400)
Net decrease in cash and cash equivalents		(8,072)	(71,956)
Cash and cash equivalents at the beginning of the reporting period		197,498	201,034
Effect on exchange rate changes		1,430	(8,134)
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances		190,856	120,944



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 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 shares of the Company were listed on GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2020 (the “**Interim Financial Statements**”) are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make 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 Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 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, HKAS and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2020 (the “**2020 Annual Financial Statements**”).



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

Basis of preparation *(Continued)*

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

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2020 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 2020.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform

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

Going Concern

In preparing the Interim Financial Statements, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$113,626,000 at 30 September 2020. In addition, the Group incurred a loss from continuing operation of approximately HK\$50,101,000 for the period ended 30 September 2020. There is a material uncertainty related to these matters that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.



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

Going Concern (Continued)

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

- (a) a shareholder of the Company has committed and has proved his ability to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;
- (b) the Group is negotiating and discussing with bond holders and lenders for the existing and future settlement/schedule plan related to the bonds and loans from third parties and actively exploring the availability of fund raising activities as and when appropriate; and
- (c) the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future.

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

2. REVENUE

Revenue for continuing operations is analysed by category as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
<u>Revenue from contracts with customers within HKFRS 15</u>				
Prepaid cards and internet payment business				
Card issuing service fee income	42	118	83	284
Management fee income of prepaid cards	1,229	935	3,089	1,673
Merchant service fee income	879	14,650	3,096	35,948
Sales and services fee income of point of sales machines	—	1	—	1
Prestige benefits business				
Issuance income of prestige benefits cards	6,240	12,958	15,421	35,071
Hotel booking agency service income	41	2,279	51	2,432
Merchant acquiring business				
Merchant discount rate income ("MDR income")	2,691	15,758	6,160	31,927
Marketing and distribution service income	10	444	16	933
<u>Revenue from other sources</u>				
Merchant acquiring business				
Foreign exchange rate discount income	633	4,517	1,420	9,396
	11,765	51,660	29,336	117,665



3. SEGMENT REPORTING

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

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

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

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

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided, assets and capital expenditure are attributed to the segments based on the location of the assets. The geographical segment information is reflected within operating segment information as the Group's four distinctive business activities are provided in two different locations.

Revenue from customers contributing over 10% of the total revenue of the Group is also reflected within the operating information.

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 2020 (Unaudited)

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

3. SEGMENT REPORTING (Continued)

Six months ended 30 September 2019 (Unaudited)

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Internet micro-credit business HK\$'000	
Major customer A	—	27,565	—	—	27,565
Other customers	37,906	9,938	42,256	15,313	105,413
Segment revenue	37,906	37,503	42,256	15,313	132,978
Segment results	(21,282)	9,521	3,161	836	(7,764)
Unallocated other income					8,112
Unallocated finance costs					(16,828)
Unallocated other expenses and losses					(33,570)
Share of results of associates					8,595
Loss before tax					(41,455)
Income tax expenses					(2,543)
Loss for the period					(43,998)

3. SEGMENT REPORTING (Continued)

Segment assets and liabilities

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

At 30 September 2020 (Unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	1,818	46	9,690	29	11,583
Right-of-use assets	2,946	441	536	780	4,703
Intangible assets	3,774	11,398	13,275	—	28,447
Financial assets at FVPL	—	—	300	—	300
Other assets	721,449	14,837	43,167	140,014	919,467
Total assets	729,987	26,722	66,968	140,823	964,500
Total liabilities	368,590	35,724	27,404	335,376	767,094

At 31 March 2020 (Audited)

	Continuing operations			Disposal group		Consolidated HK\$'000
	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Merchant acquiring business HK\$'000	Internet micro-credit business HK\$'000	Unallocated HK\$'000	
Property, plant and equipment	2,297	71	10,959	—	163	13,490
Right-of-use assets	5,675	931	129	—	2,429	9,164
Intangible assets	10,218	8,565	14,938	—	—	33,721
Financial assets at FVPL	—	—	—	—	300	300
Other assets	560,940	32,641	38,182	—	84,294	716,057
Assets of disposal group classified as held for sale	—	—	—	283,446	—	283,446
Total assets	579,130	42,208	64,208	283,446	87,186	1,056,178
Total liabilities	307,289	41,497	16,266	9,291	476,892	851,235

4. LOSS BEFORE TAX

This is stated after charging:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September		
	Note	2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Finance costs					
Continuing operations					
Finance costs on other long-term liabilities		152	155	298	307
Interest on bonds payables		6,626	9,138	13,724	16,281
Finance costs on lease liabilities		55	102	138	215
Effective interest expenses on convertible bonds issued by a listed subsidiary	14	569	—	600	—
Other finance costs		868	—	868	—
		8,270	9,395	15,628	16,803
Discontinued operations					
Finance costs on lease liabilities		—	15	10	25
		8,270	9,410	15,638	16,828

4. LOSS BEFORE TAX (Continued)

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Other items				
Continuing operations				
Amortisation of intangible assets	634	3,813	4,923	9,043
Depreciation of property, plant and equipment	1,441	2,825	2,850	4,803
Depreciation of right-of-use assets	2,155	1,983	3,787	3,285
Loss on disposal of property, plant and equipment	—	21	—	21
Staff costs, including directors' emoluments and share-based compensation cost	7,487	25,383	20,152	44,217
Discontinued operations				
Amortisation of intangible assets	124	249	275	290
Depreciation of property, plant and equipment	73	448	174	558
Depreciation of right-of-use assets	66	111	132	185
Loss allowance on loan receivables	1,046	2,024	4,515	3,760
Staff costs, including directors' emoluments and share-based compensation cost	1,765	4,106	3,558	5,238

5. TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations				
Current tax				
Hong Kong Profits Tax	—	—	—	—
PRC Enterprise Income Tax	(5)	(1,205)	(5)	(1,205)
Thailand Enterprise Income Tax	—	268	—	577
Withholding tax on dividend declared by a foreign subsidiary	—	202	—	202
	(5)	(735)	(5)	(426)
Deferred tax				
Utilisation of tax losses	—	20	—	20
Origination of temporary difference	—	2,343	—	2,343
	—	2,363	—	2,363
Income tax (credit) expenses for continuing operations	(5)	1,628	(5)	1,937
Discontinued operations				
Current tax				
PRC Enterprise Income Tax	7	203	464	606
Total income tax expenses for continuing and discontinued operations	2	1,831	459	2,543



5. TAXATION (Continued)

- **Hong Kong Profits Tax**

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

- **Income taxes outside Hong Kong**

The Company and its subsidiaries established in the Cayman Islands and the British Virgin Islands ("**BVI**") are exempted from the payment of income tax in the Cayman Islands and the BVI respectively.

The Group's operations in the PRC are subject to enterprise income tax of the PRC ("**PRC Enterprise Income Tax**") 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 上海靜元信息科技有限公司(Shanghai Jingyuan Message Technology Limited*, "**Shanghai Jingyuan**") (2019: Open Union and Shanghai Jingyuan), which is subject to PRC Enterprise Income Tax at a preferential rate of 15% (2019: 15%) for high and new technology enterprises.

The Group's operation in Thailand is subject to Thailand 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 corporation tax ranged from 10% to 25% (2019: 10% to 25%).

The Group's operation in Cambodia is subject to Cambodia Corporate Income Tax at 20% (2019: 20%)

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

Dividend payable by an enterprise in Cambodia to its foreign investors are subject to a 14% (2019: 14%) withholding tax.

* *English translation for identification purpose only.*



6. DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 September 2020 and 2019.

7. DISCONTINUED OPERATIONS

Internet micro-credit business

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

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

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

* *English translation for identification purpose only.*



7. DISCONTINUED OPERATIONS (CONTINUED)

Internet micro-credit business (Continued)

The results of the Disposal Group for the six months ended 30 September 2020 and 2019 are analysed as follows:

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue		15,453	15,313
Cost of services rendered		(4,488)	(11,369)
Gross profit		10,965	3,944
Other income		612	5,499
General administrative expenses		(7,685)	(10,008)
Finance costs	4	(10)	(25)
Profit (Loss) before tax	4	3,882	(590)
Income tax expenses	5	(464)	(606)
Profit (Loss) after tax		3,418	(1,196)
Gain on disposal of a subsidiary		1,133	—
Profit (Loss) attributable to discontinued operations		4,551	(1,196)



7. **DISCONTINUED OPERATIONS** (CONTINUED)

Internet micro-credit business (Continued)

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

	Unaudited Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Net cash outflow in operating activities	(47,346)	(45,297)
Net cash outflow in investing activities	(210)	(26)
Net cash outflow in financing activities	(10)	—
Total net cash outflow	(47,566)	(45,323)

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

	2020	2019
	HK cents	HK cents
Earnings (Loss) per share for the Disposal Group attributable to owners of the Company		
Basic and diluted	0.28	(0.07)



8. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2020 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$13,647,000 and approximately HK\$37,816,000 respectively (2019: approximately HK\$21,806,000 and approximately HK\$43,928,000 respectively), and on the weighted average number of 1,644,188,693 ordinary shares (2019: 1,644,188,693 ordinary shares) in issue respectively.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and six months ended 30 September 2020 and 2019.

9. GOODWILL

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	—	505,352
Impairment loss	—	(491,906)
Exchange realignments	—	(13,446)
At the end of the reporting period	—	—
Cost	662,335	662,335
Accumulated impairment losses	(662,335)	(662,335)
	—	—



10. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the six months ended 30 September 2020, the Group had:

- (i) spent approximately HK\$594,000 (2019: approximately HK\$3,855,000) and nil (2019: approximately HK\$15,690,000) on additions to property, plant and equipment and intangible assets, which was mainly for enhancing the Group's internally developed acquired host system and payment network system, respectively;
- (ii) disposed of approximately HK\$4,000 (2019: approximately HK\$389,000) of the property, plant and equipment; and
- (iii) not written off any of the intangible assets (2019: Nil).

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
<i>Notes</i>		
Trade receivables from third parties	35,194	41,126
Less: Loss allowance	(19,617)	(19,617)
<i>(a)</i>	15,577	21,509
Loan receivables		
Loan and interest receivables from independent third parties	44,644	31,081
Less: Loss allowance	(13,188)	(8,673)
<i>(b)</i>	31,456	22,408
Other receivables		
Deposits paid to merchants	16,850	13,848
Deposits, prepayments and other debtors	81,952	79,099
Due from a related party	—	654
Due from an associate	10,209	10,917
<i>(c)</i>		
<i>(d)</i>		
<i>(e)</i>		
	109,011	104,518
	156,044	148,435



11. TRADE AND OTHER RECEIVABLES (Continued)

11(a) Trade and bills receivables

The Group allows a credit period up to 45 days (31 March 2020: 45 days) to its trade debtors. At the end of the reporting period, the ageing analysis of the trade receivables (net of loss allowance) by invoice date or bills issuance date is as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Less than 1 month	5,157	8,482
1 month to 3 months	121	24
3 months to 6 months	263	280
6 months to 1 year	256	216
Over 1 year	9,780	12,507
	15,577	21,509

11(b) Loan receivables

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

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Over 6 months	31,456	22,408



11. TRADE AND OTHER RECEIVABLES *(Continued)*

11(b) Loan receivables *(Continued)*

At 30 September 2020, loan receivables

- (i) are unsecured (31 March 2020: unsecured);
- (ii) include an aggregate amount of approximately HK\$4,981,000 (31 March 2020: approximately HK\$4,886,000) which carries interest rates ranged from 8% to 10% per annum (31 March 2020: 8% per annum); and the remaining balances are interest-free; and
- (iii) have contractual loan period up to 15 months (31 March 2020: 21 months).

11(c) Deposits paid to merchants

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

11(d) Due from a related party

The amount due is unsecured, interest-free and repayable on demand. The related party is controlled by a former director, Mr. Yan Dinggui ("Mr. Yan"). The greatest outstanding amount during the period is approximately HK\$654,000 (31 March 2020: approximately HK\$654,000).

11(e) Due from an associate

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

12. RESTRICTED FUNDS

		Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
	<i>Note</i>		
Bank deposits in:			
Thailand	<i>(a)</i>	51	2,307
The PRC	<i>(b)</i>	276,865	290,663
		276,916	292,970

12(a) Thailand

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

12(b) The PRC

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders/internet payment accounts’ holders make purchase transactions with respective merchants and are not allowed to be used by the Group for any other purpose. The deposits are denominated in RMB and represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 3.3% (31 March 2020: 3.3%) per annum.

13. TRADE AND OTHER PAYABLES

		Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
	<i>Notes</i>		
Trade payables	<i>(a)</i>	22,768	22,862
Prestige benefits cards – provision of hotel and catering expenses		9,590	9,206
Unutilised float funds	<i>(b)</i>	273,122	249,525
		305,480	281,593
Other payables			
Accruals and other payables		30,438	63,886
Loans from third parties	<i>(c)</i>	105,057	—
Due to a director	<i>(d)</i>	—	109
Due to an associate	<i>(d)</i>	6	676
Due to a related company	<i>(e)</i>	—	149,729
		135,501	214,400
		440,981	495,993



13. TRADE AND OTHER PAYABLES (Continued)

13(a) Trade payables

The credit periods of trade payables ranged from 30 to 60 days. At the end of the reporting period, the ageing analysis of the trade payables by invoice date is as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Less than 1 month	17,740	11,973
1 month to 3 months	1,829	2,544
Over 3 months	3,199	8,345
	22,768	22,862

13(b) Unutilised float funds

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

13(c) Loan from third parties

At 30 September 2020, loans from third parties bore a fixed interest rate at 9% p.a. (31 March 2020: nil) and repayable in one year from the date of drawdown.

The loans are secured and guaranteed by

- (i) 25% shareholding of Keen Best with carrying amount of approximately HK\$73,769,000 at 30 September 2020; and
- (ii) personal guarantees provided by the substantial shareholder.



13. TRADE AND OTHER PAYABLES (Continued)

13(d) Due to a director/an associate

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

13(e) Due to related companies

The amounts due was unsecured, interest-free and repayable on demand. The related companies was controlled by a substantial shareholder and former director, Mr. Yan.

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

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

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

14. **CONVERTIBLE BONDS ISSUED BY A LISTED SUBSIDIARY** (Continued)

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	600
Liability component at 30 September 2020		11,267
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 September 2020		876

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

15. OTHER LONG-TERM LIABILITIES

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

At 30 September 2020, the Group had an outstanding amount due to a non-controlling shareholder of Baht 25,550,000 (equivalent to approximately HK\$6,246,000) (31 March 2020: Baht 25,550,000 (equivalent to approximately HK\$6,050,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum (31 March 2020: 9.5% per annum), with an accrued dividend payable of approximately Baht 1,211,000 (equivalent to approximately HK\$297,000) (31 March 2020: Nil) as included in “Accruals and other payables”.

16. SHARE CAPITAL

	Unaudited At 30 September 2020		Audited At 31 March 2020	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid At the beginning and the end of the reporting period	1,644,188,693	16,441	1,644,188,693	16,441



17. COMMITMENTS

Capital expenditure commitments

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Contracted but not provided for, net of deposits paid:		
— Acquisition of equity interests in an associate	13,646	13,452

18. DISPOSAL OF A SUBSIDIARY

On 13 March 2020, the Group entered into the sales and purchase agreement (as amended, supplemented or modified by the supplemental agreement dated 8 May 2020) to dispose of an aggregate 75% of the Disposal Group, at a consideration of HK\$225,000,000 to an independent third party and a connected party. The principal activity of Disposal Group is engaged in internet microcredit business in the PRC. Disposal Group became an associate of the Group upon the completion of disposal transaction which took place on 29 September 2020.



18. DISPOSAL OF A SUBSIDIARY (Continued)

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

	Total <i>HK\$'000</i>
Net assets disposed of	
Property, plant and equipment	1,609
Intangible assets	23,525
Right-of-use assets	572
Trade and other receivables	120,233
Loan receivable	72,535
Bank balances and cash	83,846
Tax recoverable	62
Trade and other payables	(6,331)
Lease liabilities	(974)
	<hr/> 295,077
Interests in an associate retained	(73,769)
Derecognition of exchange reserve upon disposal of a subsidiary	2,559
Gain on disposal of a subsidiary	1,133
	<hr/> 225,000
Net cash flow on disposal of a subsidiary	
Cash consideration received	120,000
Cash and cash equivalents disposed of	(83,846)
	<hr/> Net inflow of cash and cash equivalents 36,154

During the period ended 30 September 2020, the remaining consideration of HK\$105,000,000, which was settled through the current account maintained with a related company.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 10 November 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has engaged in the following businesses during the six months ended 30 September 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 the internet payment business, the Group focuses on areas with rapid growth potentials and strives to establish partnerships with various parties to provide secure and convenient internet payment services for different financial institutions and bulk commodity trading platforms on one hand, and provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand. As one of the limited national prepaid card enterprises, we will utilise the resources of our branches to vigorously develop prepaid cards business across the nation in the future and intensively strengthen its presence in the areas of industry 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.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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

For the internet micro-credit business, the Group entered into a sale and purchase agreement on 13 March 2020 (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 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. A resolution in relation to the Disposal was passed by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 12 June 2020. The Disposal was completed on 29 September 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.

* *English translation for identification purpose only.*



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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.

During the Review Period, Oriental Payment Group Holdings Limited ("**OPG**") continuously faced the risks of uncertainties in Thailand's economic outlook, the impact of the Sino-US trade war and the impact of the outbreak of coronavirus 2019 ("**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 OPG and its subsidiaries (the "**OPG Group**") in the last few months. It is uncertain as to when the international flights to Thailand would be resumed, and hence OPG has been proactive in exploring other business opportunities, especially payment related business, that could sustain the OPG's business development and growth for generating a better return to the shareholders of the OPG Group.

OPG is exploring investment opportunities in online and offline payment related business in Asia Pacific and has undergone placing of convertible bonds to raise funds in June 2020. Taking into account the speedy recovery of the PRC from the COVID-19 pandemic and the favourable policies towards the Guangdong – Hong Kong – Macau Greater Bay Area (the "**Greater Bay Area**"), OPG is also exploring investment opportunities in new economies like fintech industry and IT industry in the PRC, and in particular in the Greater Bay Area.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

On 8 September 2020, OPG and China New Economy Fund Limited (“**CNE**”) entered into a share swap agreement, pursuant to which, subject to fulfillment of the conditions precedent, both parties thereto have agreed, among others, that (i) OPG shall subscribe for, and CNE shall allot and issue to OPG, 86,000,000 new shares of CNE for a total consideration of HK\$17,200,000 and (ii) CNE shall subscribe for, and the OPG shall allot and issue to CNE, 200,000,000 new shares of the OPG for a total consideration of HK\$17,200,000. For details, please refer to the joint announcement of the Company and OPG dated 8 September 2020.

CNE, a well-established investment company listed on the Stock Exchange (stock code: 80), has invested globally in both private and publicly listed enterprises and has an established network of identifying private equity projects. OPG is currently under discussion and negotiation with CNE on establishing a strategic partnership with CNE for investment in CNE’s pipeline projects and future projects, which are targeted to be mainly in fintech and IT sectors in the PRC, this may bring synergy and business opportunities to supplement and expand the existing business of OPG. By leveraging on business network of CNE, OPG may also be able to access to exclusive business opportunities in certain early stage projects which may be payment related.

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



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUED 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\$45 million, of which approximately HK\$15 million was attributed to the internet micro-credit business; approximately HK\$6 million was attributed to the prepaid cards and internet payment business; approximately HK\$8 million was attributed to the merchant acquiring business in Thailand; and approximately HK\$16 million was attributed to the prestige benefits business respectively.

The Group's revenue for the Review Period was approximately HK\$45 million, representing a decrease of approximately 66% 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.

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$17 million, representing a decrease of approximately 78% as compared with that recorded in the Corresponding Period. The cost of services rendered decreased in line with the decrease in revenue.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUED AND DISCONTINUED OPERATIONS) *(Continued)*

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$60 million, representing a decrease of approximately 37% 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\$6 million, representing an increase of approximately 44% from that in the Corresponding Period. The increase in selling and distribution costs was mainly to the increase in amortisation cost which offset by the decrease in the transaction volume.

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$16 million, representing a decrease of approximately 7% from that in the Corresponding Period. The increase was primarily attributable to a decrease in interests on bonds payable.

Loss for the Review Period

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$38 million. Basic loss per share was approximately 2.30 HK cents as compared with approximately 2.67 HK cents recorded in the Corresponding Period.

Liquidity and Financial Resources

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

Disposal of a subsidiary

On 13 March 2020, the Group entered into the sales and purchase agreement (as amended, supplemented or modified by the supplemental agreement dated 8 May 2020) to dispose of 75% of the equity interests in Keen Best Investments Limited (“**Keen Best**”), at a consideration of HK\$225,000,000 to an independent third party and a connected party. The principal activity of Keen Best is engaged in internet microcredit business in the PRC. Keen Best became an associate of the Group upon the completion of disposal transaction on 29 September 2020.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUED AND DISCONTINUED OPERATIONS) *(Continued)*

On 30 September 2020, the Group's other long-term borrowings amounted to approximately Baht25,500,000 (equivalent to approximately HK\$6,545,000) (31 March 2020: approximately Baht25,500,000 (equivalent to approximately HK\$6,335,000)) due to a non-controlling shareholder, represented the issued and paid up preference share capital of Oriental City Group (Thailand) Company Limited ("**OCG Thailand**"), which carries cumulative dividend at 9.5% per annum (31 March 2020: 9.5% per annum) and such dividend was recorded as finance costs.

The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, at 30 September 2020 and 31 March 2020 were approximately 30.9% and 29.7% respectively.

As at 30 September 2020, the Group had net current liabilities of approximately HK\$113.63 million (31 March 2020: HK\$42.56 million). The current ratio as at 30 September 2020 was 0.85 (31 March 2020: 0.95). The cash and cash equivalents of the Group as at 30 September 2020 were approximately HK\$190.86 million (31 March 2020: approximately HK\$197.50 million).



FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with the majority of business transactions denominated and settled in Hong Kong dollars (“**HK\$**”), Renminbi (“**RMB**”) and Baht, which are the functional currencies of the relevant subsidiaries. The Group’s trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars (“**US\$**”). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 30 September 2020, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$550,000 (equivalent to approximately HK\$430,000) (31 March 2020: US\$600,000 (equivalent to approximately HK\$4,700,000)). The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 September 2020.

EMPLOYEES AND REMUNERATION POLICY

At at 30 September 2020, the Group had a total staff of 242 (31 March 2020: 284) of whom 19 (31 March 2020: 25) were based in Hong Kong, 206 (31 March 2020: 240) were based in the PRC, 17 (31 March 2020: 18) were based in Thailand, 1 (31 March 2020: 1) was based in Singapore. For the Review Period, the total staff costs, including key management’s remuneration, amounted to approximately HK\$23,710,000 (30 September 2019: approximately HK\$49,455,000). The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

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

SEGMENT INFORMATION

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



CHARGES ON ASSETS

Saved as disclosed in this report, as at 30 September 2020, the Group did not have any charges on assets.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any significant contingent liabilities.

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

As at 30 September 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:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Lin Xiaofeng ("Mr. Lin")	Beneficial owner (Note)	11,000,000	0.67%

Notes:

These Shares represent the share options granted to Mr. Lin pursuant to the Company's share option scheme. Accordingly pursuant to Part XV of the SFO, he is taken to be interested in the underlying Shares that he is 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)*

Associated corporations

Save as disclosed above, as at 30 September 2020, so far as is known to any of the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to 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 30 September 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	Number of Shares	Percentage of shareholding
Mr. Zhang Chang ("Mr. Zhang")	Interest in a controlled corporation (Note 1)	170,000,000	10.34%
	Beneficial owner (Note 1)	93,090,000	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%
Mr. Yan Dinggui ("Mr. Yan")	Interest in a controlled corporation (Note 3)	92,369,430	5.62%
上海嘉銀金融服務有限公司 ([上海嘉銀])	Interest in a controlled corporation (Note 3)	92,369,430	5.62%
上海嘉凝信息技術有限公司 ([上海嘉凝])	Interest in a controlled corporation (Note 3)	92,369,430	5.62%
Jiayin Asia Limited ("Jiayin")	Interest in a controlled corporation (Note 3)	92,369,430	5.62%
Bright New Vision Inc ("BNV")	Interest in a controlled corporation (Note 3)	92,369,430	5.62%
Invech Holdings Limited ("Invech")	Beneficial owner (Note 3)	92,369,430	5.62%



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

Note:

1. Out of 263,090,000 Shares, 170,000,000 Shares were held by Sino Starlet, which in turn is wholly owned by Mr. Zhang. As Mr. Zhang is the controlling shareholder of Sino Starlet, he is deemed to be interested in these 170,000,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.
2. Information is extracted from the corporate substantial shareholder notices filed by Vered Capital on 27 July 2018. Accordingly to the notices, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang on 27 July 2018.
3. These 92,369,430 Shares were held by Invech. Invech was wholly owned by BNV which was in turn wholly owned by Jiayin. Jiayin was wholly owned by 上海嘉凝 which was in turn wholly owned by 上海嘉銀. 上海嘉銀 was held by Mr. Yan, a former executive Director, as to 75%. Accordingly, Mr. Yan, 上海嘉銀, 上海嘉凝, Jiayin and BNV were deemed to be interested in such 92,369,430 Shares held by Invech pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEME

(a) The Company

On 14 August 2009, the Company adopted a share option scheme (the “**Scheme**”) for the purpose of recognising and motivating the contribution of the eligible participant. Eligible participant of the Scheme include, without limitation, employees, Directors, shareholders of the Group.

Subject to the early termination provisions of the Scheme, the Scheme would remain valid for a period of 10 years commencing from 14 August 2009 and had expired on 13 August 2019. The terms of the Scheme remain in force for those share options which had already been granted under the Scheme and were outstanding during the Review Period.

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

Grantees	Date of grant	Exercise price (HK\$)	Closing price immediately before the date of grant	Options	Options	Options	Options	Options	
				outstanding as at 1 April 2020	granted since 1 April 2020	exercised since 1 April 2020	lapsed/forfeited since 1 April 2020	outstanding as at 30 September 2020	
Directors, chief executives and substantial shareholders									
Mr. Song	21 April 2015 (Note 1)	2.22	2.20	5,000,000	—	—	(5,000,000)	—	
Mr. Lin	21 April 2015 (Note 1)	2.22	2.22	5,000,000	—	—	(5,000,000)	—	
	1 September 2016 (Note 2)	1.68	1.68	11,000,000	—	—	—	11,000,000	
Employees and senior management									
	1 September 2016 (Note 2)	1.68	1.68	10,000,000	—	—	—	10,000,000	
				31,000,000	—	—	(10,000,000)	21,000,000	



SHARE OPTION SCHEME *(Continued)*

(a) The Company *(Continued)*

Notes:

1. The share options have a validity period of 5 years from 21 April 2015 to 20 April 2020 and have lapsed upon the expiry of the validity period.
2. One third of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 1 September 2017 to 31 August 2021, both dates inclusive.

The remaining of the share options shall be vested on the 1st day of each month over a period of three years commencing from 1 September 2018 in equal portions (1/36 each, rounded down to the nearest whole share option except the last portion to be vested) and exercisable from the respective date of vesting to 31 August 2021, both dates inclusive.

(b) Subsidiary of the Company

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

No share option has been granted since the adoption of the OPG Share Option Scheme and there was no share option outstanding as at 30 September 2020.



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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Review Period.

CORPORATE GOVERNANCE

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

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



CORPORATE GOVERNANCE *(Continued)*

During the Review Period, the Company has complied with all the code provisions of the CG Code except for the deviation from the code provision A.2.1.

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 the chairlady and the chief executive officer of the Company (the “**CEO**”) since 20 January 2020 and throughout the Review Period 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. In addition, the Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- the audit committee of the Company composes exclusively of independent non-executive Directors; and
- the independent non-executive Directors have free and direct access to the Company’s external auditors and independent professional advice when considered necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors’ securities transactions in securities of the Company. Having made specific enquiries to all Directors, the Company was not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors’ securities transactions from 1 April 2020 to 30 September 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 Shumin has been appointed as the chairman of the Audit Committee.

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

The Group’s unaudited interim results for the six months ended 30 September 2020 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board

Mr. Zhang Xi

Chairman

Hong Kong, 10 November 2020

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