



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

2022

First Quarterly Report



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*This report, for which the directors (the “**Directors**”) of China Smartpay Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*

FINANCIAL HIGHLIGHTS

- The Group's revenue and gross profit from continuing operations amounted to approximately HK\$122.99 million and HK\$21.98 million, for the three months ended 30 June 2022, which represented an increase of approximately 801% and an increase of approximately 79% respectively as compared with the Group's revenue and gross profit recorded in the corresponding period in 2021.
- The Group reported a loss from continuing operations amounted to approximately HK\$2.26 million for the three months ended 30 June 2022 as compared with that of approximately HK\$12.99 million recorded in the corresponding period in 2021. The Group reported a loss attributable to equity holders of the Company for the three months ended 30 June 2022 amounted to approximately HK\$2.16 million (2021: approximately HK\$15.79 million).
- Loss per share attributable to equity holders of the Company from continuing operations for the three months ended 30 June 2022 was approximately 0.09 HK cents (2021: approximately 0.41 HK cents).
- The Board does not recommend the payment of a dividend for the three months ended 30 June 2022 (2021: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board (the “**Board**”) of Directors is pleased to present the unaudited condensed consolidated financial results of the Group for the three months ended 30 June 2022 (the “**Review Period**”) together with the comparative figures for the corresponding period in 2021 (the “**Corresponding Period**” or “**2021**”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2022

		Unaudited Three months ended 30 June	
	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Continuing operations			
Revenue	2	122,993	13,654
Cost of services rendered		(101,010)	(1,391)
Gross profit		21,983	12,263
Other income		1,874	954
General administrative expenses		(19,169)	(20,636)
Selling and distribution costs		(3,125)	(2,241)
Finance costs	4	(4,545)	(5,037)
Share of results of associates		725	1,709
Loss before tax from continuing operations	4	(2,257)	(12,988)
Income tax expenses	5	-	-
Loss for the period from continuing operations		(2,257)	(12,988)
Discontinued operations			
Loss for the period from discontinued operations	7	-	(7,774)
Loss for the period		(2,257)	(20,762)

		Unaudited Three months ended 30 June	
	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Attributable to:			
Equity holders of the Company		(2,160)	(15,792)
Non-controlling interests		(97)	(4,970)
		(2,257)	(20,762)
From continuing and discontinued operations			
Loss per share attributable to equity holders of the Company			
Basic and diluted	8	(0.09) HK cents	(0.80) HK cents
From continuing operations			
Loss per share attributable to equity holders of the Company			
Basic and diluted		(0.09) HK cents	(0.41) HK cents
From discontinued operations			
Loss per share attributable to equity holders of the Company			
Basic and diluted	7	N/A	(0.39) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2022

	Unaudited Three months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Loss for the period	(2,257)	(20,762)
Other comprehensive (expenses) income <i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive (expenses) income of associates – exchange difference on translation	(4,286)	3,358
Exchange difference on translation of foreign subsidiaries	(9,629)	7,639
Total comprehensive expenses for the period	(16,172)	(9,756)
Total comprehensive expenses attributable to:		
Equity holders of the Company	(13,147)	(5,767)
Non-controlling interests	(3,025)	(3,998)
	(16,172)	(9,765)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 30 June 2022

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

The Company was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed first quarterly financial statements of the Company for the three months ended 30 June 2022 (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 to report 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 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)
<i>Revenue from contracts with customers within HKFRS 15</i>		
Prepaid cards and internet payment business		
Card issuing service fee income	–	3
Management fee income of prepaid cards	2,828	2,332
Merchant service fee income	120,041	11,161
Prestige benefits business		
Issuance income of prestige benefits cards	124	157
Hotel and travelling booking agency service income	–	1
	122,993	13,654

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 (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, 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 two distinctive business activities under continuing operations are provided in the PRC.

3. SEGMENT REPORTING (Continued)

Three months ended 30 June 2022 (unaudited)

	Continuing operations		
	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Consolidated HK\$'000
Segment revenue	122,869	124	122,993
Segment results	5,673	(886)	4,787
Unallocated other income			1,874
Unallocated finance costs			(4,545)
Unallocated other expenses and losses			(5,098)
Share of results of associates			725
Loss before tax			(2,257)
Income tax expenses			–
Loss for the period			(2,257)

3. SEGMENT REPORTING (Continued)

Three months ended 30 June 2021 (unaudited)

	Continuing operations		Discontinued operations	
	Prepaid cards and internet payment business <i>HK\$'000</i>	Prestige benefits business <i>HK\$'000</i>	Merchant acquiring business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	13,496	158	1,428	15,082
Segment results	(1,340)	(2,842)	(6,630)	(10,812)
Unallocated other income				1,608
Unallocated finance costs				(6,432)
Unallocated other expenses and losses				(6,433)
Share of results of associates				1,380
Loss before tax				(20,689)
Income tax expenses				(73)
Loss for the period				(20,762)

4. LOSS BEFORE TAX

Loss before tax from continuing operations is stated after charging:

	Unaudited Three months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Finance costs		
Interest on bonds payables	4,321	4,787
Finance costs on lease liabilities	224	250
	4,545	5,037
Staff costs, including key management remuneration		
Salaries, allowances and other short-term employee benefits	10,095	9,502
Contributions to defined contribution plans (<i>Note</i>)	2,738	2,375
Share-based compensation costs	2,124	253
	14,957	12,130
Other items		
Amortisation of intangible assets	17	22
Depreciation of property, plant and equipment	319	203
Depreciation of right-of-use assets	1,826	2,734
Expenses relating to short-term leases	267	230

Note: To support the PRC entities under COVID-19, from February 2020 to December 2020, the relevant PRC government authorities had given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the society security insurance.

5. TAXATION

(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 the previous year, some incurred a loss for taxation purposes, and some had no assessable profits in Hong Kong for the periods ended 30 June 2022 and 2021.

(ii) Income taxes outside Hong Kong

The Company and its subsidiaries incorporated 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 an enterprise income tax (the "**PRC Enterprise Income Tax**") of the PRC at 25% (2021: 25%), except for 開聯通支付服務有限公司 (Open Union Payment Services Limited*, "**Open Union**") and 上海靜元信息技術有限公司 (Shanghai Jingyuan Message Technology Limited*, "**Shanghai Jingyuan**") (2021: Open Union and Shanghai Jingyuan) which are subject to the PRC Enterprise Income Tax at a preferential rate of 15% (2021: 15%) for high and new technology enterprises.

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

The Group's operation in Korea is subject to Korea Corporate income tax ranged from 10% to 25% (2021: 10% to 25%).

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

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

* *English translation for identification purposes only.*

6. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 30 June 2022 (2021: Nil).

7. DISCONTINUED OPERATIONS

Merchant acquiring business

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

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

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

7. DISCONTINUED OPERATIONS (Continued)

Merchant acquiring business (Continued)

The results of the OPG Group for the Corresponding Period are analysed as follows:

	2021 HK\$'000
Revenue	1,428
Cost of services rendered	(919)
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Gross profit	509
Other income	654
General administrative expenses	(4,824)
Selling and distribution expenses	(2,316)
Finance costs	(1,395)
Share of results of an associate	(329)
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Loss before tax	(7,701)
Income tax expenses	(73)
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Loss for the period	(7,774)

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

	2021 HK cents
Loss per share for the OPG Group attributable to owners of the Company	
Basic and diluted	(0.39)

8. LOSS PER SHARE

Basic loss per share for the Review Period is calculated based on the unaudited consolidated loss for the three months ended 30 June 2022 attributable to the equity holders of the Company of approximately HK\$2,160,000 (2021: approximately HK\$15,792,000) and on the weighted average number of 2,367,618,693 ordinary shares (2021: 1,977,354,957 ordinary shares) in issue for the three months ended 30 June 2022.

Diluted loss per share is the same as basic loss per share because the effect of potential ordinary shares is anti-dilutive for the three months ended 30 June 2022 and 2021 respectively.

9.

MOVEMENT OF EQUITY

	Attributable to equity holders of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve (Remark)	Share option reserve	Accumulated losses			Total
	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 2022										
At 1 April 2022 (unaudited)	23,676	1,677,333	5,498	(56,611)	11,363	5,134	(1,519,362)	147,031	46,883	193,914
Loss for the period	-	-	-	-	-	-	(2,160)	(2,160)	(97)	(2,257)
Other comprehensive expenses:										
Items that may be reclassified subsequently to profit or loss										
Share of other comprehensive expenses of associates-exchange difference on translation	-	-	-	(4,286)	-	-	-	(4,286)	-	(4,286)
Exchange difference on translation of foreign subsidiaries	-	-	-	(6,701)	-	-	-	(6,701)	(2,928)	(9,629)
Total comprehensive expenses for the period	-	-	-	(10,987)	-	-	(2,160)	(13,147)	(3,025)	(16,172)
Transaction with owners:										
Contribution and distributions	-	-	-	-	-	2,124	-	2,124	-	2,124
Recognition of share-based compensation cost	-	-	-	-	-	2,124	-	2,124	-	2,124
At 30 June 2022 (unaudited)	23,676	1,677,333	5,498	(67,598)	11,363	7,258	(1,521,522)	136,008	43,858	179,866

MOVEMENT OF EQUITY (Continued)

	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 (Remark) HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Existing HK\$'000	Potential HK\$'000
For the three months ended 30 June 2021											
At 1 April 2021 (audited)	19,730	1,610,966	5,498	(66,146)	11,988	13,641	(1,466,233)	129,444	53,355	876	183,675
Loss for the period	—	—	—	—	—	—	(15,792)	(15,792)	(4,970)	—	(20,762)
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	—	—	—	3,368	—	—	—	3,368	—	—	3,368
Exchange difference on translation of foreign subsidiaries	—	—	—	6,667	—	—	—	6,667	972	—	7,639
Total comprehensive income (expenses) for the period	—	—	—	10,025	—	—	(15,792)	(5,767)	(3,998)	—	(9,765)
Transaction with owners:											
Contribution and distributions											
Issue of shares upon placing of shares	3,946	66,366	—	—	—	—	—	70,312	—	—	70,312
Recognition of share-based compensation cost	—	—	—	—	—	253	—	253	—	—	253
Dividends paid to non-controlling interests of non-wholly owned subsidiary	—	—	—	—	—	—	—	—	(876)	—	(876)
Transfer to statutory reserve	—	—	—	—	(1,200)	—	—	—	—	—	—
At 30 June 2021 (unaudited)	23,676	1,677,332	5,498	(56,121)	10,788	13,894	(1,480,825)	194,242	48,481	876	243,599

9. MOVEMENT OF EQUITY *(Continued)*

(Remark)

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the Group's 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 Review Period:

The Group offers a wide range of value-added and internet payment services to its customers and controls one of the only six payment service licences for nationwide prepaid cards and internet payment services in the PRC. It has always been the Group's intention to provide its users with a one-stop solution combining payment, benefits and credit services. The Group operated in a steady and compliant manner and received recognition and commendation from regulatory authorities.

As for the prepaid cards and internet payment business, the Group focuses on areas with rapid growth potentials and strives to establish partnerships with various parties to provide secure and convenient internet payment services for different financial institutions and bulk commodity trading platforms on one hand, and provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand. As one of the limited national prepaid 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 its own advantages.

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

With this cornerstone set and unwavering efforts made to recover business from the COVID-19 pandemic, the Group achieved a promising growth of approximately 810% in the total revenue for its prepaid card and internet payment business during the Review Period. The prepaid card business expanded to 15 provinces collaborating with over 1,600 merchants and 11 retail real estate developers, while the internet payment business signed 196 new merchants. Furthermore, new business opportunities such as payment services for the digital currency electronic payment are on the horizon. Nonetheless, due to the every so often COVID control measures, the prestige benefits business hinged much on social leisure activities has yet to get recovered.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (CONTINUING OPERATIONS ONLY)

Revenue

The continuing operations contributed to the total revenue of the Group for the Review Period. The total revenue of the Group for the Review Period amounted to approximately HK\$123.0 million, of which approximately HK\$122.9 million was attributed to the prepaid cards and internet payment business; and approximately HK\$0.1 million was attributed to the prestige benefits business.

The Group's revenue for the Review Period was approximately HK\$123.0 million, representing an increase of approximately 800.8% as compared with that of the Corresponding Period, which is closely related to the adjustment of the Group's business strategy. Due to the serious impact of COVID-19 pandemic on the Group's business continuously, especially the significant decline in the prestige benefits business, the Group timely adjusted its internal resources to completely support the development of prepaid cards and internet business, as well as expanding to the key and large-scale merchants. Therefore, the revenue of prepaid card and internet payment business achieved a significant increase. Since the Group expanded its prepaid card business model from signing individual merchants and companies at regional level to entering into nationwide partnership with major commercial and retirement real estate developers, which not only buttressed robust business growth but also opened up avenues for consumer-oriented payment business.

Cost of Services Rendered

Cost of services rendered amounted to approximately HK\$101.0 million, representing an increase of approximately 7,161.7% as compared with that recorded in the Corresponding Period. The cost of services rendered increased in line with the increase in revenue.

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$19.2 million, representing a decrease of approximately 7.1% from that of the Corresponding Period. The Group enhanced the control of the overall general administrative expenses under the effect of the COVID-19.

Selling and Distribution Costs

The selling and distribution costs for the Review Period amounted to approximately HK\$3.1 million, representing an increase of approximately 39.4% from that incurred in the Corresponding Period. The increase was mainly due to that the Group has been exploring the prepaid cards and internet payment business as mentioned in the Business Review and Outlook section above.

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$4.5 million, representing a decrease of approximately 9.8% from that incurred in the Corresponding Period. The decrease was primarily attributable to the decrease of the principal of the bond payables.

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\$2.2 million. Basic loss per share was approximately 0.09 HK cents as compared with that of approximately 0.41 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 2022, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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. Lin Xiaofeng ("Mr. Lin")	Beneficial owner (Note 1)	8,000,000	0.33%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner (Note 2)	19,000,000	0.80%
Mr. Wu Hao ("Mr. Wu")	Beneficial owner (Note 3)	19,000,000	0.80%

Notes:

1. These Shares represent the underlying Shares under the share options granted to Mr. Lin on 23 August 2021 pursuant to the Company's share option scheme which was adopted by the Company on 13 May 2021 (the "Share Option Scheme"). Pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of such share options granted thereunder.
2. These Shares represent the underlying Shares under the share options granted to Mr. Song on 23 August 2021 pursuant to the Share Option Scheme. Pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of such share options granted thereunder.
3. These Shares represent the underlying Shares under the share options granted to Mr. Wu on 23 August 2021 pursuant to the Share Option Scheme. Pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of such share options granted thereunder.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at 30 June 2022, 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 section 352 of the SFO, to be entered in the register referred to therein 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 except for the Share Option Scheme, at no time during the Review Period was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

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

As at 30 June 2022, 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)	437,230,000	18.47%
	Beneficial owner (Note 1)	93,090,000	3.93%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner (Note 1)	437,230,000	18.47%
Vered Capital Limited ("Vered Capital")	Person having a security interest in shares (Note 2)	260,090,000	10.99%

Note:

- Out of 530,320,000 Shares, 437,230,000 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 437,230,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.
- Pursuant to the disclosure of interests notices filed by Vered Capital on 29 August 2018, on 27 July 2018, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang, respectively.

Save as disclosed above, as at 30 June 2022, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person (other than a Director or chief executive of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be 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, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Part 2 of Appendix 15 to the GEM Listing Rules (the "**CG Code**").

As part of the corporate governance practices, the Board has established a nomination committee, a remuneration committee, an audit committee, an internal control committee and a compliance committee. The Board is responsible for developing and reviewing the Group's policies and practices on corporate governance and reviewing and monitoring the training and continuous professional development of our Directors. The internal control committee is vested with the responsibility of reviewing and monitoring the training and continuous professional development of the Group's senior management while the compliance committee is responsible for developing, reviewing and monitoring the code of conduct applicable to our Directors and the Group's employees and reviewing the Company's compliance with the CG Code and the disclosure in the Company's Corporate Governance Report.

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 the securities of the Company. Having made specific enquiry to each of the Directors, the Company was not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2022 to 30 June 2022.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises Dr. Yuan Shumin, Mr. Lu Dongcheng and Mr. Wang Yiming, all of whom are independent non-executive Directors. Dr. Yuan Shumin has been appointed as the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee are (i) to review the annual report and accounts, half yearly reports and quarterly reports and 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

Zhang Xi
Chairman

Hong Kong, 12 August 2022

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