

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

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

FINANCIAL HIGHLIGHTS

- The revenue and gross profit of the Company and its subsidiaries (collectively referred to as the “**Group**”) from continuing operations amounted to approximately HK\$296.7 million (2021: approximately HK\$92.5 million) and HK\$72.8 million (2021: approximately HK\$32.5 million) for the nine months ended 31 December 2022 (the “**Review Period**”), which represented an increase of approximately 220.7% and 124.2% respectively as compared with the Group’s revenue and gross profit recorded in the corresponding period in 2021 (the “**Corresponding Period**” or “**2021**”).
- The Group reported a loss amounted to approximately HK\$2.9 million for the Review Period as compared with that of approximately HK\$58.9 million recorded in the Corresponding Period. The Group reported a loss attributable to equity holders of the Company for the Review Period amounted to approximately HK\$3.5 million (2021: approximately HK\$47.7 million).
- Loss per share for the loss attributable to equity holders of the Company for the Review Period was approximately 0.15 HK cents (2021: approximately 2.13 HK cents).
- The Board does not recommend the payment of an interim dividend for the Review Period (2021: Nil).

THIRD 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 and nine months ended 31 December 2022 together with the comparative figures for the corresponding three months and nine months in 2021 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2022

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Continuing operations					
Revenue	2	119,945	63,090	296,748	92,528
Cost of services rendered		(88,563)	(46,901)	(223,946)	(60,060)
Gross profit		31,382	16,189	72,802	32,468
Other income		759	2,323	4,187	4,477
General administrative expenses		(24,107)	(23,640)	(60,516)	(68,880)
Selling and distribution costs		(3,354)	(12,243)	(9,425)	(18,069)
Finance costs	4	(4,480)	(4,688)	(13,637)	(14,379)
Gain on disposal of equity interest in associates		—	22,737	—	22,737
Share of results of associates		1,281	5,164	3,738	7,766
Profit (Loss) before tax from continuing operations	4	1,481	5,842	(2,851)	(33,880)
Income tax expenses	5	—	—	—	(7)
Profit (Loss) for the period from continuing operations		1,481	5,842	(2,851)	(33,887)
Discontinued operations					
Loss for the period from discontinued operations	7	—	(7,576)	—	(24,996)
Profit (Loss) for the period		1,481	(1,734)	(2,851)	(58,883)

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the three months and nine months ended 31 December 2022

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Attributable to:					
Equity holders of the Company		1,064	(1,736)	(3,527)	(47,657)
Non-controlling interests		417	2	676	(11,226)
		1,481	(1,734)	(2,851)	(58,883)
From continuing and discontinued operations					
Earnings (Loss) per share attributable to equity holders of the Company					
Basic and diluted	8	0.04 HK cents	(0.07) HK cents	(0.15) HK cents	(2.13) HK cents
From continuing operations					
Earnings (Loss) per share attributable to equity holders of the Company					
Basic and diluted	8	0.04 HK cents	0.03 HK cents	(0.15) HK cents	(1.77) HK cents
From discontinued operations					
Loss per share attributable to equity holders of the Company					
Basic and diluted		N/A	(0.10) HK cents	N/A	(0.36) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2022

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>
Profit (Loss) for the period	1,481	(1,734)	(2,851)	(58,883)
Other comprehensive income (expenses)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Share of other comprehensive income of associates – exchange difference on translation	7,101	3,773	(13,936)	13,936
Exchange difference on translation of foreign subsidiaries	28,349	8,558	(14,971)	8,355
Total comprehensive income (expenses) for the period	36,931	10,597	(31,758)	(36,592)
Attributable to:				
Equity holders of the Company	35,199	9,769	(28,655)	(27,653)
Non-controlling interests	1,732	828	(3,103)	(8,939)
	36,931	10,597	(31,758)	(36,592)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 31 December 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 consolidated third quarterly financial statements of the Company for the nine months ended 31 December 2022 (the “**Third 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 Third Quarterly Financial Statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 31 March 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2022 (the “**2022 Annual Financial Statements**”).

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

Basis of preparation *(Continued)*

The Third 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 Third Quarterly Financial Statements, the Group has not early adopted the new/revised HKFRSs that have been issued but are not yet effective. 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 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>
<i>Revenue from contracts with customers within HKFRS 15</i>				
Prepaid cards and internet payment business				
Card issuing service fee income	—	47	—	52
Management fee income of prepaid cards	1,968	1,602	6,385	5,975
Merchant and technical support service fee income	117,916	60,945	289,964	85,417
Prestige benefits business				
Issuance income of prestige benefits cards	61	496	398	1,080
Hotel booking agency service income	—	—	1	4
	119,945	63,090	296,748	92,528

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 the:

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

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

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of other income, gain on disposal of equity interest in associates, 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 locations 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)

Nine months ended 31 December 2022 (Unaudited)

	Continuing operations		Consolidated HK\$'000
	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	
Segment revenue	296,349	399	296,748
Segment results	21,127	(3,479)	17,648
Unallocated other income			4,187
Unallocated finance costs			(13,637)
Unallocated other expenses and losses			(14,787)
Share of results of associates			
— Under segment	3,880	—	3,880
— Unallocated	—	—	(142)
Loss before tax			(2,851)
Income tax expenses			—
Loss for the period			(2,851)

3. SEGMENT REPORTING (Continued)

Nine months ended 31 December 2021 (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	
Segment revenue	91,444	1,084	2,717	95,245
Segment results	(17,844)	(6,413)	(7,649)	(31,906)
Unallocated other income				6,152
Unallocated finance costs				(18,948)
Unallocated other expenses and losses				(43,980)
Gain on disposal of equity interest in associates				22,737
Share of results of associates				
— Under segment	8,486	—	(624)	7,862
— Unallocated	—	—	—	(720)
Loss before tax				(58,803)
Income tax expenses				(80)
Loss for the period				(58,883)

4. PROFIT (LOSS) BEFORE TAX

Profit (Loss) before tax from continuing operations is stated after charging:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>
Finance costs				
Interest on bonds payables	4,369	4,369	13,059	13,524
Finance costs on lease liabilities	111	319	578	855
	4,480	4,688	13,637	14,379
Other items				
Amortisation of intangible assets	11	2,714	39	2,744
Depreciation of property, plant and equipment	584	165	1,428	591
Depreciation of right-of-use assets	1,618	1,870	5,227	5,859
Staff costs, including directors' emoluments and share-based compensation cost	15,471	17,131	44,430	37,875

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>	2022 HK\$'000	2021 HK\$'000 <i>(Re-presented)</i>
Continuing operations				
Current tax				
Reversal of over provision of deferred tax assets in prior year	—	—	—	7
Income tax expenses for continuing operations	—	—	—	7

5. TAXATION (Continued)

(i) **Hong Kong Profits Tax**

Hong Kong Profits Tax has not been provided as certain group entities' estimated assessable profits for the period were absorbed by unrelieved tax losses brought forward from previous year, some incurred a loss for taxation purposes and some had no assessable profits in Hong Kong for the nine months ended 31 December 2022 and 2021.

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

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

The Group's operations in the PRC are subject to an enterprise income tax of the PRC (the "**PRC Enterprise Income Tax**") at 25% (2021: 25%), except for 開聯通支付服務有限公司 (Open Union Payment Services Limited*, "**Open Union**") and 上海靜元信息科技有限公司 (Shanghai Jingyuan Message Technology Limited*, "**Shanghai Jingyuan**") (2021: Open Union and Shanghai Jingyuan), which 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 a Singapore income tax ranged at 17% (2021: 17%).

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

Dividends payable by a foreign invested enterprise in the PRC or Thailand 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 or Thailand 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 nine months ended 31 December 2022 and 2021 as the Group incurred a loss for taxation purposes from continuing operations in the respective jurisdiction.

* *English translation for identification purpose only.*

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 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 nine months ended 31 December 2021 are analysed as follows:

	2021 HK\$'000
Revenue	2,717
Cost of services rendered	(1,656)
Gross profit	1,061
Other income	1,675
General administrative expenses	(16,504)
Selling and distribution costs	(5,962)
Finance costs	(4,569)
Share of results of an associate	(624)
Loss before tax	(24,923)
Income tax expenses	(73)
Loss for the period	(24,996)

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

	2021 HK\$ cents
Loss per share for the OPG Group attributable to owners of the Company	
Basic and diluted	(0.36)

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share of the Company is as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Profit (Loss) for the period attributable to equity holders of the Company	1,064	(1,736)	(3,527)	(47,657)

	Three months ended 31 December		Nine months ended 31 December	
	2022 Number of Shares	2021 Number of Shares	2022 Number of Shares	2021 Number of Shares
Weighted average number of ordinary shares	2,367,618,693	2,367,618,693	2,367,618,693	2,238,476,875

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as the effect of potential ordinary shares had anti-dilutive effects for the three months and nine months ended 31 December 2022 and 2021, respectively.

9. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
For the nine months ended 31 December 2022	23,676	1,677,333	5,498	(56,611)	11,363	5,134	(1,519,362)	147,031	46,883	193,914
At 1 April 2022 (Audited)	-	-	-	-	-	-	(3,527)	(3,527)	676	(2,851)
(Loss) Profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive expenses	-	-	-	(13,936)	-	-	-	(13,936)	-	(13,936)
Items that may be reclassified subsequently to profit or loss:	-	-	-	(11,192)	-	-	-	(11,192)	(3,779)	(14,971)
Share of other comprehensive income of associates – exchange difference on translation	-	-	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign subsidiaries	-	-	-	-	-	-	-	-	-	-
Total comprehensive expenses for the period	-	-	-	(25,128)	-	-	(3,527)	(28,655)	(3,103)	(31,758)
Transaction with owners:	-	-	-	-	-	-	-	-	-	-
Contribution and distributions	-	-	-	-	-	4,833	-	4,833	-	4,833
Recognition of share-based compensation cost	-	-	-	-	-	-	-	-	-	-
At 31 December 2022 (Unaudited)	23,676	1,677,333	5,498	(81,739)	11,363	9,967	(1,522,869)	123,209	43,780	166,989

9. MOVEMENT OF EQUITY (Continued)

	Attributable to equity holders of the Company						Non-controlling interests				
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Existing HK\$'000	Potential HK\$'000	equity HK\$'000
For the nine months ended 31 December 2021											
At 1 April 2021 (Audited)	19,730	1,610,966	5,498	(66,146)	11,988	13,641	(1,469,233)	129,444	53,355	876	183,675
Loss for the period	—	—	—	—	—	—	(47,657)	(47,657)	(11,226)	—	(58,883)
Other comprehensive income (expenses):											
Items that may be reclassified subsequently to profit or loss:											
Share of other comprehensive income of associates – exchange difference on translation	—	—	—	13,936	—	—	—	13,936	—	—	13,936
Exchange difference on translation of foreign subsidiaries	—	—	—	6,088	—	—	—	6,088	2,287	—	8,355
Total comprehensive expenses for the period	—	—	—	20,004	—	—	(47,657)	(27,653)	(8,939)	—	(36,592)
Transaction with owners:											
Contribution and distributions											
Issue of shares upon placing shares	3,946	66,367	—	—	—	—	—	70,313	—	—	70,313
Recognition of share-based compensation cost	—	—	—	—	—	3,109	—	3,109	—	—	3,109
Lapse of share options	—	—	—	—	—	(13,641)	13,641	—	—	—	—
Dividends paid to non-controlling interests of non-wholly owned subsidiary	—	—	—	—	—	—	—	—	(1,502)	—	(1,502)
	3,946	66,367	—	—	—	(10,532)	13,641	73,422	(1,502)	—	71,920
At 31 December 2021 (Unaudited)	23,676	1,677,333	5,498	(46,142)	11,988	3,109	(1,500,249)	175,213	42,914	876	219,003

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has 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 capitalising on its own advantages.

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

With this cornerstone set and unwavering efforts made to recover business from the COVID-19 pandemic, the Group achieved a promising growth of approximately 224% in the total revenue for its prepaid cards and internet payment business during the Review Period. The prepaid cards business expanded to 15 provinces collaborating with over 1,600 merchants and 11 retail real estate developers, while the internet payment business signed 196 new merchants. Furthermore, new business opportunities such as payment services for the digital currency electronic payment are on the horizon. Nonetheless, due to the every so often COVID control measures, the prestige benefits business hinged much on social leisure activities which have 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\$296.7 million (2021: approximately HK\$92.5 million), of which approximately HK\$296.3 million (2021: approximately HK\$91.4 million) was attributed to the prepaid cards and internet payment business; and approximately HK\$0.4 million (2021: approximately HK\$1.1 million) was attributed to the prestige benefits business.

The Group's revenue for the Review Period was approximately HK\$296.7 million, representing an increase of approximately 220.7% 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\$223.9 million (2021: approximately HK\$60.1 million), representing an increase of approximately 272.5% as compared with that recorded in the Corresponding Period. The significant increase in cost of services rendered was in line with the increase in revenue.

General Administrative Expenses

The general administrative expenses of the Group for the Review Period were approximately HK\$60.5 million (2021: approximately HK\$68.9 million), representing a decrease of approximately 12.1% from that of the Corresponding Period. The decrease in general administrative expenses was mainly due to the management adopted stringent cost control measures in the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

Selling and Distribution Costs

The selling and distribution costs for the Review Period amounted to approximately HK\$9.4 million (2021: approximately HK\$18.1 million), representing a decrease of approximately 47.8% from that in the Corresponding Period. The decrease in selling and distribution costs was mainly due to the management adopted stringent cost control measures in the Review Period.

Finance Costs

The finance costs for the Review Period amounted to approximately HK\$13.6 million (2021: approximately HK\$14.4 million), representing a decrease of approximately 5.2% from that in the Corresponding Period. The decrease was primarily attributable to the decrease of the principal of the bond payables in the Review Period.

Loss for the Review Period

During the Review Period, the Group reported a net loss for continuing operations of approximately HK\$2.9 million (2021: approximately HK\$33.9 million). The significant reduction of net loss was mainly due to the combined effect of (i) the adoption of stringent cost control measures, operation costs decreased compared with the same period last year; and (ii) the significant growth of the prepaid cards and internet payment business as well as the significant improvement of the Group's profitability during the Review Period.

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$3.5 million (2021: approximately HK\$47.7 million). Basic loss per share was approximately 0.15 HK cents as compared with approximately 1.77 HK cents recorded in the Corresponding Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions 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 (Chapter 571 of the Laws of Hong Kong) (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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

(a) Long positions in ordinary shares (the "Shares") of HK\$0.01 each of the Company and underlying Shares in equity derivatives

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Lin Xiaofeng ("Mr. Lin")	Beneficial owner <i>(Note 1)</i>	8,000,000	0.33%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner <i>(Note 2)</i>	19,000,000	0.80%
Mr. Wu Hao ("Mr. Wu")	Beneficial owner <i>(Note 3)</i>	19,000,000	0.80%

Notes:

- 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.
- 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.
- These Shares represent the underlying Shares under the share options granted to Mr. Wu on 23 August 2021 pursuant to the Share Option Scheme. Pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of such share options granted thereunder.

Save as disclosed above, as at 31 December 2022, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein or were required, pursuant to Rule 5.46 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

As at 31 December 2022, so far as is known to the Directors, the following substantial shareholders or other persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be notified to the Company and the Stock Exchange 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:

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Zhang Chang ("Mr. Zhang")	Interest in a controlled corporation (Note 1)	437,230,000	18.47%
	Beneficial owner (Note 1)	93,090,000	3.93%
Sino Starlet Limited ("Sino Starlet")	Beneficial owner (Note 1)	437,230,000	18.47%
Vered Capital Limited ("Vered Capital")	Person having a security interest in Shares (Note 2)	260,090,000	10.99%

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

Note:

1. Out of 530,320,000 Shares, 437,230,000 Shares were held by Sino Starlet, which was in turn wholly owned by Mr. Zhang. Accordingly, Mr. Zhang is deemed to be interested in these 437,230,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.
2. Pursuant to the disclosure of interests notices filed by Vered Capital on 29 August 2018, on 27 July 2018, Vered Capital acquired the security interests of 170,000,000 Shares and 90,090,000 Shares respectively.

Save as disclosed above, as at 31 December 2022, there was no any substantial shareholder or other 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 notified to the Company and the Stock Exchange 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.

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 or has or may have any conflicts of interest 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 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, interim and quarterly 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. 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 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 CG Code and the disclosure in the Company’s Corporate Governance Report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors’ securities transactions in securities of the Company. Having made specific enquiries to all Directors, the Company was not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors’ securities transactions from 1 April 2022 to 31 December 2022.

AUDIT COMMITTEE

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

The primary responsibilities of the Audit Committee are (i) to review the annual report and accounts, half yearly reports and quarterly reports and to provide advice and 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 quarterly results for the nine months ended 31 December 2022 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board

Zhang Xi

Chairman

Hong Kong, 13 February 2023

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