China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)

Third Quarterly Report
2016

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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 the 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 amounted to approximately HK$346.49 million for the nine months ended 31 December 2016. The Group's gross profit amounted to approximately HK$147.47 million, which represented an increase of approximately 33% as compared with the Group's gross profit recorded in the corresponding period in 2015.

- The Group reported a loss amounted to approximately HK$176.33 million for the nine months ended 31 December 2016 as compared with that of approximately HK$108.22 million recorded in the corresponding period in 2015. The Group reported a loss attributable to equity holders of the Company for the nine months ended 31 December 2016 amounted to approximately HK$176.13 million (2015: approximately HK$112.71 million).

- For the three months ended 31 December 2016, the Group reported a loss amounted to approximately HK$102.96 million as compared with a loss of approximately HK$28.20 million for the three months ended 31 December 2015. The Group reported a loss attributable to equity holders of the Company for the three months ended 31 December 2016 amounted to approximately HK$101.49 million (2015: HK$28.14 million).

- The Group recognized share-based compensation cost, convertible bonds interest expenses, fair value loss on contingent consideration, fair value loss on derivative financial instruments and fair value loss on financial assets at fair value through profit or loss amounted to approximately HK$42.81 million, HK$4.40 million, HK$22.23 million, HK$4.47 million and HK$68.58 million for the nine months ended 31 December 2016 respectively (nine months ended 31 December 2015: approximately HK$48.95 million, HK$5.31 million, HK$47.89 million, Nil and Nil respectively). Without the recognition of above-mentioned expenses, the Group reported a loss of approximately HK$33.84 million for the nine months ended 31 December 2016 (2015: approximately HK$6.07 million).

- Losses per share for the loss attributable to equity holders of the Company for the nine months ended 31 December 2016 was approximately 12.23 HK cents (2015: 9.41 HK cents).

- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016 (2015: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2016

		Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	Note	**2016** *HK$'000*	2015 *HK$'000*	**2016** *HK$'000*	2015 *HK$'000*
Revenue	2	**122,068**	196,035	**346,487**	419,561
Cost of services rendered and cost of goods sold		**(80,034)**	(139,104)	**(199,021)**	(308,478)
Gross profit		**42,034**	56,931	**147,466**	111,083
Other income		**888**	841	**4,266**	2,897
General administrative expenses		**(57,846)**	(46,557)	**(162,823)**	(131,840)
Selling and distribution costs		**(23,493)**	(11,549)	**(45,348)**	(27,616)
Finance costs	4	**(12,372)**	(471)	**(19,860)**	(10,414)
Fair value loss on contingent consideration – consideration shares		**(11,259)**	(27,907)	**(22,226)**	(47,893)
Fair value gain (loss) on derivative financial instruments	9	**7,641**	–	**(4,465)**	–
Fair value loss on financial assets at fair value through profit or loss		**(48,260)**	–	**(68,580)**	–
Gain on disposal of equity interest in an associate		**–**	192	**–**	192
Share of results of associates		**393**	1,105	**(637)**	99
Share of results of joint ventures		**126**	231	**139**	209

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the three months and nine months ended 31 December 2016

		Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2016	2015	**2016**	2015
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before tax	4	**(102,148)**	(27,184)	**(172,068)**	(103,283)
Income tax expenses	5	**(814)**	(1,017)	**(4,265)**	(4,940)
Loss for the period		**(102,962)**	(28,201)	**(176,333)**	(108,223)
Attributable to:					
Equity holders of the Company		**(101,492)**	(28,143)	**(176,133)**	(112,712)
Non-controlling interests		**(1,470)**	(58)	**(200)**	4,489
		(102,962)	(28,201)	**(176,333)**	(108,223)
Losses per share for loss attributable to equity holders of the Company					
Basic and diluted	7	**(7.07) HK cents**	(2.22) HK cents	**(12.23) HK cents**	(9.41) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2016

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period	**(102,962)**	(28,201)	**(176,333)**	(108,223)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of associates – exchange difference on translation	**(2,863)**	–	**(5,360)**	–
Share of other comprehensive loss of joint ventures – exchange difference on translation	**(418)**	–	**(779)**	–
Exchange difference on translation of foreign subsidiaries	**(30,496)**	(16,803)	**(55,840)**	(43,343)
Total comprehensive loss for the period	**(136,739)**	(45,004)	**(238,312)**	(151,566)
Attributable to:				
Equity holders of the Company	**(134,295)**	(45,058)	**(236,246)**	(154,477)
Non-controlling interests	**(2,444)**	54	**(2,066)**	2,911
	(136,739)	(45,004)	**(238,312)**	(151,566)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the nine months ended 31 December 2016

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 the GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed third quarterly financial statements of the Company for the nine months ended 31 December 2016 (the "Third Quarterly Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 financial performance of the Group since 31 March 2016, 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 ("HKICPA"). They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2016 (the "2015/2016 Annual Financial Statements").

The Third Quarterly Financial Statements have been prepared on the historical costs basis except for certain financial instruments which were stated at fair value.

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the 2015/2016 Annual Financial Statements, except for the adoption of the accounting policy for convertible bonds and derivative financial instruments as follows.

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

Basis of preparation *(continued)*

Convertible bonds

(a) *Convertible bonds that contain an equity component*

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transactions costs that related to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in a separate reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the amount previously recognised in equity, together with the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

If the convertible bonds are redeemed, any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss and the amount previously recognised in equity is released directly to accumulated profits or losses.

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

Basis of preparation *(continued)*

Convertible bonds *(continued)*

(b) *Other convertible bonds*

Convertible bonds that do not contain an equity component are accounted for as follows:

At initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently re-measured in accordance with the accounting policies applicable to "Derivative financial instruments" set out below. The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method.

If the convertible bonds are converted, the carrying amounts of the derivative and the liability components, at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

If the convertible bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

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

Adoption of new/revised HKFRSs

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 the current period and prior periods. A summary of the adoption of the new/revised HKFRSs that are relevant to the Group and effective for the current period is set out below.

Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

The adoption of the amendments did not have any significant impact on the Third Quarterly Financial Statements, except for the presentation of the share of other comprehensive income of associates and joint ventures on the condensed consolidated income statement.

Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The adoption of the amendments did not have any significant impact on the Third Quarterly Financial Statements.

Amendments to HKAS 27 (2011): Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The adoption of the amendments did not have any significant impact on the Third Quarterly Financial Statements.

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

Adoption of new/revised HKFRSs *(continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011): Investment Entities – Applying the Consolidation Exception

The amendments:

(1) introduce relief to permit a non-investment entity investor, that has an interest in an associate or joint venture that is an investment entity, to retain the fair value through profit or loss measurement applied by the associate or joint venture to its interests in its subsidiaries.

(2) amend HKAS 28 (2011) and HKFRS 10 respectively so that the exemption from applying the equity method and preparing consolidated financial statements as set out in paragraph 17 of HKAS 28 (2011) and paragraph 4(a) of HKFRS 10 is available to an entity that is a subsidiary of an investment entity which measures all of its subsidiaries at fair value through profit or loss in accordance with HKFRS 10.

(3) amend HKFRS 10 to clarify that only subsidiaries of an investment entity that are not themselves an investment entity and whose main purpose and activities are providing services that relate to the investment entity's investment activities are consolidated by the investment entity.

(4) amend HKFRS 12 to clarify that the relevant disclosure requirements therein apply to an investment entity.

The adoption of the amendments did not have any significant impact on the Third Quarterly Financial Statements.

Amendments to HKFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in HKFRS 3, shall apply all of the principles on business combinations accounting in HKFRS 3 and other HKFRSs except for those principles that conflict with the guidance in HKFRS 11. In addition, the acquirer shall disclose the information required by HKFRS 3 and other HKFRSs in relation to business combinations.

The adoption of the amendments did not have any significant impact on the Third Quarterly Financial Statements.

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

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project – 2012-2014 Cycle

1) *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal*

   These amendments clarify the accounting for a change in an entity's disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa). Such a reclassification shall not be treated as a change to a plan of sale (or distribution to owners) and accounted for as such. Consequently, such a change in classification is considered as a continuation of the original plan of disposal and the entity will not follow the accounting for a change to the plan. Besides, to address the lack of guidance in circumstances when an asset no longer meets the criteria for held for distribution to owners, the amendments clarify that an entity should cease to apply held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when the asset no longer meets the held-for-sale criteria.

   The adoption of the amendments did not have any significant impact on the Third Quarterly Financial Statements.

2) *HKFRS 7 Financial Instruments: Disclosures*

   a) Servicing contracts

      These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognized in their entirety.

   b) Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements

      These amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

      The adoption of the amendments did not have any significant impact on the Third Quarterly Financial Statements.

3) *HKAS 19 Employee Benefits: Discount Rate – Regional Market Issue*

   The amendment clarifies that the depth of the market for high quality corporate bonds used to determine the discount rate for post-employment benefit obligations should be assessed at a currency level and not at country level.

   The adoption of the amendment did not have any significant impact on the Third Quarterly Financial Statements.

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

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project – 2012-2014 Cycle *(continued)*

4) *HKAS 34 Interim Financial Reporting: Disclosure of Information "elsewhere in the interim financial report"*

The amendment clarifies the meaning of disclosures of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

5) *HKFRS 7 Financial Instruments: Disclosures*

a) Servicing contracts

These amendments add application guidance in HKFRS 7 to clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognized in their entirety. For example, if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; or if a fixed service fee would not be paid in full because of non-performance of the transferred financial asset, these may constitute continuing involvements for the above disclosure requirements. The assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.

b) Applicability of the amendments to HKFRS 7 concerning offsetting to condensed interim financial statements

The Standard is amended to clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods. However, HKAS 34 generally requires the disclosure of information in condensed interim financial statements when its omission would make the condensed interim financial statements misleading.

These amendments do not have an impact on the Third Quarterly Financial Statements.

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

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project – 2012-2014 Cycle *(continued)*

6) *HKAS 19 Employee Benefits: Discount rate: regional market issue*
These amendments clarify that the depth of the market for high quality corporate bonds used to determine the discount rate for post-employment benefit obligations should be assessed at a currency level and not at country level. These amendments do not have an impact on the Third Quarterly Financial Statements.

7) *HKAS 34 Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report"*
These amendments clarify the meaning of disclosure of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosure of these information shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms and at the same time. These amendments do not have significant impact on the Third Quarterly Financial Statements.

The Group has not early adopted these new/revised HKFRSs that are not yet effective for the current period. The Directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Third Quarterly Financial Statements.

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepaid cards and internet payment business				
Cards issuing service fee income	**415**	117	**747**	2,005
Management fee income for prepaid cards	**12,308**	30,406	**58,828**	46,355
Merchant service fee income	**20,200**	2,056	**32,670**	7,040
Interest income from accumulated unutilised float funds	**1,926**	4,816	**8,023**	18,783
Software development income	**3,361**	–	**5,343**	–
Sales and services fee income of point of sales machine	**890**	997	**2,804**	997
Prestige benefits business				
Issuance of prestige benefits cards	**29,965**	35,965	**80,409**	53,803
Hotel booking agency service income	**6,294**	–	**16,565**	–
E-commerce and trade financing business				
Sales of goods	**23,593**	100,785	**66,290**	218,495
Loan interest income	**1,532**	–	**3,419**	–
Card acceptance business				
Card acceptance transaction fee income	**16,003**	16,047	**54,347**	54,926
Foreign exchange rate discount income	**5,581**	4,846	**17,042**	17,157
	122,068	196,035	**346,487**	419,561

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) e-commerce and trade financing business among Hong Kong and the PRC;

(iv) card acceptance business in Thailand; and

(v) securities investment business in Hong Kong.

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

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

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided, 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 five distinctive business activities are provided in three different locations.

3. SEGMENT REPORTING *(continued)*

Nine months ended 31 December 2016 (unaudited):

	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	E-commerce and trade financing business *HK$'000*	Card acceptance business *HK$'000*	Securities investment business *HK$'000*	Consolidated *HK$'000*
Segment revenue	**108,415**	**96,974**	**69,709**	**71,389**	**–**	**346,487**
Segment results	**8,845**	**7,928**	**(13,777)**	**6,905**	**(68,645)**	**(58,744)**
Unallocated other income						**4,266**
Unallocated finance costs						**(19,822)**
Unallocated other expenses						**(70,579)**
Fair value loss on contingent consideration – consideration shares						**(22,226)**
Fair value loss on derivative financial instruments						**(4,465)**
Share of results of associates						**(637)**
Share of results of joint ventures						**139**
Loss before tax						**(172,068)**
Income tax expenses						**(4,265)**
Loss for the period						**(176,333)**

3. SEGMENT REPORTING *(continued)*

Nine months ended 31 December 2015 (unaudited):

	Prepaid cards and internet payment business *HK$'000*	Prestige benefits business *HK$'000*	E-commerce and trade financing business *HK$'000*	Card acceptance business *HK$'000*	Securities investment business *HK$'000*	Consolidated *HK$'000*
Segment revenue	75,180	53,803	218,495	72,083	–	419,561
Segment results	28,093	12,781	(6,240)	11,507	–	46,141
Unallocated other income						2,897
Unallocated finance costs						(10,414)
Unallocated other expenses						(94,514)
Fair value loss on contingent consideration – consideration shares						(47,893)
Gain on disposal of equity interest in an associate						192
Share of results of associates						99
Share of results of joint ventures						209
Loss before tax						(103,283)
Income tax expenses						(4,940)
Loss for the period						(108,223)

4. LOSS BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
This is stated after charging:				
Finance costs				
Effective interest on convertible bonds *(Note 9)*	**2,879**	–	**4,398**	5,315
Finance costs on other long-term liabilities	**40**	16	**121**	33
Interest on bonds	**9,104**	–	**14,500**	–
Interest on other borrowings	**349**	330	**841**	4,849
Other finance costs	**–**	125	**–**	217
	12,372	471	**19,860**	10,414
Other items				
Amortisation of intangible assets (included in "General administrative expenses")	**372**	85	**2,193**	264
Cost of goods sold	**24,658**	117,522	**66,449**	244,430
Depreciation of property, plant and equipment	**1,942**	1,571	**4,707**	4,563
Operating lease charges on premises	**2,492**	3,709	**8,520**	8,230
Staff costs, including directors' emoluments and share-based compensation cost	**38,025**	43,994	**100,122**	98,384
Written-off of intangible assets	**–**	–	**1,583**	–

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
PRC Enterprise Income Tax	**1,245**	83	**2,675**	1,836
Over provision in prior periods				
– PRC Enterprise Income Tax	**(1,679)**	–	**(1,679)**	–
Thailand Enterprise Income Tax	**392**	493	**1,490**	2,354
Withholding tax on dividend declared by a now-wholly owned subsidiary	**–**	741	**–**	741
	(42)	1,317	**2,486**	4,931
Deferred tax				
Origination and reversal of temporary difference	**1,043**	–	**1,779**	–
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**(187)**	(300)	**–**	9
	856	(300)	**1,779**	9
Income tax expenses for the period	**814**	1,017	**4,265**	4,940

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in or derived from Hong Kong for the period ended 31 December 2016 and 2015.

5. **TAXATION** *(continued)*

(ii) Income taxes outside Hong Kong

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

The Group's operations in the PRC are subject to enterprise income tax of the PRC ("PRC Enterprise Income Tax") at 25%, except for Open Union Payment Services Limited ("Open Union", English translation of 開聯通支付服務有限公司 for identification purpose only), which is subject to PRC Enterprise Income Tax at a preferential rate of 15% for high and new technology enterprises.

The Group's operation in Thailand is subject to Thailand income tax at 20% (2015: 20%).

The Group's operation in Singapore is subject to Singapore income tax at 17% (2015: 17%).

The Group's operation in Korea is subject to Korea corporation tax ranged from 10% to 22% (2015: Nil).

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.

6. **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016 (2015: Nil).

7. **LOSSES PER SHARE**

Basic losses per share for the three months and nine months ended 31 December 2016 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK$101,492,000 and approximately HK$176,133,000 respectively, (2015: HK$28,143,000 and HK$112,712,000 respectively) and on the weighted average number of approximately 1,436,049,000 and 1,440,091,000 ordinary shares (2015: approximately 1,268,427,000 and 1,197,709,000 ordinary shares) in issue respectively.

Diluted losses per share is the same as basic losses per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and nine months ended 31 December 2016 and 2015.

8. MOVEMENTS OF EQUITY

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'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 2016											
At 1 April 2016 (audited)	14,526	1,315,828	6,996	(27,379)	(37,963)	2,545	130,417	(37,709)	1,367,261	22,513	1,389,774
Loss for the period	–	–	–	–	–	–	–	(176,133)	(176,133)	(200)	(176,333)
Total other comprehensive loss:											
Items that may be reclassified subsequent to profit or loss:											
Share of other comprehensive loss of associates – exchange difference on translation	–	–	–	–	(5,360)	–	–	–	(5,360)	–	(5,360)
Share of other comprehensive loss of joint ventures – exchange difference on translation	–	–	–	–	(779)	–	–	–	(779)	–	(779)
Exchange difference on translation of foreign subsidiaries	–	–	–	–	(53,974)	–	–	–	(53,974)	(1,866)	(55,840)
Total comprehensive loss for the period	–	–	–	–	(60,113)	–	–	(176,133)	(236,246)	(2,066)	(238,312)
Transaction with owners:											
Contribution and distributions											
Recognition of share-based compensation cost	–	–	–	–	–	–	42,814	–	42,814	–	42,814
Additional shares issuance expenses	–	(492)	–	–	–	–	–	–	(492)	–	(492)
Transfer to statutory reserve	–	–	–	–	–	3,509	–	(3,509)	–	–	–
Cancellation of repurchased shares *<Remark>*	(166)	(27,213)	–	27,379	–	–	–	–	–	–	–
	(166)	(27,705)	–	27,379	–	3,509	42,814	(3,509)	42,322	–	42,322
Changes in ownership interests											
Non-controlling interests arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	37,413	37,413
	–	–	–	–	–	–	–	–	–	37,413	37,413
At 31 December 2016 (unaudited)	14,360	1,288,123	6,996	–	(98,076)	6,054	173,231	(217,351)	1,173,337	57,860	1,231,197

8. MOVEMENTS OF EQUITY *(continued)*

	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	Convertible bonds 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 2015											
At 1 April 2015 (audited)	10,368	583,562	6,996	(940)	766	63,930	–	(102,284)	562,398	21,970	584,368
Loss for the period	–	–	–	–	–	–	–	(112,712)	(112,712)	4,489	(108,223)
Total other comprehensive loss:											
Items that may be reclassified subsequent to profit or loss:											
Exchange difference on translation of foreign subsidiaries	–	–	–	(41,765)	–	–	–	–	(41,765)	(1,578)	(43,343)
Total comprehensive loss for the period	–	–	–	(41,765)	–	–	–	(112,712)	(154,477)	2,911	(151,566)
Transaction with owners:											
Contribution and distributions											
Recognition of share-based compensation cost	–	–	–	–	–	48,950	–	–	48,950	–	48,950
Issue of convertible bonds	–	–	–	–	–	–	130,690	–	130,690	–	130,690
Conversion of convertible bonds upon exercise of the subscription agreements	839	156,782	–	–	–	–	(65,340)	–	92,281	–	92,281
Conversion of convertible bonds upon exercise of the placing agreements	838	157,056	–	–	–	–	(65,350)	–	92,544	–	92,544
Share issue upon the subscription in July 2015	639	136,861	–	–	–	–	–	–	137,500	–	137,500
Transfer to statutory reserve	–	–	–	–	1,519	–	–	(1,519)	–	–	–
Dividend paid to non-controlling interests of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	(6,937)	(6,937)
	2,316	450,699	–	–	1,519	48,950	–	(1,519)	501,965	(6,937)	495,028
Changes in ownership interests											
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	2,534	2,534	(3,608)	(1,074)
	–	–	–	–	–	–	–	2,534	2,534	(3,608)	(1,074)
At 31 December 2015 (unaudited)	12,684	1,034,261	6,996	(42,705)	2,285	112,880	–	(213,981)	912,420	14,336	926,756

8. MOVEMENTS OF EQUITY *(continued)*

<Remark>
On 7 June 2016, the Company cancelled a total number of 16,590,000 ordinary shares of the Company which has been repurchased on the Stock Exchange during the year ended 31 March 2016. Upon the completion of cancellation of shares, the issued shares of the Company were decreased from 1,452,639,159 shares to 1,436,049,159 shares and the registered share capital of the Company were decreased from approximately HK$14,526,000 to approximately HK$14,360,000.

9. BONDS/CONVERTIBLE BONDS

(a) In July 2016, the Company entered into the subscription agreements with three independent third parties to subscribe:

(i) bonds with coupon interest rate of 9% per annum (the "First Bonds") in the principal amount of US$32 million (equivalent to approximately HK$248 million) which will mature on the third anniversary of the issue date; and

(ii) convertible bonds with coupon interest rate of 4% per annum (the "First Convertible Bonds") in the principal amount of US$8 million (equivalent to approximately HK$62 million) which will mature on the third anniversary of the issue date. Based on the initial conversion price of HK$1.90 per share, the holder of the First Convertible Bonds could convert into maximum of 32,631,578 ordinary shares of the Company in any time on or after the date of issuance of the First Convertible Bonds up to and inclusive of the maturity date. The net price per conversion share under the First Convertible Bonds to be issued is approximately HK$1.87.

Details of the subscription of First Bonds and First Convertible Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 31 July 2016.

(b) In August 2016, the Company entered into the further subscription agreements with an independent third party to subscribe:

(i) bonds with coupon interest rate of 9% per annum (the "Second Bonds") in the principal amount of US$16 million (equivalent to approximately HK$124 million) which will mature on the third anniversary of the issue date; and

9. **BONDS/CONVERTIBLE BONDS** *(continued)*

(b) *(continued)*

(ii) convertible bonds with coupon interest rate of 4% per annum (the "Second Convertible Bonds") in the principal amount of US$4 million (equivalent to approximately HK$31 million) which will mature on the third anniversary of the issue date. Based on the initial conversion price of HK$1.90 per share, the holder of the Second Convertible Bonds could convert into a maximum of 16,315,789 ordinary shares of the Company, in any time on or after the date of issuance of the Second Convertible Bonds up to and inclusive of the maturity date. The net price per conversion share under the Second Convertible Bonds to be issued is approximately HK$1.87.

Details of the subscription of Second Bonds and Second Convertible Bonds including their major terms (including covenants, undertaking and security) are set out in the announcement of the Company dated 2 August 2016.

The Company may redeem the First Convertible Bonds and/or Second Convertible Bonds (collectively the "Convertible Bonds"), in whole but not in part, (i) on the first anniversary of the issue date of the Convertible Bonds, at a redemption price equals to 102% of the outstanding principal amount of the Convertible Bonds or (ii) on the second anniversary of the issue date of the Convertible Bonds, at a redemption price equals to 105% of the outstanding principal amount of the Convertible Bonds, in each case together with accrued and unpaid interest, default interest and costs and expenses reasonably incurred and are due and payable under the instruments of the Convertible Bonds to the redemption date.

The conversion price will be subject to the adjustment in certain circumstances. In the case of (i) offer of new shares for subscription by way of rights, or grant of options or warrants to subscribe for new shares; (ii) issuance of any securities, which are convertible into or exchangeable for or carrying rights of subscription of new shares, by the Company wholly for cash; (iii) modification of the rights of conversion or exchange or subscription attached to any of (ii); (iv) issuance of shares wholly for cash; and (v) issuance of shares by the Company for the acquisition of asset, the adjustment to the conversion price of the Convertible Bonds will take place only where the issue price or total effective consideration per share for shares to be allotted and issued by the Company upon conversion of the Convertible Bonds is less than 95% of the current market price per share.

9. BONDS/CONVERTIBLE BONDS *(continued)*

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

	Unaudited *HK$'000*
Derivative component classified as financial liabilities at fair value through profit or loss	
At the issue date	26,822
Fair value changes	4,465
At 31 December 2016	31,287
Liability component, classified as financial liability at amortised costs	
Nominal value of the Convertible Bonds issued	93,000
Derivative component	(26,822)
Transaction costs allocated	(1,237)
At the issue date	64,941
Effective interest expenses *(Note 4)*	4,398
At 31 December 2016	69,339

10. EVENTS AFTER THE REPORTING PERIOD

(i) On 5 July 2016, Shanghai Qijun Investments Limited ("Qijun Investment", English translation of 上海啟峻投資有限公司 for identification purpose only) and Shanghai Chengfu Chuangye Investment Limited ("Chengfu Investment", English translation of 上海誠富創業投資有限公司 for identification purpose), an independent third party, entered into two loan agreements (the "Previous Loan Agreements"), pursuant to which Qijun Investment agreed to grant to Chengfu Investment loans of approximately RMB31 million (equivalent to approximately HK$36 million) (the "Previous Loan A") and approximately RMB9 million (equivalent to approximately HK$10.5 million) (the "Previous Loan B") respectively, which bear an interest rate of 12.5% per annum for a term of one year from the date of drawdown.

10. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(i) *(continued)*

Prior to entering into the Previous Loan Agreements, on 15 May 2016, Chengfu Investment entered into share transfer agreements with (i) Shenzhen Changliang Technology Co., Limited ("Changliang Technology", English translation of 深圳市長亮科技股份有限公司 for identification purpose) (the "SPA One") and (ii) Shenzhen Dinghengruixiang Investment Limited (Limited Partnership) ("Dingheng Investment", English translation of 深圳市鼎恒瑞祥投資企業 (有限合夥) for identification purpose) (the "SPA Two") respectively, pursuant to which Changliang Technology and Dingheng Investment agreed to sell and Chengfu Investment agreed to acquire 31.63% and 9.25% shareholding interest in China Union Loyalty Co., Limited ("China Union Loyalty", English translation of 上海銀商資訊有限公司 for identification purpose), a service provider of single-merchant prepaid cards in the PRC, at consideration of approximately RMB155 million (equivalent to approximately HK$180 million), plus accrued interest arising from the SPA One (the "Accrued Interest A"), and approximately RMB45 million (equivalent to approximately HK$52.5 million), plus accrued interest arising from the SPA Two (the "Accrued Interest B"). After completion of the SPA One and the SPA Two, Chengfu Investment's shareholding in China Union Loyalty will increase from 8.01% to 48.89%.

On 18 August 2016, Qijun Investment and Chengfu Investment further entered into two loan agreements, pursuant to which Qijun Investment agreed to grant to Chengfu Investment further loans of approximately RMB124 million (equivalent to approximately HK$144 million) plus the Accrued Interest A (collectively the "Loan A") and approximately RMB36 million (equivalent to approximately HK$42 million) plus the Accrued Interest B (collectively the "Loan B") respectively, which bear an interest rate of 12.5% per annum for a term of one year from the date of drawdown.

Further on 18 August 2016, Qijun Investment entered into an agreement (the "Capital Injection Agreement") with Chengfu Investment and the equity holders of Chengfu Investment pursuant to which Qijun Investment shall capitalise a sum equivalent to the aggregate amount of the Previous Loan A, the Previous Loan B, the Loan A and the Loan B (collectively the "Total Loan") as equity interest in Chengfu Investment (the "Chengfu Capital Injection"). Upon the completion of the Chengfu Capital Injection, approximately RMB55 million (equivalent to approximately HK$63.5 million) will be recognised as the registered capital of Chengfu Investment and the remaining balance of the Total Loan will be recognised as the capital reserve of the Chengfu Investment. Accordingly, the Group, via Qijun Investment, will hold approximately 83.6% of the enlarged equity interests of Chengfu Investment. Chengfu Investment will become a subsidiary of the Group and China Union Loyalty will become an associate of the Group.

At 31 December 2016, approximately RMB160 million (equivalent to approximately HK$178.72 million) of the Total Loan had been paid.

Details of the above transactions are set out in the Company's announcement dated 18 August 2016 and the Company's Interim Report 2016. These transactions were not yet completed at the date of approving the Third Quarterly Financial Statements.

10. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(ii) On 11 January 2017 pursuant to the terms of the sale and purchase agreement of the Acquisition of AE Investment Consulting Limited and its subsidiaries (together the "AE Group"). Since the 2015 net profit of the AE Group exceeded the performance target, there was no adjustment made to the Second Tranche Consideration. Accordingly, the consideration shares in an aggregate of 25,116,279 Shares were allotted and issued to the vendors in accordance with the terms and conditions of the sale and purchase Agreement. The share price on 11 January 2017 was HK$1.66 per share. The shortfall between the agreed share price at HK$2.15 per share and the market price upon issuance of the consideration share would be settled by cash in accordance to the sale and purchase agreement, but not yet settled at the date of approving the Third Quarterly Financial Statements.

Details of the above transactions are set out in the Company's announcement dated 11 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group has been engaged in the following businesses during the nine months ended 31 December 2016 (the "Review Period"):

The Company aims to offer a full suite of payment-focused e-commerce services to merchants and consumers, covering prepaid card payment, electronic payment, credit card acceptance, prestige benefit programs, e-commerce and trade financing.

For prepaid cards and internet payment services business, the Company controls one of six payment service licences for nationwide prepaid cards and internet payment services in the PRC. This licence enables us to become one of the few companies that can manage and operate large-scale countrywide prepaid programs in the PRC. As disclosed in the announcement dated 12 August 2016 and in the Company's Interim Report 2016, the Group's payment service licence in the PRC has been successfully renewed to 2 May 2021. In the six months ended 30 September 2016, this segment has continued to contribute to our profit growth. The Group is also working on a number of initiatives including but not limited to payment solutions in the healthcare industry, transportation and corporate benefits distribution, which the Group believe will transform the payment business into a complete internet-based ecosystem. Moreover, as disclosed in the announcement dated 18 August 2016 and in the Company's Interim Report 2016, the Group is also in the process of finalizing an investment in China Union Loyalty Co., Ltd. (上海銀商資訊有限公司) ("China Union Loyalty"), China's largest service provider of single-merchant prepaid cards and a pioneer in virtual prepaid cards issuing and distribution services, which will give the Company access to both a vast merchant network as well as a breakthrough into the virtual prepaid card market.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business review *(continued)*

For prestige benefits business, the Company designs, sells, and manages benefits packages to banks and card issuing organisations which will in turn offer the packages to their own premium members of cardholders. There is a natural synergy between payment and benefits products businesses. Both payment and benefits products are essentially e-commerce services that help merchants to better market their goods and services, while at the same time offer consumers a more convenient and interactive consumption experience. The Company's prestige benefits products have been steadily integrated with other businesses of the Group.

For e-commerce and trade financing business, the Company has continued to focus on the provision of supply chain financing for other e-commerce trading companies. The Company is now offering lending services along the supply chain to facilitate the trading and payment process, and help upstream suppliers receive payments more efficiently. This re-adjustment of strategic focus is closely in line with the Group's long-term strategy of becoming a comprehensive internet finance platform. Moreover, the Group invested in a micro-credit company based in Chongqing, the PRC which successfully obtained the necessary government approval to operate on 18 September 2016. The Company, through this new platform in Chongqing can offer micro-credit and lending services to not only trading companies, but also small businesses and individuals in the PRC. While leveraging on the Company's small-value, high-frequency payment businesses, the Group can also provide data and statistics for credit analysis and risk management.

For card acceptance business in Thailand, transaction volume handled by the Group during the Review Period amounted to approximately THB20,000 million. The Group is currently organising a promotion campaign with King Power, one of the largest duty free stores and also one of the largest merchants of the Group in Thailand, for promoting the UnionPay brand. The Group has signed certain new merchants during the Review Period, including Show DC Corp Ltd, a new shopping mall in Bangkok, for a more in-depth development of our business in Thailand. Further, the set-up of the indirect system host connection with UnionPay International ("UPI") for our UnionPay card acceptance business in Thailand as requested by the UPI was completed in December 2016. The indirect system connection is developed to enhance the existing direct system connection established earlier with UPI.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business review *(continued)*

In the meantime, the Group continues to evaluate strategic investment into businesses in industries that are related to its core business, such as payment, technology, financing and internet finance. The Group expects such investments to not only reap monetary rewards, but also create synergy for the Group's businesses.

Business outlook

For prepaid cards and internet payment business, the Group will continue to seek major near-term breakthroughs for its electronic payment in different areas including virtual prepaid gift card, tourism, e-commerce, the healthcare industry, corporate benefits to public transportation. The Group also expects to finalize its investment in China Union Loyalty in near future. The Group is also evaluating several strategies, such as investment and/or acquisitions that can rapidly realize the Group's strategic goals.

For prestige benefits program, the Group will further integrate this business segment into other business segments of the Group and further integrate the prepaid and internet payment products, especially in tourist "payment + benefit" business in Singapore and South Korea. In the long term, the Group plans to introduce electronic benefits that can run smoothly on mobile platforms and will integrate the electronic benefits more seamlessly with its electronic payment solutions.

For e-commerce and trade financing business, the Group will further develop the financing and lending side of the e-commerce business. By launching the online microcredit business in Chongqing, the PRC, the Group will further integrate e-commerce and trade financing business with the internet finance business. The Group expects its new projects and collaborations in the lending industry will further utilize its experience in payments and e-commerce business and consolidate the Group's position as an integrated payment service and internet finance service provider.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business outlook *(continued)*

For card acceptance business in Thailand, although the Group suffered a short term impact resulting from the Thai King passed away of in October 2016, the transaction volume handled by the Group during the Review Period was maintained at approximately THB20,000 million. The Group will put more resources into the promotion and marketing campaigns in order to boost up the revenue generated from this sector. Moreover, we have been working with UPI to launch UnionPay Quickpass/contactless payment services to both domestic and visiting UnionPay cardholders as soon as practicable in early 2017, and will endeavor to further simplify the payment process for Chinese tourists in Thailand with a more comprehensive payment approach. The Group is also studying the feasibility to implement the UnionPay online payment for the Thai market, in order to further strengthen our local market leadership with diversified payment platforms by UnionPay. With the migration from traditional card acquiring/acceptance business mode to innovative financial technology business platform, the Group is currently seeking for funding as the Group expects there exists a need of a significant investments in information technology relating to transaction management system and the connection with UPI, for development of a smarter and more technically sophisticated point-of-sales ("POS") terminals for ease of payment and for building a quality team of information technology professionals.

For investment business, the Group will continue to search for financial investment opportunities in the Company's related industries or markets in order to enhance capital returns and to facilitate future growth and development of our core business segments.

The Company intends to develop all business sub-segments as integral parts of a single business model all along and will strive to create more synergy among different business units. It is the Group's aim to develop and introduce a single product that can integrate all major business lines in the future.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial review

Revenue

The e-commerce and trading financing services business, the card acceptance transaction fee income and the foreign exchange rate discount income from the card acceptance business in Thailand, the prepaid cards and internet payment business and the prestige benefits business all contributed to the growth in the total revenue of the Group for the Review Period. Total revenue of the Group for the Review Period amounted to approximately HK$346 million, of which approximately HK$70 million was attributed to the e-commerce and trading financing services business; approximately HK$108 million was attributed to the prepaid cards and internet payment business; approximately HK$71 million was attributed to the card acceptance business in Thailand; and approximately HK$97 million was attributed to the prestige benefits business respectively.

The income generated from the prepaid cards and internet payment business and prestige benefits business was driven by the increasing volume of prepaid cards and internet payment activities conducted during the Review Period. The revenue of prepaid cards and internet payment business and prestige benefits business for the Review Period amounted to approximately HK$205 million, representing 59% of total revenue of the Group.

Revenue generated from the card acceptance business was amounted to HK$71 million during the Review Period, represented a very slight decrease of approximately 1% as compared with the same record as last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial review *(continued)*

Cost of goods sold/Cost of services rendered

Total cost of goods sold and cost of services rendered for the Review Period amounted to approximately HK$199 million, representing a decrease of approximately 35% as compared with the same recorded in the corresponding period of last year. Cost of goods sold for the e-commerce and trading financing services business represent the cost for goods traded. The cost of service rendered comprised the information network cost and costs of licence fee of the card acceptance business in Thailand.

General administrative expenses

The general administrative expenses of the Group for the Review Period were approximately HK$163 million, representing an increase of approximately 23% as compared with the same recorded in the corresponding period of last year. The increase was primarily attributable to an increase in overall staff costs, including the recognition of share-based compensation cost of approximately HK$43 million and director's remuneration, as well as the operating lease charges on premises.

Selling and distribution costs

The selling and distribution costs for the Review Period amounted to approximately HK$45 million, representing an increase of approximately 64% as compared with the same recorded in the corresponding period of last year. The increase was mainly due to the higher selling and distribution costs at newly acquired subsidiaries as compared with corresponding period of last year and also the promotion campaigns for our card acceptance business in Thailand and prepaid cards and internet payment business in PRC.

Finance costs

The finance costs for the Review Period amounted to approximately HK$20 million, representing an increase of approximately 91% as compared with the same recorded in the corresponding period of last year. The increase was mainly due to the increase in interest expense on bonds.

Loss for the period

During the Review Period, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK$176 million, representing an increase of approximately 56% as compared with the same recorded in the corresponding period of last year. Basic losses per share was approximately 12.23 HK cents compared to basic losses per share of 9.41 HK cents in the corresponding period of last year.

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

As at 31 December 2016, the interests of the Directors and chief executive of the Company in the shares, underlying shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Dr. Cao Guoqi ("Dr. Cao")	Corporate – Interest of controlled corporation *(Note 1)*	62,890,000	4.38%
	Beneficial owner *(Note 2)*	21,000,000	1.46%
	Interest of spouse *(Note 3)*	1,370,000	0.10%

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

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner *(Note 2)*	2,000,000	0.14%
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner	6,460,000	0.45%
	Beneficial owner *(Note 2)*	31,000,000	2.16%
Mr. Xiong Wensen ("Mr. Xiong")	Beneficial owner *(Note 2)*	13,600,000	0.95%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner *(Note 2)*	5,000,000	0.35%
Dr. Zhou Jinhuang ("Dr. Zhou")	Beneficial owner *(Note 2)*	1,400,000	0.10%

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

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

Notes:

1. These 62,890,000 Shares were held by Probest Limited ("Probest") which in turn is wholly owned by Dr. Cao. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 62,890,000 Shares held by Probest under the SFO.

2. These Shares represent the options of shares granted to Dr. Cao, Mr. Fung, Mr. Zhang, Mr. Xiong and Mr. Song pursuant to the Company's share option scheme. Accordingly, they are deemed to be interested in these Shares under the SFO.

3. These Shares represent the options of shares granted to Dr. Cao, Mr. Fung, Mr. Zhang and Mr. Xiong pursuant to the Company's share option scheme. Accordingly, they are deemed to be interested in these Shares under the SFO.

(b) Associated corporations

Save as disclosed above, as at 31 December 2016, 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 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Review Period, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and in the share option scheme of the Company, at no time during the Review Period was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

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

As at 31 December 2016, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
LJF Payment Company Limited	Beneficial owner	184,210,000	12.83%
Tian Li Holdings Limited ("Tian Li") *(Note 1)*	Beneficial owner	174,500,000	12.15%
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation	174,500,000	12.15%

Save as disclosed above, as at 31 December 2016, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Note:

1. Tian Li is a company owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in these Shares held by Tian Li under 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 Appendix 15 to the GEM Listing Rules.

CORPORATE GOVERNANCE CODE *(continued)*

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Company 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 2016 to 31 December 2016.

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. Yuen Shunmin has been appointed as the chairman of the Audit Committee.

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

AUDIT COMMITTEE *(continued)*

The Group's unaudited quarterly results for the nine months ended 31 December 2016 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 Huaqiao
Chairman

Hong Kong, 14 February 2017

As at the date of this report, the Board of Directors of the Company comprise five executive Directors, namely Mr. Zhang Huaqiao, Dr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen and Mr. Song Xiangping and four independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.