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China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)

THIRD QUARTERLY REPORT 2017

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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$479.45 million for the nine months ended 31 December 2017. The Group's gross profit amounted to approximately HK$201.22 million, which represented an increase of approximately 36% as compared with the Group's gross profit recorded in the corresponding period in 2016.

- The Group reported a loss amounted to approximately HK$120.89 million for the nine months ended 31 December 2017 as compared with that of approximately HK$176.33 million recorded in the corresponding period in 2016. The Group reported a loss attributable to equity holders of the Company for the nine months ended 31 December 2017 amounted to approximately HK$122.30 million (2016: approximately HK$176.13 million).

- For the three months ended 31 December 2017, the Group reported a loss amounted to approximately HK$29.29 million as compared with a loss of approximately HK$102.96 million for the three months ended 31 December 2016. The Group reported a loss attributable to equity holders of the Company for the three months ended 31 December 2017 amounted to approximately HK$28.14 million (2016: HK$101.49 million).

- The Group recognised share-based compensation cost, fair value loss on contingent consideration (which resulted from acquisition of prestige benefits business), fair value loss on financial assets at fair value through profit or loss and interest expenses related to bonds and convertible bonds amounted to approximately HK$36.73 million, HK$20.59 million, HK$41.15 million and HK$35.92 million for the nine months ended 31 December 2017 respectively (nine months ended 31 December 2016: approximately HK$42.81 million, HK$22.23 million, HK$68.58 million and HK$18.90 million respectively). Except for above expenses, the Group reported a profit of approximately HK$13.50 million for the nine months ended 31 December 2017 (2016: loss of approximately HK$23.81 million).

- Loss per share for the loss attributable to equity holders of the Company for the nine months ended 31 December 2017 was approximately 7.92 HK cents (2016: 12.23 HK cents).

- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (2016: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (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 2017 together with the comparative figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2017

		Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
		2017	2016	**2017**	2016
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**175,353**	122,068	**479,447**	346,487
Cost of services rendered and cost of goods sold		**(91,939)**	(80,034)	**(278,232)**	(199,021)
Gross profit		**83,414**	42,034	**201,215**	147,466
Other income		**3,382**	888	**8,032**	4,266
General administrative expenses		**(86,602)**	(57,846)	**(199,887)**	(162,823)
Selling and distribution costs		**(13,494)**	(23,493)	**(42,233)**	(45,348)
Finance costs	*4*	**(12,031)**	(12,372)	**(36,051)**	(19,860)
Fair value loss on contingent consideration – consideration shares		**–**	(11,259)	**(20,589)**	(22,226)
Fair value (loss) gain on derivative financial instruments		**(1,875)**	7,641	**13,757**	(4,465)
Fair value loss on financial assets at fair value through profit or loss		**(508)**	(48,260)	**(41,148)**	(68,580)
Loss on disposal of subsidiaries		**–**	–	**(10)**	–
Loss on disposal of equity interest in a joint venture		**–**	–	**(78)**	–
Share of results of associates		**(4,136)**	393	**(2,746)**	(637)
Share of results of joint ventures		**(11)**	126	**120**	139

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the three months and nine months ended 31 December 2017

		Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2017	2016	**2017**	2016
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before tax	4	**(31,861)**	(102,148)	**(119,618)**	(172,068)
Income tax credit (expenses)	5	**2,575**	(814)	**(1,272)**	(4,265)
Loss for the period		**(29,286)**	(102,962)	**(120,890)**	(176,333)
Attributable to:					
Equity holders of the Company		**(28,140)**	(101,492)	**(122,302)**	(176,133)
Non-controlling interests		**(1,146)**	(1,470)	**1,412**	(200)
		(29,286)	(102,962)	**(120,890)**	(176,333)
Loss per share for loss attributable to equity holders of the Company					
Basic and diluted	7	**(1.74) HK cents**	(7.07) HK cents	**(7.92) HK cents**	(12.23) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2017

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period	**(29,286)**	(102,962)	**(120,890)**	(176,333)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Increase in fair value on available-for-sale financial assets	**5,400**	–	**31,715**	–
Share of other comprehensive income (loss) of associates – exchange difference on translation	**6,841**	(2,863)	**13,596**	(5,360)
Share of other comprehensive income (loss) of joint ventures – exchange difference on translation	**143**	(418)	**572**	(779)
Exchange difference on translation of foreign subsidiaries	**28,357**	(30,496)	**77,562**	(55,840)
Total comprehensive income (loss) for the period	**11,455**	(136,739)	**2,555**	(238,312)
Attributable to:				
Equity holders of the Company	**10,015**	(134,295)	**(4,232)**	(236,246)
Non-controlling interests	**1,440**	(2,444)	**6,787**	(2,066)
	11,455	(136,739)	**2,555**	(238,312)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

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 consolidation third quarterly financial statements of the Company for the nine months ended 31 December 2017 (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 financial performance of the Group since 31 March 2017, 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 2017 (the "**2016/2017 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 2016/2017 Annual Financial Statements.

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

Basis of preparation *(continued)*

Disposal of classified as held for sale

Disposal group is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Disposal group classified as held for sale is measured at the lower of their previous carrying amount and fair value less costs to sell.

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 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments do not have significant impact on the Third Quarterly Financial Statements.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value. These amendments do not have significant impact on the Third Quarterly Financial Statements.

Annual Improvements Project – 2014-2016 Cycle – HKFRS 12: Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5. These amendments do not have significant impact on the Third Quarterly Financial Statements.

At the date of authorisation of the Third Quarterly Financial Statements, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. The Directors are in 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 Group's consolidated financial statements.

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepaid cards and internet payment business				
Cards issuing service fee income	**170**	415	**318**	747
Management fee income for prepaid cards	**392**	12,308	**11,673**	58,828
Merchant service fee income	**41,798**	20,200	**83,803**	32,670
Interest income from accumulated unutilised float funds	**1,824**	1,926	**5,669**	8,023
Software development income	**659**	3,361	**2,523**	5,343
Sales and services fee income of point of sales machine	**530**	890	**2,994**	2,804
Prestige benefits business				
Issuance income of prestige benefits cards	**52,609**	29,965	**170,834**	80,409
Hotel booking agency service income	**16,107**	6,294	**47,781**	16,565
E-commerce and trade financing business				
Sales of goods	**1,107**	23,593	**20,279**	66,290
Loan interest income	**32,301**	1,532	**63,681**	3,419
Third party payment acquiring business				
Payment acquiring transaction fee income	**21,599**	16,003	**53,390**	54,347
Foreign exchange rate discount income	**6,257**	5,581	**15,926**	17,042
Marketing service income	**–**	–	**576**	–
	175,353	122,068	**479,447**	346,487

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) third party payment acquiring 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. 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 2017 (unaudited)

	Prepaid cards and internet payment business HK$'000	Prestige benefits business HK$'000	E-commerce and trade financing business HK$'000	Third party payment acquiring business HK$'000	Securities investment business HK$'000	Consolidated HK$'000
Segment revenue	**106,980**	**218,615**	**83,960**	**69,892**	**–**	**479,447**
Segment results	**(2,659)**	**16,035**	**5,716**	**8,182**	**(41,365)**	**(14,091)**
Unallocated other income						**8,032**
Unallocated finance costs						**(36,051)**
Unallocated other expenses						**(67,962)**
Fair value loss on contingent consideration – consideration shares						**(20,589)**
Fair value gain on derivative financial instruments						**13,757**
Loss on disposal of subsidiaries						**(10)**
Loss on disposal of equity interest in a joint venture						**(78)**
Share of results of associates						**(2,746)**
Share of results of joint ventures						**120**
Loss before tax						**(119,618)**
Income tax expenses						**(1,272)**
Loss for the period						**(120,890)**

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$'000*	Third party payment acquiring business *HK$'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)

4. LOSS BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
This is stated after charging:				
Finance costs				
Effective interest on convertible bonds	**3,038**	2,879	**9,112**	4,398
Finance costs on other long-term liabilities	**41**	40	**127**	121
Interest on bonds	**8,952**	9,104	**26,812**	14,500
Interest on interest-bearing borrowings	**–**	349	**–**	841
	12,031	12,372	**36,051**	19,860
Other items				
Amortisation of intangible assets (included in "General administrative expenses" and "Selling and distribution costs")	**4,037**	372	**10,314**	2,193
Cost of goods sold	**1,075**	24,658	**19,688**	66,449
Depreciation of property, plant and equipment	**2,683**	1,942	**7,178**	4,707
Operating lease charges on premises	**3,944**	2,492	**10,960**	8,520
Staff costs, including directors' emoluments and share-based compensation cost	**28,522**	38,025	**93,272**	100,122
Share-based compensation cost to service providers	**1,861**	4,391	**6,140**	14,069
Written-off of intangible assets	**–**	–	**–**	1,583
Written-off of property, plant and equipment	**779**	–	**779**	–

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
This is stated after charging:				
Current tax				
PRC Enterprise Income Tax	**543**	1,245	**6,815**	2,675
Over provision in prior periods				
– PRC Enterprise Income Tax	**(255)**	(1,679)	**(2,118)**	(1,679)
Thailand Enterprise Income Tax	**589**	392	**1,310**	1,490
Withholding tax on dividend declared by a foreign subsidiary	**–**	–	**655**	–
	877	(42)	**6,662**	2,486
Deferred tax				
Origination and reversal of temporary difference	**(3,452)**	1,043	**(5,390)**	1,779
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**–**	(187)	**–**	–
	(3,452)	856	**(5,390)**	1,779
Income tax (credit) expenses for the period	**(2,575)**	814	**1,272**	4,265

5. TAXATION *(continued)*

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising in or derived from Hong Kong for the periods ended 31 December 2017 and 2016.

(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% (2016: 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*) (2016: Open Union), which is subject to PRC Enterprise Income Tax at a preferential rate of 15% (2016: 15%) for high and new technology enterprises.

The Group's operation in Thailand is subject to Thailand income tax at 20% (2016: 20%).

The Group's operation in Singapore is subject to Singapore income tax at 17% (2016: 17%).

The Group's operation in Korea is subject to Korea corporation tax ranged from 10% to 22% (2016: 10% to 22%).

The Group's operation in Cambodia is subject to Corporate Income Tax at 20% (2016: Nil).

Dividends payable by a foreign invested enterprise in the PRC, Thailand and Cambodia to its foreign investors are subject to a 10%, 10% and 14% withholding tax respectively, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the PRC, Thailand and Cambodia that provides for a different withholding arrangement.

* *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 2017 (2016: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 31 December 2017 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK$28,140,000 and approximately HK$122,302,000 respectively, (2016: approximately HK$101,492,000 and approximately HK$176,133,000 respectively) and on the weighted average number of 1,620,857,045 and 1,544,225,902 ordinary shares (2016: 1,436,049,159 and 1,440,091,086 ordinary shares) in issue respectively.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares had anti-dilutive effects during the three months and nine months ended 31 December 2017 and 2016.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve <Remark 1>	Share option reserve	Fair value reserve <Remark 2>	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000$*
For the nine months ended 31 December 2017											
At 1 April 2017 (audited)	**14,611**	**1,329,806**	**6,996**	**(99,344)**	**6,256**	**192,747**	**-**	**(215,816)**	**1,235,256**	**60,406**	**1,295,662**
Loss for the period	-	-	-	-	-	-	-	(122,302)	(122,302)	1,412	(120,890)
Total other comprehensive income:											
Items that may be reclassified subsequent to profit or loss:											
Increase in fair value on available-for-sale financial assets	-	-	-	-	-	-	31,715	-	31,715	-	31,715
Share of other comprehensive income of associates-exchange difference translation	-	-	-	13,596	-	-	-	-	13,596	-	13,596
Share of other comprehensive income of joint ventrues-exchange difference translation	-	-	-	572	-	-	-	-	572	-	572
Exchange difference on translation of foreign subsidiaries	-	-	-	72,187	-	-	-	-	72,187	5,375	77,562
Total comprehensive income for the period	-	-	-	86,355	-	-	31,715	(122,302)	(4,232)	6,787	2,555
Transaction with owners:											
Contribution and distributions											
Shares issued upon subscription in August 2017 *<Remark 3>*	1,500	185,668	-	-	-	-	-	-	187,168	-	187,168
Consideration shares issued upon fufillment of performance target in December 2017 *<Remark 4>*	330	43,260	-	-	-	-	-	-	43,590	-	43,590
Recognition of share-based compensation cost	-	-	-	-	-	36,728	-	-	36,728	-	36,728
Lapse of share options	-	-	-	-	-	(2,571)	-	2,571	-	-	-
	1,830	228,928	-	-	-	34,157	-	2,571	267,486	-	267,486
Changes in ownership interests											
Non-controlling interests arising from acquiring of a subsidiary	-	-	-	-	-	-	-	-	-	47,397	47,397
	-	-	-	-	-	-	-	-	-	47,397	47,397
At 31 December 2017 (unaudited)	**16,441**	**1,558,734**	**6,996**	**(12,989)**	**6,256**	**226,904**	**31,715**	**(335,547)**	**1,498,510**	**114,590**	**1,613,100**

8. MOVEMENT OF EQUITY *(continued)*

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Exchange reserve	Statutory reserve <Remark 1>	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000$*
For the 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 income:											
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	–	–	–	–	(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 compensation cost	–	–	–	–	–	–	42,814	–	42,814	–	42,814
Addition shares issuance expenses	–	(492)	–	–	–	–	–	–	(492)	–	(492)
Transfer to statutory reserve	–	–	–	–	–	3,509	–	(3,509)	–	–	–
Cancellation of repurchased shares	(166)	(27,213)	–	27,379	–	–	–	–	–	–	–
	(166)	(27,705)	–	27,379	–	3,509	42,814	(3,509)	42,322	–	42,322
Changes in ownership interest:											
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. MOVEMENT OF EQUITY *(continued)*

<Remark 1>
In accordance with the relevant laws and regulations in Thailand, Oriental City Group (Thailand) Company Limited is required to appropriate not less than 5% of its net profit to the statutory reserve upon each dividend distribution, until the statutory reserve reaches 10% of its registered authorised capital. The statutory reserve is not available for dividend distribution.

<Remark 2>
At 31 March 2017, the Group held 15% interest in the ordinary share capital of Nexion Technologies Limited ("**Nexion**"), a company incorporated in the Cayman Islands with its principal subsidiaries engaged in the business of provisions of cyber infrastructure solutions, research and development and cyber security solutions services.

On 16 June 2017, Nexion completed its public offer and was listed on the GEM by issuing 150,000,000 ordinary shares of HK$0.48 each. After completion of the public offer together with the capitalisation issue, the equity interest in Nexion (Stock code: 8420) held by the Group decreased to 11.25%, which represented 67,500,000 ordinary shares held. The fair value of the equity interest in Nexion as at 31 December 2017 was approximately HK$41,175,000 and the fair value increase of approximately HK$31,715,000 was recognised in other comprehensive income.

<Remark 3>
In August 2017, a total number of 150,000,000 ordinary shares were issued via subscription at a price of HK$1.25 per share. The Company raised proceeds of approximately RMB165,430,000 (equivalent to approximately HK$190,000,000) to finance the Group's potential acquisition, investments and business expansion and settle borrowings (including bonds) and interest expenses incurred by the Company. The expenses of approximately HK$2,753,000 arising from the subscription were recognised in the share premium account of the Company.

<Remark 4>
On 5 December 2017, the Company issued 33,023,255 shares of which approximately HK$330,000 was credited to share capital and the remaining balance of approximately HK$43,260,000 was credited to share premium account in relation to the settlement of the Third Tranche Consideration for the acquisition of AE Investment Consultancy Limited.

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.

The issuance of First Bonds and First Convertible Bonds were completed on 1 August 2016 and 12 August 2016, respectively. 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.

The issuance of Second Bonds and Second Convertible Bonds were completed on 4 August 2016 and 12 August 2016, respectively. 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.

9. BONDS/CONVERTIBLE BONDS *(continued)*

(b) *(continued)*

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.

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

Derivative Component, classified as financial liabilities at fair value through profit or loss

	Conversion option	**Early redemption option**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At the issue date	32,821	(5,999)	26,822
Fair value changes	(3,820)	(4,797)	(8,617)
At 31 March 2017 (Audited)	29,001	(10,796)	18,205
Fair value changes	(23,546)	9,789	(13,757)
At 31 December 2017 (Unaudited)	5,455	(1,007)	4,448

9. BONDS/CONVERTIBLE BONDS *(continued)*

Liability Component, classified as financial liability at amortised costs

	HK$'000
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	5,343
At 31 March 2017 (Audited)	70,284
Effective interest expenses (Note 4)	9,112
Interest paid for the period	(1,880)
At 31 December 2017 (Unaudited)	77,516

10. ACQUISITION OF A SUBSIDIARY

On 5 July 2016, 上海啟峻投資有限公司(Shanghai Qijun Investment Limited*, "**Qijun Investment**") and Chengfu Investment 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$35.7 million) (the "**Previous Loan A**") and approximately RMB9 million (equivalent to approximately HK$10.4 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.

Prior to entering into the Previous Loan Agreements, on 15 May 2016, Chengfu Investment entered into share transfer agreements with (i) 深圳市長亮科技股份有限公司(Shenzhen Changliang Technology Co., Limited*, "**Changliang Technology**") (the "**SPA One**") and (ii) 深圳市鼎恒瑞祥投資企業(有限合夥) (Shenzhen Dinghengruixiang Investment Limited (Limited Partnership)*, "**Dingheng Investment**") (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, a service provider of single-merchant prepaid cards in the PRC, at consideration of approximately RMB154.8 million (equivalent to approximately HK$178.3 million), plus accrued interest arising from the SPA One (the "**Accrued Interest A**"), and approximately RMB45.2 million (equivalent to approximately HK$52.1 million), plus accrued interest arising from the SPA Two (the "**Accrued Interest B**"). After completion of the acquisition of shares in the SPA One and the SPA Two, which was completed on 30 June 2017, Chengfu Investment's shareholding in China Union Loyalty had been increased from 8.01% to 48.89%.

* *English translation for identification purpose only.*

10. ACQUISITION OF A SUBSIDIARY *(continued)*

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 RMB123.8 million (equivalent to approximately HK$142.6 million) plus the Accrued Interest A (collectively the "**Loan A**") and approximately RMB36.2 million (equivalent to approximately HK$41.7 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**"). Details of the capital injection into Chengfu Investment, including their major terms were set out in the announcement of the Company dated 18 August 2016.

On 30 June 2017, all of the conditions precedent under the Capital Injection Agreement have been fulfilled and the completion of the Chengfu Capital Injection took place and approximately RMB210.1 million (equivalent to HK$242 million) of the Total Loan had been paid. Upon the completion of the Chengfu Capital Injection, approximately RMB54.6 million (equivalent to approximately HK$62.9 million) was recognised as the registered capital of Chengfu Investment and the remaining balance of the Total Loan of approximately RMB155.5 million (equivalent to HK$179.1 million) was recognised as the capital reserve of the Chengfu Investment. Accordingly, the Group, via Qijun Investment, held approximately 83.62% of the enlarged equity interests of Chengfu Investment. Details of the completion of the capital injection were set out in the announcement of the Company dated 30 June 2017.

In the opinion of the Directors, the acquisition does not constitute business combination as defined in HKFRS 3 (Revised): Business Combinations. Therefore, the acquisition has been accounted for as acquisition of assets and liabilities during the period.

10. ACQUISITION OF A SUBSIDIARY *(continued)*

The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed of Chengfu Investment at the date of acquisition:

	HK$'000
Consideration	
Cash paid	242,042
Recognised amounts of identifiable assets acquired and liabilities assumed	
Interests in an associate	288,242
Bank balances and cash	7
Trade and other receivables	3,337
Trade and other payables	(2,147)
Total identifiable net assets	289,439
Non-controlling interests recognised	(47,397)
	242,042
Net cash flow of acquisition of a subsidiary	
Net cash acquired from the subsidiary	7
Cash consideration paid	(242,042)
Less: Deposits of investments paid during the year ended 31 March 2017	242,042
Net inflow of cash and cash equivalents for the period ended 31 December 2017	7

11. OTHER AND SUBSEQUENT EVENTS

(a) On 28 September 2017, Joy Grand Investment Limited, an indirectly wholly-owned subsidiary of the Company, entered into a share disposal agreement with Mr. Wu Xiaoming ("**Mr. Wu**"), the executive director and the chief executive officer of Zhi Cheng and a connected person to the Company, to dispose the Zhi Cheng Shares, at the price of HK$0.16 per share (the "**Zhi Cheng Disposal**") to Mr. Wu. The total consideration of the Zhi Cheng Disposal is HK$81,280,000. On 8 February 2018, a supplemental agreement was entered to extend the final completion date to 8 May 2018.

Upon completion of the Zhi Cheng Disposal, the Group's entire interests in Zhi Cheng will be derecognised. At 31 December 2017, deposit of HK$1 million had been received and reported as "Accruals and other payables". Details of the transaction are set out in the Company's announcements dated 28 September 2017 and 8 February 2018. These transactions are not yet completed at the date of approving the Third Quarterly Financial Statements.

(b) On 1 December 2017, the Stock Exchange agreed that the Company may process the spin-off and separate listing of the Group's third party payment acquiring business in Thailand on the GEM (the "**Proposed Spin-off**").

Preparation for the Proposed Spin-off is underway, but no listing application has been submitted to the Stock Exchange for the Proposed Spin-off up to the date of approving the Third Quarterly Financial Statements. The Board expects that the Proposed Spin-off, if it materialises, will constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group has been engaged in the following businesses during the nine months ended 31 December 2017 (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 Company's intention to provide its users with a one-stop solution combining payment, benefits and credit services.

For prepaid cards and internet payment services business, the Group has witnessed a steady growth in our key strategic businesses for the three months ended 31 December 2017. For the three months ended 31 December 2017, the total Internet payment transaction volume has rapidly grown to approximately RMB20 billion as compared with the same period for the last year. Transaction volumes growth for both of our healthcare and corporate benefits payment solutions have also been on a healthy trajectory.

For prestige benefits business, the Company designs, sells, and manages prepaid benefits packages to banks and card issuing organisations which will in turn offer the packages to their own premium members of cardholders. The total revenue for this segment for the nine months ended 31 December 2017 stands at close to HK$219 million, representing a growth of over 125% compared with the corresponding period of previous year.

The Company is re-adjusting the strategies for the e-commerce and trade financing business by co-operating with strong strategic partners. Massnet Microcredit Company (Chongqing) Limited (重慶市眾網小額貸款有限公司), our main component of this segment, has provided loans of over RMB313 million for the three months ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business review *(continued)*

For third party payment acquiring business in Thailand, the transaction volume for the Review period amounted to Baht 17,323 million, which declined by approximately 13% when comparing with Baht 19,868 million in the corresponding review period in 2016. Since there was a significant rise of the issuer's reimbursement fee on certain types of premium payment cards by Union International (UPI), the Group had transferred out such cost by raising the merchant discount rate (MDR) charged to key merchants accordingly, causing a decline in the transaction volume of the Group. In respect of the decline, the Group closely monitored the transaction volume with major merchants and launched promotion campaign with them. In addition, the Group is also exploring new merchants in order to gain market share in Thailand. The Group managed to recover and had regained most of the market share in Thailand by June 2017.

As agreed by the Stock Exchange in December 2017, the Company commenced its procedures in a spin-off and separate listing of the Group's card acquiring business in Thailand on the GEM.

For securities investment business, our pre-IPO investment in Nexion Technologies Limited (Stock code: 8420), an internet security specialist, has contributed to its successful initial public offer on 16 June 2017.

Business outlook

For payment and benefits business, the Group focuses on business areas with rapid growth potentials to consolidate its market position. For credit business, the Group will continue to expand its internet-based credit services that can complement with the payment and benefits business.

For third party payment acquiring business in Thailand, we will continue to evolve from traditional card-related businesses to innovative financial technology businesses. We are currently seeking for funding as we expect we will have various information technology investments in transaction management systems in connecting to UPI and point-of-sales ("**POS**") terminals, and recruitment of new IT professionals.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business outlook *(continued)*

With the implementation and installation of the Group's technically sophisticated POS, the Group is also prepared to launch an innovative Coupons Promotion and Redemption Program with business partners in the PRC targeting Chinese tourists who are travelling abroad. By joining such program, Chinese tourists/customers are able to shop, enjoy and redeem their shopping/gift coupons (issued by business entities in the PRC) through their mobile phones at the Group's POS installed at participating merchants throughout Thailand.

To minimise the Group's reliance of a few and selective major business partners and customers during the past years, namely, UPI and King Power Group, the Group has been expanding global partnership in third party card acquiring services by teaming up with such global payment networks as Visa International and Mastercard International in order to provide eventual one-stop quality payment solution and services to merchants throughout Thailand, and at the same time serve diversified international tourists/cardholders in addition to Chinese tourists.

To exploit the business opportunities under the "One Belt One Road" national directional policy of the PRC government, the Group is also expanding its UPI business across a network of franchises in the key markets along the Silk Road Economic Belt. The Group chooses to look into Cambodia as the next international market after Thailand so as to leverage on Cambodia's close economic relationship with the PRC and its development progress which is similar to that of Thailand in order to further expand its payment platform experience. The Group envisages that the tourism market and investment opportunities of the PRC and Cambodia will continue to grow significantly in the coming years.

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

Financial review

Revenue

The e-commerce and trade financing business, the third party payment acquiring transaction fee income and the foreign exchange rate discount income from the third party payment acquiring 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$479 million, of which approximately HK$84 million was attributed to the e-commerce and trade financing business; approximately HK$107 million was attributed to the prepaid cards and internet payment business; approximately HK$70 million was attributed to the third party payment acquiring business in Thailand; and approximately HK$218 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$325 million, representing 68% of total revenue of the Group.

For the third party payment acquiring business, revenue was slightly dropped by approximately 2% as compared with the same recorded in the corresponding period of last year. The decrease was mainly resulted from the decrease in foreign exchange rate discount income.

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$278 million, representing a increase of approximately 40% as compared with 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 third party payment acquiring business in Thailand.

General administrative expenses

The general administrative expenses of the Group for the Review Period were approximately HK$200 million, representing an increase of approximately 23% as compared with the corresponding period of last year. The increase was primarily attributable to an increase in overall staff costs, including the Directors' remuneration and the operating lease charges on premises.

Selling and distribution costs

The selling and distribution costs for the Review Period amounted to approximately HK$42 million, representing an decrease of approximately 7% as compared with the corresponding period of last year.

Finance costs

The finance costs for the Review Period amounted to approximately HK$36 million, representing a increase of approximately 82% as compared with the corresponding period of last year. The increase was mainly due to the increase in interest expense on convertible bonds and 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$122 million, representing an decrease of approximately 31% as compared with the corresponding period of last year. Basic losses per share was approximately 7.92 HK cents compared to basic losses per share of 12.23 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 2017, 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
Mr. Yan Dinggui ("**Mr. Yan**")	Interest in controlled corporations *(Note 1)*	396,789,430	24.13%
Dr. Cao Guoqi ("**Dr. Cao**")	Interest of controlled corporation *(Note 2)*	150,000	0.01%
	Beneficial owner *(Note 3)*	21,000,000	1.28%
	Interest of spouse *(Note 4)*	1,370,000	0.08%
Mr. Fung Weichang ("**Mr. Fung**")	Beneficial owner *(Note 3)*	2,000,000	0.12%

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. Zhang Huaqiao ("**Mr. Zhang**")	Beneficial owner (Note 3)	25,000,000	1.52%
Mr. Xiong Wensen ("**Mr. Xiong**")	Beneficial owner *(Note 3)*	13,600,000	0.83%
Mr. Song Xiangping ("**Mr. Song**")	Beneficial owner *(Note 3)*	5,000,000	0.31%
Dr. Zhou Jinhuang ("**Dr. Zhou**")	Beneficial owner *(Note 3)*	1,400,000	0.09%

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. As at 31 December 2017, 103,908,918 Shares were held by Jiayin Finance Holding Group Co., Limited ("**Jiayin**") and 292,880,512 Shares were held by Gayang (Hong Kong) Co., Limited ("**Gayang**"). As Mr. Yan, an executive Director, is the ultimate controlling shareholder of Jiayin and Gayang, he is deemed to be interested in those 396,789,430 Shares held by Jiayin and Gayang pursuant to Part XV of the SFO.

2. These 150,000 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 150,000 Shares held by Probest under the SFO.

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

4. These 1,370,000 Shares were held by Ms. Zheng Lu who is the wife of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2017, so far is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

As at 31 December 2017, 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
Mr. Zhang Chang	Interest in a controlled corporation *(Note 1)*	170,000,000	10.34%
	Beneficial owner *(Note 1)*	90,090,000	5.48%
Sino Starlet Limited ("**Sino Starlet**")	Beneficial owner *(Note 1)*	170,000,000	10.34%
上海嘉捷資產管理有限公司	Interest in a controlled corporation *(Note 2)*	292,880,512	17.81%
Gayang	Beneficial owner *(Note 2)*	292,880,512	17.81%
Jiayin	Beneficial owner *(Note 2)*	103,908,918	6.32%

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

The Company *(continued)*

Long positions in Shares (continued)

Save as disclosed above, as at 31 December 2017, 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. Of 260,090,000 Shares, 170,000,000 Shares are held by Sino Starlet, which in turn is wholly owned by Mr. Zhang Chang. As Mr. Zhang Chang is the controlling shareholder of Sino Starlet, he is deemed to be interested in these 170,000,000 Shares held by Sino Starlet under the SFO.

2. As at 31 December 2017, 103,908,918 Shares were held by Jiayin and 292,880,512 Shares were held by Gayang. As Mr. Yan, an executive Director, is the ultimate controlling shareholder of Jiayin and Gayang, he is deemed to be interested in those 396,789,430 Shares held by Jiayin and Gayang pursuant to Part XV of the SFO.

COMPETING INTERESTS

During the Review Period, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing its corporate value. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for approval by the Board before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. During the Review Period, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules.

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 is 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 2017 to 31 December 2017.

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, risk management and internal control system of the Group.

The Group's unaudited quarterly results for the nine months ended 31 December 2017 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
Yan Dinggui
Executive Deputy Chairman

Hong Kong, 9 February 2018

As at the date of this report, the Board comprises five executive Directors, namely, Dr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen, Mr. Song Xiangping and Mr. Yan Dinggui; (ii) two non-executive Directors, namely, Mr. Zhang Huaqiao and Mr. Xie Zhichun; and (iii) four independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.