



China Smartpay Group Holdings Limited
中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8325)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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

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This announcement, 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

- The Group reported a revenue amounted to approximately HK\$223.53 million for the six months ended 30 September 2015. The Group's gross profit amounted to approximately HK\$54.15 million, which represented an increase of approximately 146.16% as compared with the Group's gross profit recorded in the corresponding period in 2014.
- The Group reported a loss amounted to approximately HK\$80.02 million for the six months ended 30 September 2015 as compared with a loss of approximately HK\$37.33 million recorded in the corresponding period in 2014. The Group reported a loss attributable to equity holders of the Company for the six months ended 30 September 2015 amounted to approximately HK\$84.57 million (2014: approximately HK\$40.44 million).
- For the three months ended 30 September 2015, the Group reported a loss amounted to approximately HK\$45.35 million as compared with a loss of approximately HK\$34.68 million for the three months ended 30 June 2015. The Group reported a loss attributable to equity holders of the Company for the three months ended 30 September 2015 amounted to approximately HK\$47.61 million (30 June 2015: approximately HK\$36.96 million).
- The Group recognised equity-settled share-based payment expenses and fair value loss on contingent consideration amounted to approximately HK\$17.73 million and HK\$19.99 million for the three months ended 30 September 2015 respectively (30 June 2015: approximately HK\$13.49 million and Nil). Without the recognition of equity-settled share-based payment expenses and fair value loss on contingent consideration, the Group reported a loss for the three months ended 30 September 2015 amounted to approximately HK\$7.63 million, compared with a loss of HK\$21.19 million for the three months ended 30 June 2015. The decrease of loss was mainly attributable to the 1) introduction of management fee on the inactive accounts of the prepaid cards accounts in accordance with relevant rules and regulations; and 2) the high profitability of the newly acquired prestige benefits business.
- Loss per share for the loss attributable to equity holders of the Company for the six months ended 30 September 2015 was approximately 7.28 HK cents (2014: 4.72 HK cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: Nil).

FINANCIAL STATEMENT

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 six months ended 30 September 2015 together with the comparative figures for the corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2015

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	Note	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	2	151,462	84,836	223,526	159,832
Cost of services rendered and cost of goods sold		(114,884)	(75,777)	(169,374)	(137,833)
Gross profit		36,578	9,059	54,152	21,999
Other income		1,451	131	2,056	227
General administrative expenses		(48,895)	(41,319)	(85,283)	(53,644)
Selling and distribution costs		(8,252)	(936)	(16,067)	(1,457)
Finance costs	4	(3,033)	(9)	(9,943)	(19)
Fair value loss on contingent consideration – consideration shares		(19,986)	–	(19,986)	–
Share of results of associates		(609)	(286)	(1,006)	(379)
Share of results of joint ventures		41	(19)	(22)	(19)
Loss before tax	4	(42,705)	(33,379)	(76,099)	(33,292)
Income tax expenses	5	(2,640)	(1,997)	(3,923)	(4,036)
Loss for the period		(45,345)	(35,376)	(80,022)	(37,328)
Attributable to:					
Equity holders of the Company		(47,609)	(37,209)	(84,569)	(40,443)
Non-controlling interests		2,264	1,833	4,547	3,115
		(45,345)	(35,376)	(80,022)	(37,328)
Loss per share for loss attributable to equity holders of the Company					
Basic and diluted	6	(3.78) HK cents	(4.27) HK cents	(7.28) HK cents	(4.72) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2015

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(45,345)	(35,376)	(80,022)	(37,328)
Other comprehensive (loss) income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiaries	(25,509)	602	(26,540)	443
Total comprehensive loss for the period	(70,854)	(34,774)	(106,562)	(36,885)
Attributable to:				
Equity holders of the Company	(71,797)	(36,509)	(109,419)	(40,001)
Non-controlling interests	943	1,735	2,857	3,116
	(70,854)	(34,774)	(106,562)	(36,885)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	<i>Note</i>	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Non-current assets			
Property, plant and equipment	7	44,023	43,937
Interests in associates	8	70,619	29,945
Interests in joint ventures	9	10,981	7,683
Goodwill	10	759,317	475,031
Intangible assets		2,018	2,063
		<u>886,958</u>	<u>558,659</u>
Current assets			
Inventories	11	3,664	–
Other investments		–	1,955
Trade and other receivables	12	225,205	101,556
Restricted bank balances	13	658,665	784,002
Cash and cash equivalents		151,837	37,577
		<u>1,039,371</u>	<u>925,090</u>
Current liabilities			
Trade and other payables	14	782,379	804,315
Other borrowings, secured	15	85,387	88,466
Tax payables		5,994	4,131
Contingent consideration – consideration shares	21	37,926	–
		<u>911,686</u>	<u>896,912</u>
Net current assets		<u>127,685</u>	<u>28,178</u>
Total assets less current liabilities		<u>1,014,643</u>	<u>586,837</u>
Non-current liabilities			
Deferred tax liabilities		2,385	2,076
Other long-term liabilities	16	352	393
Contingent consideration – consideration shares	21	49,865	–
		<u>52,602</u>	<u>2,469</u>
NET ASSETS		<u>962,041</u>	<u>584,368</u>
Capital and reserves			
Share capital	18	12,684	10,368
Reserves		924,530	552,030
Equity attributable to equity holders of the Company		<u>937,214</u>	<u>562,398</u>
Non-controlling interests		24,827	21,970
TOTAL EQUITY		<u>962,041</u>	<u>584,368</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share options reserve	Convertible bonds 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
					<Remark>	(Note 19)					
For the six months ended											
30 September 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	-	-	-	-	-	-	-	(84,569)	(84,569)	4,547	(80,022)
Other comprehensive loss:											
Item that may be reclassified											
subsequently to profit or loss:											
Exchange difference on translation											
of foreign subsidiaries	-	-	-	(24,850)	-	-	-	-	(24,850)	(1,690)	(26,540)
Total comprehensive loss for the period	-	-	-	(24,850)	-	-	-	(84,569)	(109,419)	2,857	(106,562)
Transaction with owners:											
Contributions and distributions:											
Recognition of equity-settled											
share-based payment expenses	-	-	-	-	-	31,220	-	-	31,220	-	31,220
Issue of convertible bonds (Note 17)	-	-	-	-	-	-	130,690	-	130,690	-	130,690
Conversion of convertible bonds upon											
exercise of the subscription											
agreements (Note 17(a))	839	156,782	-	-	-	-	(65,340)	-	92,281	-	92,281
Conversion of convertible bonds upon											
exercise of the placing agreements											
(Note 17(b))	838	157,056	-	-	-	-	(65,350)	-	92,544	-	92,544
Share issued upon the subscription in											
July 2015 (Note 21(a))	639	136,861	-	-	-	-	-	-	137,500	-	137,500
	2,316	450,699	-	-	-	31,220	-	-	484,235	-	484,235
At 30 September 2015 (unaudited)	12,684	1,034,261	6,996	(25,790)	766	95,150	-	(186,853)	937,214	24,827	962,041

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
					<i><Remark></i>	<i>(Note 19)</i>				
For the six months ended										
30 September 2014										
At 1 April 2014 (audited)	7,200	133,782	6,996	(665)	766	10,428	(24,053)	134,454	8,137	142,591
Loss for the period	-	-	-	-	-	-	(40,443)	(40,443)	3,115	(37,328)
Other comprehensive income:										
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of foreign subsidiaries	-	-	-	442	-	-	-	442	1	443
Total comprehensive loss for the period	-	-	-	442	-	-	(40,443)	(40,001)	3,116	(36,885)
Transaction with owners:										
<i>Contributions and distributions:</i>										
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	38,188	-	38,188	-	38,188
Share issued upon placing in April 2014	1,440	203,267	-	-	-	-	-	204,707	-	204,707
Share issued upon placing in September 2014	1,043	147,202	-	-	-	-	-	148,245	-	148,245
Dividend to non-controlling interests of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	(5,055)	(5,055)
	2,483	350,469	-	-	-	38,188	-	391,140	(5,055)	386,085
At 30 September 2014 (unaudited)	9,683	484,251	6,996	(223)	766	48,616	(64,496)	485,593	6,198	491,791

<Remark>

In accordance with the relevant laws and regulations in Thailand, Oriental City Group (Thailand) Company Limited (“OCG Thailand”) 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
Note	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Cash used in operations	(83,311)	(30,334)
Interest received	2,006	99
Income tax paid	(2,546)	(2,027)
	<u>(83,851)</u>	<u>(32,262)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,832)	(2,882)
Decrease in other investments, net	1,859	–
Investment in associates	(42,693)	(25,221)
Investment in joint ventures	(3,586)	(147,543)
Acquisition of subsidiaries	21 (61,675)	–
Deposits on investment paid	–	(81,377)
Deposits on purchase of property, plant and equipment	(787)	–
	<u>(109,714)</u>	<u>(257,023)</u>
FINANCING ACTIVITIES		
Proceeds from shares issued upon placings	–	352,952
Proceeds from issuance of convertible bonds	310,078	–
	<u>310,078</u>	<u>352,952</u>
Net cash from financing activities	<u>310,078</u>	<u>352,952</u>
Net increase in cash and cash equivalents	<u>116,513</u>	<u>63,667</u>
Cash and cash equivalents at beginning of period	<u>37,577</u>	<u>47,141</u>
Effect on exchange rate changes	(2,253)	87
Cash and cash equivalents at end of period	<u>151,837</u>	<u>110,895</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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 condensed interim financial statements of the Company for the six months ended 30 September 2015 (the “Interim Financial Statements”) are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2015, 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, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2015 (the “Annual Report”).

The Interim Financial Statements have been prepared on the historical costs basis.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report, except for the adoption of the accounting policy for contingent consideration, financial assets at fair value through profit or loss, convertible bonds, inventories and provisions as follows:

Contingent consideration

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and / or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Convertible bonds

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of issue costs.

On the issue of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to (i) the call option that is recognised as a derivative and measured at fair value through profit or loss and (ii) the conversion option that is recognised and included in the convertible bond equity reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve, together with the carrying amounts of the liability component and the call option at the time of conversion, is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond equity reserve is transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability, derivative and equity components of the convertible bond based on the allocation of proceeds to the liability, derivative and equity components when the instruments are first recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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 years. 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 19 (2011): Defined Benefit Plans – Employee Contributions

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments do not have an impact on the Interim Financial Statements.

Annual Improvements Project: 2010-2012 Cycle

The amendments include the followings:

(1) HKFRS 2 Share-based Payment

The amendments add definitions for “performance condition” and “service condition” which were previously part of the definition of “vesting condition” and update the definitions of “vesting condition” and “market condition”. These amendments do not have significant impact on the Interim Financial Statements.

(2) HKFRS 3 Business Combinations

These amendments delete the reference to “other applicable HKFRSs” in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss. These amendments do not have significant impact on the Interim Financial Statements.

(3) HKFRS 8 Operating Segments

HKFRS 8 is updated as follows:

- a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
- b) It is clarified that the reconciliation of the total reportable segments’ assets to the entity’s assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

These amendments do not have significant impact on the Interim Financial Statements.

(4) HKFRS 13 Fair Value Measurement

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity’s ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. These amendments do not have significant impact on the Interim Financial Statements.

(5) *HKAS 16 Property, Plant and Equipment*

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, HKAS 16 is amended such that a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses. These amendments do not have significant impact on the Interim Financial Statements.

(6) *HKAS 24 Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the “management entity”) to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. These amendments do not have significant impact on the Interim Financial Statements.

(7) *HKAS 38 Intangible Assets*

The issue identified above in restatement of accumulated depreciation in revaluation of a property, plant or equipment also applies to the revaluation of intangible assets and HKAS 38 is amended accordingly. These amendments do not have significant impact on the Interim Financial Statements.

Annual Improvements Project – 2011-2013 Cycle

The amendments that are relevant to the Group include the followings:

(1) *HKFRS 3 Business Combinations*

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves. These amendments do not have significant impact on the Interim Financial Statements.

(2) *HKFRS 13 Fair Value Measurement*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. These amendments do not have significant impact on the Interim Financial Statements.

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Prepaid cards and internet payment business				
Cards issuing service fee income	43	–	1,888	–
Management fee income for prepaid cards	15,950	–	15,950	–
Merchant service fee income	2,476	–	4,983	–
Interest income from accumulated unutilised float funds	6,284	–	13,967	–
Prestige benefits business				
Issuance of prestige benefits cards	17,838	–	17,838	–
Cross-border e-commerce solution business				
Sales of goods	86,972	61,851	117,710	118,882
Cards acceptance business				
Cards acceptance transaction fee income	16,091	18,783	38,879	33,133
Foreign exchange rate discount income	5,808	4,202	12,311	7,817
	<u>151,462</u>	<u>84,836</u>	<u>223,526</u>	<u>159,832</u>

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) cross-border e-commerce solution business among Hong Kong and the PRC; and
- (iv) cards acceptance business in Thailand.

In addition, the Directors consider that the place of domicile for the Group 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 interest and other income, finance costs, general administrative expenses incurred by corporate office, share of results of joint ventures and associates and income tax.

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

Business segment

Six months ended 30 September 2015 (unaudited)

	Prepaid cards and internet payment business HK\$'000	Prestige benefits business HK\$'000	Cross- border e-commerce solution business HK\$'000	Cards acceptance business HK\$'000	Consolidated HK\$'000
Segment revenue					
Major customer A	-	-	56,537	-	56,537
Other customers	36,788	17,838	61,173	51,190	166,989
	<u>36,788</u>	<u>17,838</u>	<u>117,710</u>	<u>51,190</u>	<u>223,526</u>
Segment results	<u>3,432</u>	<u>4,185</u>	<u>(8,171)</u>	<u>8,912</u>	8,358
Unallocated interest and other income					2,056
Unallocated finance costs					(9,943)
Unallocated other expenses					(55,556)
Fair value loss on contingent consideration					
– consideration shares					(19,986)
Share of results of associates					(1,006)
Share of results of Joint ventures					(22)
Loss before tax					(76,099)
Income tax expenses					(3,923)
Loss for the period					<u>(80,022)</u>

Six months ended 30 September 2014 (unaudited)

	Cross-border e-commerce solution business <i>HK\$'000</i>	Cards acceptance business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
Major customer A	108,463	–	108,463
Major customer B	–	7,817	7,817
Major customer C	–	3,706	3,706
Other customers	10,419	29,427	39,846
	<u>118,882</u>	<u>40,950</u>	<u>159,832</u>
Segment results	<u>11,535</u>	<u>7,090</u>	18,625
Unallocated interest and other income			227
Unallocated finance costs			(19)
Unallocated other expenses			(51,727)
Share of results of associates			(379)
Share of results of joint ventures			<u>(19)</u>
Loss before tax			(33,292)
Income tax expense			<u>(4,036)</u>
Loss for the period			<u><u>(37,328)</u></u>

Segment assets and liabilities

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

At 30 September 2015 (unaudited)

	Prepaid cards and internet payment business <i>HK\$'000</i>	Prestige benefits business <i>HK\$'000</i>	Cross- border e-commerce solution business <i>HK\$'000</i>	Cards acceptance business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Property, plant and equipment	37,726	400	99	2,996	2,802	44,023
Intangible assets	1,803	189	-	-	26	2,018
Goodwill	503,877	254,452	988	-	-	759,317
Other assets	799,262	19,903	35,420	33,228	233,158	1,120,971
	<u>1,342,668</u>	<u>274,944</u>	<u>36,507</u>	<u>36,224</u>	<u>235,986</u>	<u>1,926,329</u>
Total assets						
	<u>699,415</u>	<u>115,850</u>	<u>1,420</u>	<u>15,402</u>	<u>132,201</u>	<u>964,288</u>
Total liabilities						

At 31 March 2015 (audited)

	Prepaid cards and internet payment business <i>HK\$'000</i>	Cross-border e-commerce solution business <i>HK\$'000</i>	Cards acceptance business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Property, plant and equipment	38,488	122	3,097	2,230	43,937
Intangible assets	2,035	-	-	28	2,063
Goodwill	474,043	988	-	-	475,031
Other assets	849,200	24,650	38,630	50,238	962,718
	<u>1,363,766</u>	<u>25,760</u>	<u>41,727</u>	<u>52,496</u>	<u>1,483,749</u>
Total assets					
	<u>856,782</u>	<u>6,359</u>	<u>28,149</u>	<u>8,091</u>	<u>899,381</u>
Total liabilities					

4. LOSS BEFORE TAX

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
This is stated after charging:				
Finance costs				
Effective interest expense on convertible bonds	–	–	5,315	–
Finance costs on other long-term liabilities	8	8	17	18
Interest on other borrowings	2,933	–	4,519	–
Other finance costs	92	1	92	1
	<u>3,033</u>	<u>9</u>	<u>9,943</u>	<u>19</u>
Other items				
Amortisation of intangible assets	95	–	179	–
Cost of goods sold	96,966	58,202	126,908	107,174
Depreciation of property, plant and equipment	1,378	457	2,992	755
Staff costs, including directors' emoluments and equity-settled share-based payment expenses	32,246	39,761	54,390	43,675
Operating lease charges on premises	3,190	1,245	4,521	1,825
	<u>3,190</u>	<u>1,245</u>	<u>4,521</u>	<u>1,825</u>

5. TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong Profits Tax	-	1,074	-	1,902
PRC Enterprise Income Tax	1,753	-	1,753	-
Thailand Enterprise Income Tax	791	746	1,861	1,433
Withholding tax on dividend declared by a non-wholly owned subsidiary	-	-	-	900
	<u>2,544</u>	<u>1,820</u>	<u>3,614</u>	<u>4,235</u>
Deferred tax				
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	<u>96</u>	<u>177</u>	<u>309</u>	<u>(199)</u>
Income tax expenses for the period	<u><u>2,640</u></u>	<u><u>1,997</u></u>	<u><u>3,923</u></u>	<u><u>4,036</u></u>

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as the Group had incurred losses for taxation purposes for the period ended 30 September 2015.

Hong Kong Profits Tax had been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the period ended 30 September 2014.

(ii) Income taxes outside Hong Kong

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

The Group's operations in the PRC are subject to enterprise income tax ("PRC EIT") 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 EIT at a preferential rate of 15% for high and new technology enterprises up to 31 December 2014. For the period ended 30 September 2014, no income tax had been provided as the Group's operations in the PRC had incurred losses for taxation purposes.

OCG Thailand is subject to Thailand income tax at 20% (2014: 20%).

Smartpay (Singapore) PTE Limited is subject to Singapore income tax at 17% (2014: 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. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2015 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$47,609,000 and approximately HK\$84,569,000 respectively, (2014: HK\$37,209,000 and HK\$40,443,000 respectively) and on the weighted average number of approximately 1,258,697,000 and 1,162,156,000 ordinary shares (2014: approximately 871,937,000 and 857,760,000 ordinary shares) in issue respectively.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the three months and six months ended 30 September 2015 and 30 September 2014.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group spent approximately HK\$2,832,000 (2014: approximately HK\$2,882,000) on additions to the property, plant and equipment.

At 30 September 2015, the Group's leasehold land and buildings with net carrying amount of approximately HK\$32,863,000 (31 March 2015: approximately HK\$34,923,000) were pledged to a financial institution in the PRC for securing a loan facility of RMB70,000,000, equivalent to approximately HK\$85,387,000 (31 March 2015: RMB70,000,000, equivalent to approximately HK\$88,466,000) granted to Wei Ke Rui Si Online (Beijing) Technology Company Limited ("Beijing Weike", English translation of 微科睿思在線(北京)科技有限公司 for identification purpose only) as detailed in Note 15 to the Interim Financial Statements.

8. INTERESTS IN ASSOCIATES

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Share of net assets	54,350	13,090
Goodwill	16,269	16,855
	70,619	29,945

At 31 March 2015, interest in associates represents 49% equity interest in Xiamen Minshengtong E-commerce Limited ("Minshengtong", English translation of 廈門市民生通電子商務有限公司 for identification purpose only) and 21.21% equity interest in Shanghai Koolcloud Technology Co. Limited ("Koolcloud", English translation of 上海商酷網絡科技有限公司 for identification purpose only) and its non-wholly owned subsidiary, Wuxi Kuyin Technology Limited ("Kuyin", English translation of 無錫酷銀科技有限公司 for identification purpose only).

In June 2015, Koolcloud further acquired 23.5% equity interest in Kuyin at a consideration of RMB8.5 million (equivalent to approximately HK\$10.4 million) and became a wholly owned subsidiary of Koolcloud. Upon completion, the Group's effective interest in Kuyin was increased from 16.99% at 31 March 2015 to 21.21% at 30 September 2015.

In July 2015, the Group acquired 35% equity interest of Qijun Electronic Payment (Wuhan) Limited (“Qijun Wuhan”, English translation of 啟峻電子支付(武漢)有限公司 for identification purpose only) from an independent third party at a consideration of RMB35 million (equivalent to approximately HK\$42.7 million). Qijun Wuhan remained inactive upon the completion of the acquisition and at 30 September 2015.

9. INTERESTS IN JOINT VENTURES

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Share of net assets	10,981	7,683

At 31 March 2015, interest in a joint venture represented 40% equity interest in Shanghai Eastern Net Communication Technology Company Limited (“Eastern Net”, English translation of 上海東方網通信技術有限公司 for identification purpose only).

In May 2015, the Group entered into a joint venture agreement with an independent third party (the “Joint Venture Partner”) to incorporate Shenzhou Rongjin (Beijing) Message Technology Limited (“Shenzhou Rongjin”, English translation of 神州融金(北京)信息科技有限公司 for identification purpose only). The Group and the Joint Venture Partner would contribute RMB9.8 million (equivalent to approximately HK\$12.0 million) and RMB10.2 million (equivalent to approximately HK\$12.4 million), representing 49% and 51% of the registered capital of Shenzhou Rongjin respectively. Up to 30 September 2015, the Group had contributed RMB2.94 million (equivalent to approximately HK\$3.59 million). Shenzhou Rongjin remained inactive since incorporation and will be engaged in smart cards business in the PRC.

Each of the Group and the Joint Venture Partner is entitled to appoint 2 and 3, respectively, out of 5 board members of Shenzhou Rongjin. Because certain strategic financial and operating decisions in relation to Shenzhou Rongjin’s operation require the consent of two-thirds (4 out of 5) board members, the Group and the Joint Venture Partner are considered to have joint control of the Shenzhou Rongjin under the arrangements and Shenzhou Rongjin is being regarded as a joint venture of the Group.

10. GOODWILL

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
	<i>Note</i>	
Reconciliation of carrying amount		
At the beginning of the reporting period	475,031	988
Additions	300,929	471,429
Exchange realignments	(16,643)	2,614
At the end of the reporting period	759,317	475,031
Cost	759,317	475,031
Accumulated impairment losses	–	–
	759,317	475,031

11. INVENTORIES

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Finished goods	<u>3,664</u>	<u>–</u>

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Trade receivables	<i>(a)</i> 45,481	29,276
Other receivables		
Deposits on investment	6,099	6,319
Deposits, prepayments and other debtors	139,477	38,543
Deposits paid to merchants	21,950	27,418
Due from an associate	<i>(b)</i> <u>12,198</u>	<u>–</u>
	<u>225,205</u>	<u>101,556</u>

12(a) Trade receivables

The Group allows a credit period up to 90 days to its trade debtors. At the end of the reporting period, the ageing analysis of the trade receivables by invoice date is as follows:

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Less than 3 months	44,444	27,725
Over 3 months	<u>1,037</u>	<u>1,551</u>
	<u>45,481</u>	<u>29,276</u>

12(b) Due from an associate

The amount due is unsecured, interest-free and has no fixed repayment term.

13. RESTRICTED BANK BALANCES

		Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
	<i>Note</i>		
Bank deposits			
Thailand	<i>(a)</i>	1,489	3,499
The PRC	<i>(b)(i)</i>	<u>583,900</u>	<u>679,398</u>
		<u>585,389</u>	<u>682,897</u>
Principal-guaranteed funds			
The PRC	<i>(b)(ii)</i>	<u>73,276</u>	<u>101,105</u>
		<u><u>658,665</u></u>	<u><u>784,002</u></u>

13(a) Thailand

Pursuant to the agreements signed with a cards acceptance business partner, the amounts represent bank balances in banks in Thailand maintained solely for the purpose of settlement of outstanding trade payables for the cards acceptance business and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Baht.

13(b) The PRC

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders / internet payment accounts' holders make purchase transactions with respective merchants and are not allowed to be used by the Group for any other purpose. The deposits and principal-guaranteed funds are denominated in RMB.

(i) Bank deposits – The PRC

The balances represented savings / current / fixed deposits accounts maintained with banks. They bear interest rate of 1.5% to 3.85% (31 March 2015: 0.35% to 5%) per annum.

(ii) Principal-guaranteed funds – The PRC

The balances represented funds with investment period of around 60 days and the principal amounts are guaranteed by banks. They are unlisted and bear interest at floating rate with expected return of 3.7% to 3.75% (31 March 2015: of 4.6% to 4.75%) per annum.

14. TRADE AND OTHER PAYABLES

		Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Trade payables	(a)	29,294	37,455
Prestige benefits cards – provision of hotel expenses		6,774	–
Unutilised float funds	(b)	651,714	748,959
Other payables			
Accrued charges and other payables		36,246	14,317
Due to an associate	(c)	42,693	–
Due to a joint venture	(c)	3,460	3,584
Due to ex-shareholders of a subsidiary	(c)	12,198	–
		<u>782,379</u>	<u>804,315</u>

14(a) Trade payables

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Less than 60 days	27,445	37,455
Over 60 days	1,849	–
	<u>29,294</u>	<u>37,455</u>

14(b) Unutilised float funds

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

14(c) Due to an associate / a joint venture / ex-shareholders of a subsidiary

The amounts due are unsecured, interest-free and have no fixed repayment term.

15. OTHER BORROWINGS, SECURED

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Interest-bearing borrowings, secured	<u>85,387</u>	<u>88,466</u>
Current portion	<u>85,387</u>	<u>88,466</u>

Beijing Weike, an indirect wholly owned subsidiary of the Company, entered into an equity income right transfer agreement, an equity income right buyback agreement and the related pledge and mortgage agreements (the “Borrowings Agreements”) with Shangyin Ruijin Asset Management (Shanghai) Co., Ltd. (“Shangyin”, English translation of 上銀瑞金資產管理(上海)有限公司 for identification purpose only), a subsidiary of Bank of Shanghai Co., Ltd. (“Bank of Shanghai”, English translation of 上海銀行股份有限公司 for identification purpose only), pursuant to which Beijing Weike shall transfer the equity income right (the “Right”) arising from its 90% equity interests in Open Union to Shangyin at the consideration of RMB70,000,000 (equivalent to approximately HK\$85,387,000) (31 March 2015: RMB70,000,000 (equivalent to approximately HK\$88,466,000)) (the “Basic Price”) and Beijing Weike shall be obliged to buy back the Right at one time, within next twelve months period from the date of transfer of the consideration upon the terms and conditions thereof (the “Buyback Obligation”), at the Basic Price plus a premium of 8.57% per annum (the “Premium”) of the Basic Price for the relevant period as referred to therein. Any dividend or other income associated with the 90% equity interests in Open Union shall be directly paid to an escrow account opened by Beijing Weike with Bank of Shanghai specifically for payment of the Basic Price and the Premium under the Buyback Obligation.

In addition, Beijing Weike has pledged its 90% equity interests in Open Union in favor of Shangyin and Open Union has pledged certain properties owned by it in favour of Shangyin to secure Beijing Weike’s performance of the Buyback Obligation. The Basic Price was received by Beijing Weike in October 2014.

Due to the fact that, notwithstanding the execution of the Borrowings Agreements, Beijing Weike is still able to control Open Union and is exposed, or has rights, to variable returns from its investments in Open Union and has the ability to affect those returns through its power over Open Union, Beijing Weike continues to recognise Open Union as its subsidiary and the Basic Price received is recognised as “other borrowings, secured” and the Premium is recognised as “finance costs” in the Interim Financial Statements.

Subsequent to 30 September 2015, the other borrowings were fully settled and the pledges of 90% of equity interests in Open Union and certain properties owned by Open Union were released upon settlement of the other borrowings.

16. OTHER-LONG TERM LIABILITIES

Other long-term liabilities represent the preference shares issued by OCG Thailand. The holders of such preference shares have the following rights:

- one vote for every five shares held on any resolution of OCG Thailand;

- the right to receive cumulative dividend declared by OCG Thailand at the annual rate of 9% paid up amount of the shares issued, prior to the ordinary shares; and
- the right to receive the distribution of the share capital, in the case of the winding up of OCG Thailand, prior to the ordinary shares, but limited to the paid up amount of each of the preference share.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in the Group's unaudited condensed consolidated statement of financial position in accordance with applicable accounting standards because, although they are not redeemable, the holders of which are entitled to receive 9% cumulative dividends on the paid up amount of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

At 30 September 2015, the Group had an outstanding amount due to a minority shareholder of Baht 1,650,000 (equivalent to approximately HK\$352,000) (31 March 2015: Baht 1,650,000 (equivalent to approximately HK\$393,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividends at 9% per annum, with an accrued dividend payable of approximately Baht 74,000 (equivalent to approximately HK\$16,000) (31 March 2015: Nil) as included in "trade and other payables".

17. CONVERTIBLE BONDS

- (a) In April 2015, the Company entered into the subscription agreements with two independent third parties to subscribe 6% convertible bonds in the principal amount of US\$10 million (equivalent to approximately HK\$77.55 million) (the "First Subscription") and US\$10 million (equivalent to approximately HK\$77.55 million) (the "Second Subscription"), respectively, which are due on 30 April 2018 and could convert into a maximum of 41,918,918 and 41,918,918 ordinary shares of the Company respectively in any time on or after 41 days after the date of issuance of convertible bonds until 10 days prior to the maturity date. Also, the convertible bonds would be mandatorily converted when the closing price of the share of the Company for each of 5 consecutive trading days is at least HK\$3.00 per share. The First Subscription and the Second Subscription were completed on 27 April 2015. The net prices per conversion share under the First Subscription and the Second Subscription to be issued are approximately HK\$1.846 and HK\$1.822, respectively. Details of the First Subscription and the Second Subscription including their major terms are set out in the announcement of the Company dated 12 April 2015.

The fair values of the liability, derivative (i.e. early redemption option by the Company) and equity conversion components were determined at issuance of the convertible bonds with reference to a professional valuation conducted by an independent professional valuer (the "Valuer").

On 12 June 2015, pursuant to the conversion notices from the bondholders to exercise their conversion rights in the First Subscription and Second Subscription, those convertible bonds were fully converted into 41,918,918 and 41,918,918 ordinary shares of the Company, respectively.

- (b) In April 2015, the Company entered into the placing agreements with not less than six placees, who are independent third parties, to place convertible bonds in the principal amount of US\$20 million (equivalent to approximately HK\$155.1 million) (the "April 2015 Placing") which are due on 30 April 2018 and could convert into a maximum of 83,837,837 ordinary shares of the Company in any time on or after 41 days after the date of issuance of convertible bonds until

10 days prior to the maturity date. Also, the convertible bonds would be mandatorily converted when the closing price of the share of the Company for each of 5 consecutive trading days is at least HK\$3.00 per share. The April 2015 Placing was completed on 30 April 2015. The net price per conversion share under the April 2015 Placing to be issued is approximately HK\$1.817. Details of the April 2015 Placing including the major terms are set out in the announcement of the Company dated 12 April 2015.

The fair values of the liability, derivative (i.e. early redemption option by the Company) and equity conversion components were determined at issuance of the convertible bonds with reference to a professional valuation conducted by the Valuer.

On 17 June 2015, pursuant to the conversion notices from the bondholders to exercise their conversion rights under the April 2015 Placing in respect of the principal amount of US\$8.5 million (equivalent to approximately HK\$65.9 million), those convertible bonds were converted into 35,631,081 ordinary shares of the Company. For the remaining convertible bonds of the principal amount of US\$11.5 million (equivalent to approximately HK\$89.2 million), upon fulfillment of the mandatory conditions as set out in the placing agreements, the Company had issued notices to the bondholders to mandatorily convert all remaining convertible bonds into 48,206,754 ordinary shares of the Company on 22 June 2015.

The above-mentioned convertible bonds recognised are calculated as follows:

	Unaudited <i>HK\$'000</i>
Liability component at, classified as financial liability at amounted costs	
Nominal value of convertible bonds issued	310,200
Derivative component at the issue date	113,500
Equity component at the issue date	<u>(130,690)</u>
At the issue date	<u>293,010</u>
Effective interest expenses	5,315
Converted during the period	<u>(298,325)</u>
At 30 September 2015	<u><u>–</u></u>
Equity component, classified as equity	
Convertible bonds issued	130,690
Converted during the period	<u>(130,690)</u>
At 30 September 2015	<u><u>–</u></u>
Derivative component, classified as financial assets at fair value through profit or loss	
Convertible bonds issued	113,500
Converted during the period	<u>(113,500)</u>
At 30 September 2015	<u><u>–</u></u>

18. SHARE CAPITAL

	Unaudited		Audited	
	At 30 September 2015		At 31 March 2015	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid				
At the beginning of the period / year	1,036,800,000	10,368	720,000,000	7,200
Shares issued upon placing in April 2014 (<i>Note i</i>)	-	-	144,000,000	1,440
Shares issued upon placing in September 2014 (<i>Note ii</i>)	-	-	104,310,000	1,043
Shares issued upon subscription in October 2014 (<i>Note iii</i>)	-	-	68,490,000	685
Conversion of convertible bonds upon exercise of the subscription agreements (<i>Note 17 (a)</i>)	83,837,836	839	-	-
Conversion of convertible bonds upon exercise of the placing agreements (<i>Note 17 (b)</i>)	83,837,835	838	-	-
Shares issued upon the subscription in July 2015 (<i>Note 21(a)</i>)	63,953,488	639	-	-
At end of the reporting period	<u>1,268,429,159</u>	<u>12,684</u>	<u>1,036,800,000</u>	<u>10,368</u>

Notes:

- (i) In April 2014, a total number of 144,000,000 ordinary shares were issued via placing at a price of HK\$1.46 per share. The Company raised proceeds of HK\$210,240,000 before expenses, to finance the Group's future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK\$5,533,000 arising from the placing were recognised in the share premium account of the Company.
- (ii) In September 2014, a total number of 104,310,000 ordinary shares were issued via placing at a price of HK\$1.46 per share. The Company raised proceeds of HK\$152,293,000 before expenses, to finance the Group's future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK\$4,048,000 arising from the placing were recognised in the share premium account of the Company.
- (iii) In October 2014, a total number of 68,490,000 ordinary shares were issued via subscription at a price of HK\$1.46 per share. The Company raised proceeds of approximately HK\$99,996,000 to finance the Group's future potential investments or otherwise as general working capital of the Group. No significant direct expense was incurred for the subscription.

All shares issued during the period rank pari passu with the existing shares in all respects.

19. SHARE OPTION SCHEME

On 14 August 2009, the Company adopted a share option scheme (the “Scheme”) for the purpose of recognising and motivating the contribution of the eligible persons to the Company and / or any of its subsidiaries and invested entities.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not exceed 10% of the shares in issue at the date of adoption of the Scheme (the “10% Limit”) or the date of any shareholders’ meeting in refreshing the 10% Limit, if applicable. The total number of the shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his / her associates abstaining from voting.

The exercise period of an option under the Scheme will be notified by the Board of Directors to each participant, which shall not exceed 10 years from the date upon which the option is granted. The Scheme does not contain specific provisions on the minimum period during which an option must be held before it can be exercised. Upon acceptance of the option, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. Subject to the early termination provisions of the Scheme, the Scheme will remain valid for a period of 10 years commencing from 14 August 2009.

The exercise price for shares under the Scheme will be a price determined by the Board of Directors and notified to each grantee and will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the shares.

Pursuant to an ordinary resolution passed in Extraordinary General Meeting (“EGM”) on 25 February 2015, the refreshment of the 10% Limit (the “Refreshment”) was proposed and passed by shareholders. The total number of the shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 103,680,000 shares, representing 10% of the issued share capital of the Company at the date of the EGM approving the Refreshment.

Movements on the number of share options outstanding during the period are as follows:

	Number of share options
At 31 March 2015	132,000,000
Granted during the period (<i>Note (i)</i>)	<u>103,680,000</u>
At 30 September 2015	<u><u>235,680,000</u></u>

Note:

- (i) On 21 April 2015, options of 103,680,000 shares (the “Share Options”) were granted to certain eligible persons, of which 35,000,000 Share Options were executive directors of the Company, under the Scheme to subscribe the Company’s ordinary shares at the exercise price of HK\$2.22. Details of number of Share Options granted to executive directors are set out below:

Name of executive directors	Number of Share Options granted
Mr. Zhang Huaqiao	20,000,000
Dr. Cao Guoqi (“Dr. Cao”)	5,000,000
Mr. Xiong Wensen	5,000,000
Mr. Song Xiangping	5,000,000

The validity period of the Share Options is five years from 21 April 2015, subject to the following vesting conditions:

- 34,560,000 Share Options will be vested on 21 April 2016;
- 34,560,000 Share Options will be vested on 21 April 2017; and
- 34,560,000 Share Options will be vested on 21 April 2018.

The fair values of Share Options granted on 21 April 2015 ranges from HK\$0.96 to HK\$1.31 per option, which are calculated using the Binominal Option Pricing Model with different exercisable periods the following key inputs:

Closing price of the share on the date of grant	HK\$2.20
Exercise price	HK\$2.22
Expected volatility	77.172%
Risk free interest rate	1.0208%
Expected dividend yield	Nil
Voluntary exercise boundary multiple	1.60-2.47

The expected volatility was determined on the historic volatility of the Company’s share prices.

During the six months ended 30 September 2015, with reference to the fair value of the share options granted, the Group recognised approximately HK\$31,220,000 (2014: approximately HK\$38,188,000) as the equity-settled share based payment expenses.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Interim Financial Statements on a recurring basis at 30 September 2015 (31 March 2015: Nil) across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) **Assets and liabilities measured at fair value**

30 September 2015 (Unaudited)	Total	Level 1	Level 2	Level 3
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Liabilities measured at fair value</i>				
Contingent consideration				
– consideration shares	87,791	–	87,791	–

During the six months ended 30 September 2015, there were neither transfers from Level 1 to Level 2 fair value measurement, nor transfers into or out of Level 3 fair value measurements.

(b) **Assets and liabilities with fair value disclosure, but not measured at fair value**

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair value at 30 September 2015 and 31 March 2015.

21. ACQUISITION OF SUBSIDIARIES

(a) **AE Investment Consulting Limited**

On 20 April 2015, the Group entered into sale and purchase agreements (the “Agreements”) with certain independent third parties (the “Vendors”) in respect of the acquisition of the entire equity interests of AE Investment Consulting Limited (“AE”) and its subsidiaries (together the “AE Group”) (the “AE Acquisition”). AE is primarily engaged in the issuance of prestige benefits cards to premium consumers and financial institutions. Details of the AE Acquisition are set out in the Company’s circular dated 12 June 2015.

Pursuant to the Agreements, the maximum nominal consideration is approximately HK\$312 million and to be satisfied by the Group as follows:

Initial consideration

An aggregate initial consideration of HK\$175 million:

- (i) HK\$1 million to be paid in cash as non-refundable deposits immediately upon the signing of the Agreements;
- (ii) HK\$36.5 million to be paid in cash on the completion date; and
- (iii) HK\$137.5 million to be paid in cash within 5 days after the completion date (the “First Tranche Consideration”).

On 17 July 2015, the Company also completed a subscription agreement with the Vendors to issue and subscribe 63,953,488 ordinary shares of the Company at the subscription price of HK\$2.15 per share, amounting to approximately HK\$137.5 million (the “AE Share Subscription”). Upon the completion of the AE Share Subscription, the First Tranche Consideration was deemed to be satisfied.

PRC SPA Consideration

An additional consideration amounted to RMB10,000,000 (equivalent to approximately HK\$12,198,000) to be paid to two shareholders of Shanghai Jingyuan Message Technology Limited (“Shanghai Jingyuan”, English translation of 上海靜元信息技術有限公司 for identification purpose only), an indirect wholly owned subsidiary of AE (the “PRC SPA Consideration”) to purchase the entire issued registered capital of Shanghai Jingyuan.

At 30 September 2015, the PRC SPA Consideration had not been paid by the Group and reported as “due to ex-shareholders of a subsidiary” as set out in Note 14 to the Interim Financial Statements.

Contingent consideration

A maximum of HK\$125 million which to be settled by the allotment and issue of a maximum of 58,139,534 new ordinary shares of the Company at an issue price of HK\$2.15 per share to the Vendors as follows:

- (i) HK\$54 million to be settled by the allotment of the consideration shares of the Company at a price of HK\$2.15 per share within one month after the issuance of the 2015 audited financial statements of AE (the “Second Tranche Consideration”); and
- (ii) HK\$71 million to be settled by the allotment of the consideration shares of the Company at a price of HK\$2.15 per share within one month after the issuance of the 2016 audited financial statements of AE (the “Third Tranche Consideration”).

The Second Tranche Consideration and the Third Tranche Consideration (together as the “Contingent Consideration”) is subject to adjustments on the basis of the following performance targets as stated in the Agreements in respect of the AE Acquisition:

- (i) the audited operating profit after tax for year 2015 (“2015 Net Profit”) shall not be less than RMB30,000,000 (equivalent to approximately HK\$37,674,000) (the “2015 Performance Target”); and
- (ii) the audited operating profit after tax for year 2016 (“2016 Net Profit”) shall not be less than RMB40,000,000 (equivalent to approximately HK\$50,232,000) (the “2016 Performance Target” and together with the 2015 Performance Target, the “Performance Targets”).

In the event that the 2015 Net Profit and the 2016 Net Profit shall be less than the 2015 Performance Target and the 2016 Performance Target, respectively, the abovementioned consideration shares shall be adjusted in accordance with the formula as set out in the Company’s circular dated 12 June 2015.

On 8 July 2015, the AE Acquisition was completed. The total fair value of the Contingent Consideration is valued by the Valuer in accordance with HKFRS 13 “Fair Value Measurement” issued by the HKICPA. Fair value is defined in HKFRS 13 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. The Valuer has reviewed the methodologies and the key valuation parameters and business assumptions adopted. The valuation of the Contingent Consideration is

mainly based on the trading price of the Company's shares, the latest financial information of AE Group, AE Group's financial performance forecast and other relevant indicators.

At 8 July 2015, the fair value of the Contingent Consideration is estimated to be approximately HK\$67,805,000. Due to the facts that the final settlement value of the Contingent Consideration – consideration shares is indexed to the achievement of the Performance Targets, therefore, the fair value of the Contingent Consideration – consideration shares is remeasured at 30 September 2015 on the same basis as above and the Group recognised a fair value loss on Contingent Consideration – contingent shares of approximately HK\$19,986,000 in profit and loss increasing the Contingent Consideration to approximately HK\$87,791,000 as a result of the increase in share price of the Company.

The movements of the Contingent Consideration are as follows:

	Unaudited <i>HK\$'000</i>
Initial recognition on 8 July 2015	67,805
Fair value change	19,986
	<hr/>
At 30 September 2015	87,791
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Current portion	37,926
Non-current portion	49,865
	<hr/>
	87,791
	<hr/> <hr/>

(b) Shanghai Aole Internal Technology Limited (“Shanghai Aole”, English translation of 上海遨樂網路科技有限公司 for identification purpose only)

On 17 August 2015, the Group entered into a sale and purchase agreement with two independent parties to acquire the entire equity interest of Shanghai Aole, at a cash consideration of RMB627,000 (equivalent to approximately HK\$765,000). The principle activities of Shanghai Aole are acting as agents of hotel booking. The acquisition was completed in September 2015.

(c) Shenzhen Rongyifu Electronic Business Limited (“Rongyifu”, English translation of 深圳市融易付電子商務有限公司 for identification purpose only)

On 26 May 2015, the Group entered into a sale and purchase agreement with two independent parties to acquire the entire equity interest of Rongyifu and two deeds of non-competition undertakings with the legal and beneficial owners of Rongyifu (the “Covenanters”) at aggregate consideration of RMB37,500,000 (equivalent to approximately HK\$45,743,000) (the “Rongyifu Acquisition”). Rongyifu is principally engaged in online international credit cards acceptance business in the PRC. The Rongyifu Acquisition was completed on 21 August 2015.

The arrangements with the Covenanters are to provide for the non-competition undertakings in favour of the Group during a restricted period of (i) 1 year commencing from the completion of the sale and purchase of the entire equity interests of Rongyifu pursuant to the sale and purchase agreement; or (ii) which the Covenanter is employed as the general manager of the international credit cards acceptance business of Rongyifu or such other positions as agreed by the Group, and one year thereafter.

The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed at the respective acquisitions.

	AE Group	Shanghai	Rongyifu	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration				
Cash paid	37,500	765	45,743	84,008
Subscription of shares	137,500	–	–	137,500
PRC SPA Consideration	12,198	–	–	12,198
Contingent Consideration – consideration shares	67,805	–	–	67,805
	<u>255,003</u>	<u>765</u>	<u>45,743</u>	<u>301,511</u>
Recognised amounts of identifiable assets acquired and liabilities assumed				
Property, plant and equipment	439	–	95	534
Intangible assets	206	–	–	206
Bank balances and cash	7,639	158	14,536	22,333
Trade and other receivables	11,616	922	10	12,548
Trade and other payables	(16,734)	(1,950)	(15,353)	(34,037)
Tax payables	(919)	(61)	(22)	(1,002)
Total identifiable net assets (liabilities)	<u>2,247</u>	<u>(931)</u>	<u>(734)</u>	<u>582</u>
Goodwill arising on acquisition	<u>252,756</u>	<u>1,696</u>	<u>46,477</u>	<u>300,929</u>
	AE Group	Shanghai	Rongyifu	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flow on acquisition of subsidiaries				
Net cash acquired from subsidiaries	7,639	158	14,536	22,333
Cash consideration paid	(37,500)	(765)	(45,743)	(84,008)
Net outflow of cash and cash equivalents	<u>(29,861)</u>	<u>(607)</u>	<u>(31,207)</u>	<u>(61,675)</u>

The Directors have engaged the Valuer to determine the fair value of the identifiable net tangible assets and intangible assets of the AE Group in accordance with HKFRS 13. The Valuer has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

Except for the property, plant and equipment with their aggregated fair values higher than the carrying values by approximately RMB4,300 (equivalent to approximately HK\$5,200), the carrying values of all other identifiable net assets (excluding goodwill) of the AE Group approximate their fair values at 8 July 2015.

With respect to the identifiable net assets of Shanghai Aole and Rongyifu, the Directors considered that their carrying value approximate its fair value in the date of the respective acquisitions.

Goodwill arising from the acquisitions represents the excess of the fair value of the considerations to be paid by the Group over the fair value of identifiable net tangible and intangible assets of the AE Group, Shanghai Aole and Rongyifu.

The goodwill arising from the acquisitions is attributable to (i) the acquirees' licenses for their respective operations (if any) and (ii) the growth and profit potential as a result of benefiting from the growing demand of their businesses. However, in the opinion of the Directors, the fair values of the licenses (if any) and the growth and profit potential cannot be reasonably estimated and thus no individual intangible assets have been recognised. None of the goodwill recognised is expected to be deductible for income tax purpose.

22. COMMITMENTS

Commitments under operating leases

As at 30 September 2015 and 31 March 2015, the Group had total future aggregate minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Within one year	5,161	5,472
In the second to fifth years inclusive	<u>1,322</u>	<u>1,035</u>
	<u>6,483</u>	<u>6,507</u>

Capital expenditure commitments

At the end of the reporting period, the Group had the following capital expenditure commitments:

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Contracted but not provided for, net of deposit paid		
– Purchase of softwares and licenses	1,174	1,314
– Purchase of property, plant and equipment	<u>1,461</u>	<u>–</u>
	<u>2,635</u>	<u>1,314</u>

In addition, on 8 October 2014, the Group entered into an agreement to acquire 10% equity interests of Zhongchao Hismart Information Technology (Beijing) Co., Ltd. (“Zhongchao Hismart”, English translation of 中鈔海思信息技術(北京)有限公司 for identification purpose only) together with the system development on customer consumption behaviour analysis at the aggregated consideration of no more than RMB18 million (equivalent to approximately HK\$23 million). At 30 September 2015, deposits of RMB5 million (equivalent to approximately HK\$6.1 million) (31 March 2015: RMB5 million (equivalent to approximately HK\$6.3 million)) had been paid and reported as “deposits on investments” as set out in Note 12 to the Interim Financial Statements. Such transaction is yet to be completed at the date of approving the Interim Financial Statements.

Zhongchao Hismart is principally engaged in digitalisation of currency and the provision of information solutions, in particular the application of payment technology solutions, especially application technology in multiple sectors, such as finance, transportation, tourism, commercial, retail etc. in the PRC.

23. EVENTS AFTER THE REPORTING PERIOD

- (a) On 8 October 2015, the Group had agreed to inject RMB6 million (equivalent to approximately HK\$7 million) into Dalian Youwawa Business Service Limited (“Dalian Youwawa”, English translation of 大連游娃娃商務服務有限公司 for identification purpose only) for the subscription of the newly increased registered capital of RMB0.3M (equivalent to approximately HK\$0.4 million), representing 20% of the registered capital of Dalian Youwawa upon the completion. Dalian Youwawa is principally engaged in provision of smart tourism solutions in the PRC. Upon completion, Dalian Youwawa will become an associate of the Group. The transaction is not yet completed at the date of approving the Interim Financial Statements.
- (b) Subsequent to 30 September 2015, OCG Thailand is undergoing the follow capital restructuring exercises (the OCG Thailand Restructuring”):
 - (i) Oriental City Group Thailand Limited (“OCG Thailand BVI”) and Oriental City Group Asia Pacific Limited (“OCG Asia Pacific”) would acquire 999,999 and 1 ordinary shares of OCG Thailand from the minority shareholders at the aggregate consideration of Baht 4,880,000 (equivalent approximately to HK\$1,064,000);
 - (ii) OCG Thailand would issue 2,550,000 new preference shares of OCG Thailand (the “New Preference Share”) and allot to one of the minority shareholders at par value of Baht 3 each;
 - (iii) OCG Thailand would reduce its registered and issued capital by deleting the entire existing 550,000 preference shares; and
 - (iv) the memorandum and articles (“M&A”) of OCG Thailand would also be updated to reflect the changes in the capital structure.

Upon completion of the OCG Thailand Restructuring, the Company's voting rights in OCG Thailand, through its non-wholly owned subsidiaries (namely, OCG Thailand BVI and OCG Asia Pacific), will increase from 57.47% to 90.74%. The results and financial position of OCG Thailand will be included in the Group's consolidated financial statements, after accounting for the New Preference Shares issued and its related cumulative dividend and the non-controlling interests of OCG Thailand BVI, to the extent of 70% (currently 42%) ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares of OCG Thailand indirectly held by the Company through OCG Thailand BVI and OCG Asia Pacific.

Details of the OCG Thailand Restructuring are set out in the Company's announcement dated 15 October 2015. The OCG Thailand Restructuring is yet to be fully implemented at the date of approving the Interim Financial Statements.

- (c) On 20 October 2015, the Company, Shanghai Lujiazui Finance Development Limited ("LJF", English translation of 上海陸家嘴金融發展有限公司 for identification purpose only), Shanghai Lujiazui Shareholding Investment Fund Partnership Enterprise (Limited Partner) ("LJZ Fund", English translation of 上海陸家嘴股權投資基金合夥企業(有限合夥) for identification purpose only) and Dr. Cao entered into a subscription agreement, pursuant to which LJF and LJZ Fund have conditionally agreed to (or agreed to procure the designated subsidiary to) subscribe for, and the Company has conditionally agreed to allot and issue, a total number of 422,809,720 new ordinary shares (the "Subscription Shares") at the subscription price of HK\$1.90 per the Subscription Share (the "LJF Subscription"). The Subscription Shares represent (i) approximately 33.33% of the existing issued share capital of the Company; and (ii) approximately 25.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The completion of the LJF Subscription is conditional upon the satisfaction of the conditions precedent in the announcement of the Company dated 25 October 2015. The LJF Subscription is not yet completed at the date of approving the Interim Financial Statements.

24. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 13 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group has been engaged in the following businesses during six months ended 30 September 2015 (the “Review Period”):

Total revenue for the Group for the Review Period was approximately HK\$223.53 million of which HK\$36.79 million, HK\$117.71 million, HK\$17.84 million and HK\$51.19 million were generated from the prepaid cards and internet payment business, cross-border e-commerce solution business, prestige benefits business and cards acceptance business respectively. The prepaid cards and internet payment business and prestige benefits business were newly acquired by the Group in January 2015 and July 2015 respectively. Compared with the same as recorded in the corresponding period last year, total revenue was increased by approximately 39.85% resulting from the introduction of the prepaid cards and internet payment business and prestige benefits business.

Gross profit of the Group for the Review Period amounted to approximately HK\$54.15 million, representing an increase of approximately 146.16% from the same as record in the corresponding period last year. The increase was mainly attributable by the introduction of the prepaid cards and internet payment business and prestige benefits business.

The general administrative expenses of the Group for the Review Period amounted to approximately HK\$85.28 million, representing an increase of HK\$31.64 million or approximately 58.98% from the same record as last year. The increase was mainly attributable to the increase of the salaries expenses for the newly acquired subsidiaries during the Review Period.

The selling and distribution costs of the Group for the Review Period amounted to approximately HK\$16.07 million, representing an increase of 1,002.75% as compared to the same record as last year. The increase was mainly arising from the increase in the selling and marketing costs for the newly acquired subsidiaries.

The loss of the Group for the Review Period amounted to approximately HK\$80.02 million, representing an increase of 114.37% as compared to the same record as last year. The Group recognised equity-settled share-based payment expenses and fair value loss on contingent consideration amounted to approximately HK\$17.73 million and HK\$19.99 million for the three months ended 30 September 2015 respectively (30 June 2015: approximately HK\$13.49 million and Nil). Without the recognition of equity-settled share-based payment expenses and fair value loss on contingent consideration, the Group reported a loss for the three months ended 30 September 2015 amounted to approximately HK\$7.63 million, compared with a loss of HK\$21.19 million for the three months ended 30 June 2015. The decrease of loss was mainly attributable to the 1) introduction of management fee on the inactive funds of prepaid cards accounts in accordance with relevant rules and regulations and 2) the high profitability of the newly acquired prestige benefits business.

Business Outlook

For the second half of 2015, the Group will continue to progress steadily in its four core strategic business areas, including: 1) “internet + prepaid” services; 2) merchant O2O services; 3) Pan-Asia payment and cross-border e-commerce and 4) value-added and internet finance services.

For the “internet + prepaid” services, our MSYPAY project, in collaboration with YLZ Information Technology, is now fully connected to three hospitals in Fuzhou, namely Fujian People’s Hospital, Fujian Provincial Hospital, and Fujian Stomatological Hospital. The medical prepaid network is expected to cover 18 Class 3A hospitals in the city of Fuzhou in 2015/16, and to cover all major hospitals in Fujian Province within three years. On 10 June 2015, a joint venture was incorporated with Digital China Group (as disclosed in the Company’s announcement dated 14 May 2015) to explore and develop smart city projects in Mainland China. This partnership’s first official prepaid service project is expected to kick off in a major city in China in the near future, with three additional cities under negotiation.

For the Group’s merchant O2O services, during the quarter ended 30 September 2015, we deployed smart POS terminals at 13 additional Wanda Plazas, making the Group now present in 20 Wanda shopping malls with more than 2,300 smart POS terminals as of 30 September 2015. During the same period, the Group also kicked off a new project by deploying smart POS terminals at 4S shops of SAIC Motor Corporation Limited (“SAIC”) in Shanghai, to accept various smart payment formats, including a co-brand prepaid cards by SAIC and PetroChina Company Limited (“PetroChina”). Smart POS terminals will continue to be installed at SAIC 4S shops and PetroChina petrol stations across China. The Group also will continue to make progress on various smart POS initiatives with strategic partners including China UnionPay, NETS, and Dalian Youwawa among others.

During this period, our Pan-Asia payment and e-commerce network have continued to expand in Singapore and Japan, two of the most advanced economies in Asia, through strategic partnerships with NETS (Singapore’s national payment system) and LAOX (Japan’s largest duty-free chain) respectively. Our first co-brand prepaid cards outside China, KoolCard, was launched officially in Singapore in collaboration with NETS, allowing inbound tourists in Singapore to pay for public transportation, shopping, other tourist activities, including various discount and promotion programs at tour destinations. As the overseas executions are met with initial success, the Group has now entered negotiation with new partners in other Asian markets, including South Korea and Vietnam.

For value-added and internet finance services, on 8 July 2015, we successfully completed the acquisition of AE, the parent company of a leading prestige benefits company in China. This strategic acquisition will provide a major boost to the Company’s profitability in the recent months. We will also continue to seek opportunities to expand the internet finance industry actively by either partnering with or acquiring internet finance operators in order to leverage the Company’s payment capabilities and provide innovative, convenient and secure financial services.

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 30 September 2015, Beijing Weike, an indirect wholly owned subsidiary of the Company, entered into an equity income right transfer agreement, an equity income right buyback agreement and the related pledge and mortgage agreements (the “Agreements”) with Shangyin, a subsidiary of Bank of Shanghai, pursuant to which Beijing Weike shall transfer the equity income right (the “Right”) arising from its 90% equity interests in Open Union to Shangyin at the consideration of RMB70,000,000, equivalent to approximately HK\$85,387,000 (31 March 2015: RMB70,000,000, equivalent to HK\$88,466,000) (the “Basic Price”) and Beijing Weike shall be obliged to buy back the Right at one time, within next twelve months period from the date of transfer of the consideration upon the terms and conditions thereof (the “Buyback Obligation”), at the Basic Price plus a premium of 8.57% per annum (the “Premium”) of the Basic Price for the relevant period as referred to therein. Any dividend or other income associated with the 90% equity interests in Open Union shall be directly paid to an escrow account opened by Beijing Weike with Bank of Shanghai specifically for payment of the Basic Price and the Premium under the Buyback Obligation. The Premium is recognised as “finance costs” in the Interim Financial Statements.

The Group’s other long-term borrowings amounted to Baht 1,650,000 (equivalent to approximately HK\$352,000) (31 March 2015: Baht1,650,000 (equivalent to approximately HK\$393,000)) due to the borrowing of a non-controlling shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum and such dividend was recorded as finance costs. The gearing ratio of the Group is calculated as a ratio of total borrowings to total assets for the period/year ended 30 September 2015 and 31 March 2015, representing approximately 4% and 6% respectively. As at 30 September 2015, the Group had net current assets of approximately HK\$127.69 million (31 March 2015: approximately HK\$28.18 million). Current ratio as at 30 September 2015 was 1.14 (31 March 2015: 1.03). The cash and cash equivalents of the Group as at 30 September 2015 were approximately HK\$151.84 million (31 March 2015: approximately HK\$37.58 million).

In April 2015, the Company entered into the placing agreements with not less than six placees, who are independent third parties, to place convertible bonds in the principal amount of US\$20 million (equivalent to approximately HK\$155.1 million) (the “April 2015 Placing”) which are due on 30 April 2018 and could convert into a maximum of 83,837,837 ordinary shares of the Company in any time on or after 41 days after the date of issuance of convertible bonds until 10 days prior to the maturity date. Also, the convertible bonds would be mandatorily converted when the closing price of the share of the Company for each of 5 consecutive trading days is at least HK\$3.00 per share. The April 2015 Placing was completed on 30 April 2015. The net price per conversion share under the April 2015 Placing to be issued is approximately HK\$1.817. Details of the April 2015 Placing including the major terms are set out in the announcement of the Company dated 12 April 2015.

On 17 June 2015, pursuant to the conversion notices from the bondholders to exercise their conversion rights under the April 2015 Placing in respect of the principal amount of US\$8.5 million (equivalent to approximately HK\$65.9 million), those convertible bonds were converted into 35,631,081 ordinary shares of the Company. For the remaining convertible bonds of the principal amount of US\$11.5 million (equivalent to approximately HK\$89.2 million), upon fulfillment of the mandatory conditions as set out in the placing agreements, the Company had issued notices to the bondholders to mandatorily convert all remaining convertible bonds into 48,206,754 ordinary shares of the Company on 22 June 2015.

Capital Structure

Total equity attributable to equity holders of the Company amounted to approximately HK\$937.21 million as at 30 September 2015 (31 March 2015: HK\$562.40 million).

Foreign Exchange Exposure

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in Hong Kong dollars (“HK\$”), Renminbi (“RMB”) and Baht, which are the functional currencies of the relevant subsidiaries. The Group’s trade receivables arising from the operation of cards acceptance business in Thailand are mainly denominated in United States dollars (“US\$”). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 30 September 2015, the Group had outstanding foreign currency forward contracts for the exchange of US\$ with Baht of approximately US\$1,300,000 (equivalent to approximately HK\$10,074,000) (31 March 2015: Nil). No material fair value gain or loss has been recognised for the foreign currency forward contracts and no hedging accounting has been adopted. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 September 2015.

Employees and Remuneration Policy

As at 30 September 2015, the Group had a total staff of 341 (31 March 2015: 183) of whom 23 were based in Hong Kong, 298 were based in PRC, 10 were based in Singapore and the remaining 10 were based in Thailand. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

Material Acquisition, Disposals and Significant Investment

Saved as disclosed in this announcement, the Group has made no other material acquisitions, disposal or any significant investments during the Review Period.

Segment Information

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

Charges on Assets

As at 30 September 2015, the Group's leasehold land and buildings with net carrying amount of approximately HK\$32,863,000 (31 March 2015: HK\$34,923,000) and the equity interests in Open Union directly held by Beijing Weike are pledged to a financial institution in the PRC for securing a loan facility of RMB70,000,000, equivalent to approximately HK\$85,387,000 (31 March 2015: RMB70,000,000, equivalent to HK\$88,466,000) granted to Beijing Weike.

Contingent Liabilities

As at 30 September 2015, the Group did not have any significant contingent liabilities.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: Nil).

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

As at 30 September 2015, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long position 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 (<i>Note 1</i>)	55,560,000	4.38%
	Beneficial owner (<i>Note 2</i>)	11,000,000	0.87%
	Interest of spouse (<i>Note 3</i>)	1,370,000	0.11%
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner (<i>Note 2</i>)	2,000,000	0.16%
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner (<i>Note 2</i>)	31,310,000	2.47%
Mr. Xiong Wensen ("Mr. Xiong")	Beneficial owner (<i>Note 2</i>)	13,600,000	1.07%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner	5,000,000	0.39%

Notes:

- These 52,860,000 Shares were held by Probest Limited ("Probest") which was in turn wholly owned by Dr. Cao. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 52,860,000 Shares held by Probest under the SFO.
- 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.
- 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 under the SFO.

(b) Associated corporation

Save as disclosed above, as at 30 September 2015, so far as is known to any of the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

As at 30 September 2015, 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
Tian Li Holdings Limited ("Tian Li") (<i>Note 1</i>)	Beneficial owner	174,500,000	13.76%
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation	174,500,000	13.76%
Zhang Chang	Beneficial owner	68,490,000	5.40%
Zheng Lu	Beneficial owner	1,370,000	0.11%
	Interest of spouse (<i>Note 2</i>)	66,560,000	5.25%

Notes:

1. Mr. Cheng is the controlling shareholder of Tian Li. The 174,500,000 Shares held by Mr. Cheng are the same Shares held by Tian Li.
2. These 66,560,000 Shares were held by Dr. Cao who is the husband of Ms. Zheng Lu. Accordingly, Ms. Zheng Lu is deemed to be interested in these 66,560,000 Shares under the SFO.

Save as disclosed above, as at 30 September 2015, 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.

COMPETING INTERESTS

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

SHARE OPTION SCHEME

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

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

Grantee:	Date of grant:	Exercise price of the Share options granted:	Number of the Share Options granted:	Closing price of the Share on the date of grant:	Validity period of the Share options:	Vesting date of the Share options:
Mr. Zhang Huaqiao	7 September 2012	HK\$0.84 per share	6,000,000	HK\$0.84 per share	Five years (7 September 2012 to 6 September 2017)	2,000,000 Share options have been vested on 6 March 2013; 2,000,000 Share options have been vested on 6 March 2014; 2,000,000 Share options have been vested on 6 March 2015.
(a) Dr. Cao Guoqi and (b) Mr. Fung Weichang	19 November 2013	HK\$1.66 per share	(a) 6,000,000 (b) 2,000,000	HK\$1.64 per share	Five years (19 November 2013 to 18 November 2018)	(a) 3,000,000 Share options have been vested on 19 November 2013; and 3,000,000 Share options have been vested on 19 November 2014. (b) 2,000,000 Share options have been vested on 19 November 2013.
Mr. Xiong Wensen	22 September 2014	HK\$1.55 per share	8,600,000	HK\$1.40 per share	Five years (22 September 2014 to 21 September 2019)	8,600,000 Share options have been vested on 22 September 2014.
(a) Mr. Zhang Huaqiao (b) Dr. Cao Guoqi (b) Mr. Xiong Wensen (b) Mr. Song Xiangping	21 April 2015	HK\$2.22 per share	(a) 20,000,000 (b) 5,000,000 (b) 5,000,000 (b) 5,000,000	HK\$2.20 per share	Five years (21 April 2015 to 20 April 2020)	(a) 6,666,666 Share options shall be vested on 21 April 2016; 6,666,667 Share options shall be vested on 21 April 2017 and 6,666,667 Share options shall be vested on 21 April 2018. (b) 1,666,666 Share options shall be vested on 21 April 2016; 1,666,667 Share options shall be vested on 21 April 2017 and 1,666,667 Share options shall be vested on 21 April 2018.

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 Listings Rules.

Besides, as part of the corporate governance practices, the Board has established a nomination committee, a remuneration committee, an audit committee and internal control committee and 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 responsibility of reviewing and monitoring the training and continuous professional development of the Group's senior management whilst the compliance committee is responsible for developing, reviewing and monitoring the code of conduct applicable to our Directors and the Group's employees and reviewing the Company's compliance with 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 was not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2015 to 30 September 2015.

AUDIT COMMITTEE

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

The primary responsibilities of the Audit Committee are to (i) 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.

The Group's unaudited interim results for the six months ended 30 September 2015 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, 13 November 2015

As at the date of this announcement, 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 three independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.chinasmartpay.com.