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 2014

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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's revenue amounted to approximately HK$159.83 million for the six months ended 30 September 2014, which represented an increase of approximately 131% as compared with the Group's revenue recorded in the corresponding period in 2013.

- The Group reported a loss amounted to approximately HK$37.33 million for the period ended 30 September 2014 as compared with a profit of approximately HK$5.60 million last year. The Group reported a loss attributable to equity holders of the Company for the period ended 30 September 2014 which amounted to approximately HK$40.44 million (2013: HK$0.81 million).

- Loss per share for the loss attributable to equity holders of the Company for the six months ended 30 September 2014 was approximately 4.72 HK cents (2013: 0.13 HK cents).

- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: 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 2014 together with the comparative figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2014

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2014	2013	**2014**	2013
	NOTE	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**84,836**	36,693	**159,832**	69,177
Cost of services rendered and cost of goods sold		**(75,777)**	(27,316)	**(137,833)**	(49,902)
Gross profit		**9,059**	9,377	**21,999**	19,275
Other income		**131**	1	**227**	59
General administrative expenses		**(41,319)**	(4,970)	**(53,644)**	(9,516)
Selling and distribution costs		**(936)**	(270)	**(1,457)**	(495)
Finance costs	*4*	**(9)**	(9)	**(19)**	(19)
Share of results of an associate	*7*	**(286)**	–	**(379)**	–
Share of results of a joint venture	*8*	**(19)**	–	**(19)**	–
(Loss) Profit before taxation	*4*	**(33,379)**	4,129	**(33,292)**	9,304
Income tax expenses	*5*	**(1,997)**	(1,758)	**(4,036)**	(3,707)
(Loss) Profit for the period		**(35,376)**	2,371	**(37,328)**	5,597
Attributable to:					
Equity holders of the Company		**(37,209)**	(798)	**(40,443)**	(807)
Non-controlling interests		**1,833**	3,169	**3,115**	6,404
		(35,376)	2,371	**(37,328)**	5,597
Loss per share for loss attributable to equity holders of the Company					
Basic and diluted	*6*	**(4.27) HK cents**	(0.13) HK cents	**(4.72) HK cents**	(0.13) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2014

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) Profit for the period	**(35,376)**	2,371	**(37,328)**	5,597
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of foreign subsidiaries	**602**	(74)	**443**	(951)
Total comprehensive (loss) income for the period	**(34,774)**	2,297	**(36,885)**	4,646
Attributable to:				
Equity holders of the Company	**(36,509)**	(902)	**(40,001)**	(1,643)
Non-controlling interests	**1,735**	3,199	**3,116**	6,289
	(34,774)	2,297	**(36,885)**	4,646

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	NOTE	**Unaudited 30 September 2014 HK$'000**	Audited 31 March 2014 HK$'000
Non-current assets			
Property, plant and equipment	9	**5,467**	3,320
Interests in an associate	7	**24,842**	–
Interests in a joint venture	8	**197,524**	–
Goodwill	10	**988**	988
		228,821	4,308
Current assets			
Trade and other receivables	11	**190,134**	123,641
Restricted bank balances	12	**6,479**	9,026
Cash and cash equivalents		**110,895**	47,141
		307,508	179,808
Current liabilities			
Trade and other payables	13	**39,568**	38,631
Tax payables		**4,116**	1,843
		43,684	40,474
Net current assets		**263,824**	139,334
Total assets less current liabilities		**492,645**	143,642
Non-current liabilities			
Deferred tax liabilities		**459**	658
Other long-term liabilities	14	**395**	393
		854	1,051
NET ASSETS		**491,791**	142,591
Capital and reserves			
Share capital	15	**9,683**	7,200
Reserves		**475,910**	127,254
		485,593	134,454
Equity attributable to equity holders of the Company			
Non-controlling interests		**6,198**	8,137
TOTAL EQUITY		**491,791**	142,591

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Statutory reserve** *HK$'000* <Remark>	**Share options reserve** *HK$'000* *(Note 16)*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
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:										
Item that may be reclassified subsequently to profit or loss:										
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:										
Contributions and distributions:										
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**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**38,188**	**–**	**38,188**	**–**	**38,188**
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**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000 <Remark>	Share options reserve HK$'000 (Note 16)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
For the six months ended 30 September 2013										
At 1 April 2013 (audited)	6,000	14,559	6,996	421	766	928	(13,428)	16,242	2,229	18,471
Profit for the period	–	–	–	–	–	–	(807)	(807)	6,404	5,597
Other comprehensive loss:										
Item that may be reclassified subsequently to profit or loss:										
Exchange difference on translation of foreign subsidiaries	–	–	–	(836)	–	–	–	(836)	(115)	(951)
Total comprehensive income for the period	–	–	–	(836)	–	–	(807)	(1,643)	6,289	4,646
Transaction with owners:										
Contributions and distributions:										
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	429	–	429	–	429
Dividend to non-controlling interests of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	(6,599)	(6,599)
Change in ownership interests:										
Disposal of equity interest in a subsidiary	–	–	–	–	–	–	7,138	7,138	2,862	10,000
	–	–	–	–	–	429	7,138	7,567	(3,737)	3,830
At 30 September 2013 (unaudited)	6,000	14,559	6,996	(415)	766	1,357	(7,097)	22,166	4,781	26,947

<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 2014

	Unaudited Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Cash (used in) generated from operations	**(30,334)**	6,426
Interest received	**99**	59
Income tax paid	**(2,027)**	(2,669)
Net cash (used in) from operating activities	**(32,262)**	3,816
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,882)**	(794)
Acquisition of investment in an associate	**(25,221)**	–
Acquisition of investment in a joint venture	**(147,543)**	–
Deposits on investment paid	**(81,377)**	–
Net cash used in investing activities	**(257,023)**	(794)
FINANCING ACTIVITIES		
Proceeds from shares issued upon placings	**352,952**	–
Dividend paid to non-controlling interests of non-wholly owned subsidiary	**–**	(1,060)
Proceeds from disposal of ownership interests in subsidiaries that does not result in a loss of control	**–**	10,000
Net cash from financing activities	**352,952**	8,940
Net increase in cash and cash equivalents	**63,667**	11,962
Cash and cash equivalents at beginning of period	**47,141**	23,009
Effect on exchange rate changes	**87**	(826)
Cash and cash equivalents at end of period	**110,895**	34,145

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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 2014 (the "Interim Financial Statements") have been 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 2014, 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 2014 (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 associates and joint ventures as follows:

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

Basis of preparation *(continued)*

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but no control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.

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

Adoption of new / revised HKFRSs

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior 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 HKFRS 10, HKFRS 12 and HKAS 27: Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Interim Financial Statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32: Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Interim Financial Statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36: Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Interim Financial Statements as the Group has no such items.

Amendments to HKAS 39: Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Interim Financial Statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21: Levies

The new interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The new interpretation does not have an impact on the Interim Financial Statements as the guidance is consistent with the Group's existing accounting policies.

2. REVENUE

Revenue, which represents transaction fee income and foreign exchange rate discount income from card acceptance business and sales income from cross-border e-commerce solution business, is analysed by category as follows:

	Unaudited Three months ended 30 September		**Unaudited Six months ended 30 September**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Card acceptance transaction fee income	**18,783**	30,001	**33,133**	54,879
Foreign exchange rate discount income	**4,202**	6,692	**7,817**	14,298
Sales of goods from cross-border e-commerce solution business	**61,851**	–	**118,882**	–
	84,836	36,693	**159,832**	69,177

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) card acceptance business in Thailand; and

(ii) cross-border e-commerce solution business among Hong Kong and the People's Republic of China (the "PRC").

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 measure 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 and taxation.

3. **SEGMENT REPORTING** *(continued)*

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided, assets and capital expenditure are attributed to the segments based on the location of the assets. The geographical segment information is reflected within operating segment information as the Group's two distinctive business activities are provided in two different locations.

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 2014 (unaudited)

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

3. **SEGMENT REPORTING** *(continued)*

Business segment *(continued)*

Six months ended 30 September 2013 (unaudited)

	Card acceptance business *HK$'000*	Cross-border e-commerce solution business *HK$'000*	Consolidated *HK$'000*
Segment revenue			
Major customer A	15,488	–	15,488
Major customer B	14,298	–	14,298
Other customers	39,391	–	39,391
	69,177	–	69,177
Segment results	15,993	–	15,993
Unallocated interest and other income			59
Unallocated finance costs			(19)
Unallocated other expenses			(6,729)
Profit before taxation			9,304
Income tax expenses			(3,707)
Profit for the period			5,597

3. **SEGMENT REPORTING** *(continued)*

Segment assets and liabilities

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

At 30 September 2014 (unaudited)

	Card acceptance business	**Cross-border e-commerce solution business**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Property, plant and equipment	**3,312**	**141**	**2,014**	**5,467**
Goodwill	**–**	**988**	**–**	**988**
Other assets	**37,713**	**28,040**	**464,120**	**529,874**
Total assets	**41,025**	**29,169**	**466,134**	**536,329**
Total liabilities	**31,256**	**9,339**	**3,943**	**44,538**

At 31 March 2014 (audited)

	Card acceptance business	Cross-border e-commerce solution business	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	2,890	160	269	3,319
Goodwill	–	988	–	988
Other assets	40,253	41,928	97,627	179,808
Total assets	43,143	43,076	97,896	184,115
Total liabilities	29,583	9,292	2,650	41,525

4. (LOSS) PROFIT BEFORE TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
This is stated after charging:				
Finance costs				
Finance costs on other long-term liabilities	**8**	10	**18**	19
Other finance costs	**1**	–	**1**	–
Other items				
Cost of goods sold	**58,202**	–	**107,174**	–
Depreciation of property, plant and equipment	**457**	290	**755**	524
Staff costs, including directors' emoluments and equity-settled share-based payment expenses	**39,761**	1,744	**43,675**	3,202
Operating lease charges on premises	**1,245**	384	**1,825**	743

5. TAXATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
Hong Kong Profits Tax	**1,074**	–	**1,902**	–
Thailand Enterprise Income Tax	**746**	1,425	**1,433**	3,000
Withholding tax on dividend declared by a non-wholly owned subsidiary	**–**	593	**900**	594
	1,820	2,018	**4,235**	3,594
Deferred tax				
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**177**	(260)	**(199)**	113
Income tax expenses for the period	**1,997**	1,758	**4,036**	3,707

(i) **Hong Kong Profits Tax**

Hong Kong Profits Tax has 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. However, the Group had no assessable profits arising in or derived from Hong Kong for the period ended 30 September 2013.

(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 PRC enterprise income tax at 25%. However, no income tax has been provided as the Group's operations in the PRC incurred losses for taxation purposes.

OCG Thailand is subject to Thailand income tax at 20% (2013: 20%).

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 2014 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of HK$37,209,000 and HK$40,443,000 respectively, (2013: HK$798,000 and HK$807,000 respectively) and on the weighted average number of 871,936,630 and 857,760,492 ordinary shares (2013: 600,000,000 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 2014 and 30 September 2013.

7. INTERESTS IN AN ASSOCIATE

Pursuant to a capital injection agreement signed on 20 March 2014, during the six months ended 30 September 2014, the Group injected RMB20 million (equivalent to approximately HK$25 million) into 上海商酷網絡科技有限公司 (Shanghai Koolcloud Technology Company Limited, "Shanghai Koolcloud", its English translation is for identification purpose only), which represented 22.22% of the enlarged registered capital of Shanghai Koolcloud, a limited company established in the PRC and is a manufacturer and operator of leading smart point-of-sale terminal technology.

Due to the fact that the Group is able to exercise significant influence on Shanghai Koolcloud, the Group classified Shanghai Koolcloud as an associate and accounted for the investment under equity accounting method.

The Group's share of result of Shanghai Koolcloud is set out as follows:

	Unaudited Three months ended 30 September 2014 *HK$'000*	**Unaudited Six months ended 30 September 2014** *HK$'000*
Loss of an associate for the period	**(1,283)**	**(1,702)**
Group's ownership interests	**22.22%**	**22.22%**
Group's share of results of an associate	**(286)**	**(379)**

8. INTERESTS IN A JOINT VENTURE

On 25 May 2014, the Group entered into a framework agreement on the acquisition of 33% interests in 微科睿思在線(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited, "Beijing Weike", its English translation is for identification purpose only), which is a company established in the PRC with limited liability and holds 90% equity interests in another Company established in the PRC, 開聯通網絡技術服務有限公司 (Open Union Network Technology Services Limited, "Open Union", its English translation is for identification purpose only), through certain contractual arrangements as detailed in the Company's circular dated 1 September 2014 at an aggregate consideration of RMB156 million (equivalent to approximately HK$197 million) (the "BJ Weike Acquisition") of which a deposit of HK$50 million has been paid by the Group as at 31 March 2014.

Upon completion of the BJ Weike Acquisition on 23 September 2014, Beijing Weike (together with its 90% owned subsidiary, Open Union) is recognised as a joint venture of the Group and is accounted for using the equity method of accounting in accordance with the Group's accounting policies to the extent of its 33% interests.

In addition, a deposit of RMB64 million (equivalent to approximately HK$81.4 million) was paid by the Group for a call option to acquire the remaining 67% interests in Beijing Weike in September 2014.

The summarised financial information in respect of Beijing Weike is set out below, which represents amounts shown in the unaudited consolidated financial statements of Beijing Weike prepared in accordance with HKFRSs for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	Unaudited 30 September 2014 ***HK$'000***
Gross amount	
Non-current assets	**517,276**
Current assets	**926,885**
Current liabilities	**(845,604)**
Net assets	**598,557**
Reconciliation	
Gross amount of equity	**598,557**
Group's ownership interests	**33%**
Group's share of equity and carrying amount of interests in a joint venture	**197,524**

8. INTERESTS IN A JOINT VENTURE *(continued)*

	Unaudited From 23 September 2014 to 30 September 2014 *HK$'000*
Loss for the period	**(59)**
Group's ownership interests	**33%**
Group's share of results of a joint venture	**(19)**

Significant subsequent events

On 25 September 2014, Beijing Weike entered into an equity income right transfer agreement, an equity income right buyback agreement and the related pledge and mortgage agreements (the "Agreements") with 上銀瑞金資產管理(上海)有限公司 (Shangyin Ruijin Asset Management (Shanghai) Co., Ltd., "Shangyin", its English translation is for identification purpose only), a subsidiary of 上海銀行股份有限公司 (Bank of Shanghai Co., Ltd., "Bank of Shanghai", its English translation is 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 million, equivalent to approximately HK$88 million, (the "Basic Price") and Beijing Weike shall be obliged to buy back the Right at one time 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 shall pledge its 90% equity interest in Open Union in favor of Shangyin and Open Union shall pledge 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, upon the execution of the Agreements, Beijing Weike is still able to control Open Union and is exposed, or has rights, to variable returns from its investments with Open Union and has the ability to affect those returns through its power over Open Union, Beijing Weike still recognises Open Union as its subsidiary and the Basic Price received would be recognised as "other borrowing (secured)" and the Premium would be recognised as "finance costs" in the financial statements of Beijing Weike.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group spent approximately HK$2,882,000 (2013: HK$794,000) on additions to the office equipment and leasehold improvement.

10. GOODWILL

	Unaudited 30 September 2014 *HK$'000*	Audited 31 March 2014 *HK$'000*
Reconciliation of carrying amount		
At beginning of the reporting period	**988**	–
Additions	**–**	988
At the end of the reporting period	**988**	988
Cost	**988**	988
Accumulated impairment losses	**–**	–
	988	988

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2014 *HK$'000*	Audited 31 March 2014 *HK$'000*
Trade receivables	**43,796**	26,187
Other receivables		
Deposits on investment *(Note 8)*	**81,378**	50,000
Deposits, prepayments and other debtors	**64,960**	47,454
	190,134	123,641

All trade receivables are aged within 30 days based on the invoice date.

The Group allows a credit period up to 90 days to its trade debtors and the trade debtors usually settle the outstanding balance within 90 days from the billing date. As at the end of the reporting period, all trade receivables are fully performing.

12. RESTRICTED BANK BALANCES

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

13. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 September	31 March
	2014	2014
	HK$'000	*HK$'000*
Trade payables	**33,915**	34,413
Other payables		
Accrued charges and other payables	**5,653**	4,218
	39,568	38,631

All trade payables are aged within 30 days for the periods presented.

The creditors allow a credit period up to 30 days to the Group.

14. 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.

14. OTHER-LONG TERM LIABILITIES *(continued)*

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.

As at 30 September 2014, the Group had an outstanding amount due to a minority shareholder of Baht 1,650,000 (equivalent to approximately HK$395,000) (31 March 2014: 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 Baht 74,000 (equivalent to HK$18,000) (31 March 2014: Nil) as included in trade and other payable.

15. SHARE CAPITAL

	Unaudited		Audited	
	At 30 September 2014		At 31 March 2014	
	Number of shares	**Nominal value** *HK$'000*	Number of shares	Nominal value *HK$'000*
Authorised	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid				
At beginning of the year	**720,000,000**	**7,200**	600,000,000	6,000
Shares issued upon placing in April 2014 *(Note i)*	**144,000,000**	**1,440**	–	–
Shares issued upon placing in September 2014 *(Note ii)*	**104,310,000**	**1,043**	–	–
At end of the reporting period	**968,310,000**	**9,683**	600,000,000	6,000

15. SHARE CAPITAL *(continued)*

Note:

(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 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 HK$4,048,000 arising from the placing were recognised in the share premium account of the Company.

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

16. 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.

16. SHARE OPTION SCHEME *(continued)*

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.

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

	Number of share options
At 31 March 2014	60,000,000
Granted during the period *(Note (i))*	72,000,000
At 30 September 2014	**132,000,000**

Note:

(i) On 22 September 2014, options of 72,000,000 shares (the "Share Options") were granted to certain eligible persons of which 8,600,000 Share Options were granted to Mr. Xiong Wensen, an executive director of the Company, under the Scheme to subscribe for the Company's ordinary shares at the exercise price of HK$1.55. The validity period of the Share Options is five years from 22 September 2014.

The fair values of Share Options granted on 22 September 2014 are HK$0.6959 and HK$0.4736 per option, which are calculated using the Binominal Option Pricing Model with the following key inputs:

Closing price of the share on the date of grant	HK$1.40
Exercise price	HK$1.55
Expected volatility	78.34%
Risk free interest rate	0.6420%
Expected dividend yield	Nil

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

During the six months ended 30 September 2014, with reference to the fair value of the share options granted, the Group recognised approximately HK$38,188,000 (2013: approximately HK$429,000) as the equity-settled share based payment expenses.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, which carried at amortised cost, are not materially different from their fair values as at 30 September 2014 and 31 March 2014.

18. COMMITMENTS

Commitments under operating leases

As at 30 September 2014 and 31 March 2014, the Group had total future aggregate minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Unaudited	Audited
	30 September	31 March
	2014	2014
	HK$'000	*HK$'000*
Within one year	**2,444**	2,453
In the second to fifth years inclusive	**736**	1,146
	3,180	3,599

19. EVENTS AFTER THE REPORTING PERIOD

(i) In February 2013, the Group entered into a non-legally binding memorandum of understanding (the "Memorandum") with a third party in respect of a possible acquisition of equity interests in a target company (the "Possible Acquisition"). The target company, together with its subsidiary, is principally engaged in the payment card business in the PRC. In August 2014, the parties to the Memorandum agreed to extend the date for signing of the formal agreement, which shall take place no later than 28 November 2014. A legally binding agreement in relation to the Possible Acquisition is yet to be finalised as at the date of approving the Interim Financial Statements and therefore, it is not practicable to reliably estimate the financial impacts of the Possible Acquisition.

(ii) On 8 October 2014, the Company completed the placing of 68,490,000 placing shares at a price of HK$1.46 per placing share with net proceeds, after deducting related placing commission and other related expenses, of approximately HK$100 million.

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

(iii) After completion of the BJ Weike Acquisition, on 15 October 2014, Beijing Weike, the shareholder of Beijing Weike, 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Company Limited, "Shanghai Yongle", its English translation is for identification purpose only), the shareholders of Shanghai Yongle and a wholly owned subsidiary of the Company, 深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited, "Shenzhen Yongle", its English translation is for identification purpose only), entered into an option framework agreement on the proposed exercise of the call option to acquire the remaining 67% interest in Beijing Weike by Shanghai Yongle at an aggregate consideration of RMB312 million (equivalent to approximately HK$390 million), details of which had been set out in the Company's announcement dated 15 October 2014.

Upon execution of the call option, Beijing Weike will become a wholly-owned subsidiary of Shanghai Yongle such that Shanghai Yongle will have the full control over the board of Beijing Weike (including the right of nomination of all directors) and, as Shanghai Yongle is being considered as a wholly-owned subsidiary of the Group pursuant to certain contractual arrangements, Beijing Weike will be fully consolidated to the accounts of the Group in accordance with the Group's accounting policies.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 14 November 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2014 (the "Review Period"), the Group focused on its card acceptance business in Thailand and its cross-border e-commerce solution business respectively. For the card acceptance business, the transaction volume handled by the Group was decreased by approximately 35.25% as compared with the record of the corresponding period in 2013 as a result of the political instability in Thailand in the first three months of the Review Period. The card acceptance business commenced to retrieve since July 2014. During the Review Period, the Group was also engaged in the cross-border e-commerce solution business which provided one-stop solution to connect the PRC e-commerce merchants with overseas buyers and covered all aspects of international e-commerce, including but not limited to products sourcing and distribution, cross-border payment, logistics packaging, human resources outsourcing, advertising, brand management.

On 23 September 2014, the Company completed the investment for 33% shareholding stake of 微科睿思在線(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited, "Beijing Weike", its English translation is for identification purpose only). Beijing Weike holds 90% equity interest in Open Union (also referred to as the "Licence Company"), which holds a payment service licence (the "Payment Service Licence") that allows it to issue and process both physical and virtual prepaid products on a nationwide basis in the PRC. Further, the Group made an investment in an associate which is a manufacturer and operator of cutting-edge smart point-of-sales terminal technology. The Group's respective shares in the results of Beijing Weike and the said associate were reflected in the Group's consolidated financial statements during the Review Period.

On 3 September 2014, the Company and 中鈔海思信息技術（北京）有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd., "Zhongchao Hismart", its English translation is for identification purpose only) entered into a strategic cooperation agreement (the "ZH Strategic Cooperation Agreement") in respect of collaboration on exploring and developing universal citizen prepaid cards (which can be applied in, among others, local tourism and payments by drivers) for a term from the date of the ZH Strategic Cooperation Agreement to 30 April 2019 (automatically extended for five years upon expiry unless objected by the parties in writing). Zhongchao Hismart is a subsidiary of 中國印鈔造幣總公司 (China Banknote Printing and Minting Corporation, its English translation is for identification purpose only), a state-owned corporation and direct affiliate of the PBOC which carries out the minting of RMB coins and printing of RMB banknotes in the PRC. As a start-up, the Company, by utilising the resources and expertise of the Licence Company, and Zhongchao Hismart will jointly launch, among others, (i) 廣東省旅遊刷卡無障礙示範項目 (Barrier-free Tourism Card Pilot Program in Guangdong Province, its English translation is for identification purpose only) which enables the cardholder to settle the entrance fees, parking fees, shopping, hotel accommodation and entertainment at various tourist spots in Guangdong Province using one single card; and (ii) 廣西駕駛員卡 (Driver's Payment card) which enables the cardholder to pay almost all driving-related expenses, such as tolls, traffic fines, repair and maintenance fees, vehicle insurance and annual vehicle examination fee.

BUSINESS OUTLOOK

Leveraging its core business in electronic payment, trading and settlement platforms, the Group has been continuously exploring new business opportunities in order to improve the Group's future operating results and enhance its competitiveness.

The Group has gradually shifted the strategic focus to payment business in the PRC (the "PRC payment business"). The Group will base the PRC payment business on prepaid payment, internet payment, mobile payment and online-offline services. The PRC payment business will ultimately enable the Group to build a large-scale real-name customer information database and to offer comprehensive personal financial services to the customers.

On 15 October 2014, Beijing Weike, Beijing Weike's shareholders and relevant subsidiaries of the Company entered into the Option Framework Agreement, as the Company intends to formalise the structure for the exercise of the Option to acquire 67% of the equity interests in Beijing Weike which would result in controlling 90% equity interests in the Licence Company. It is expected that the circular will be despatched to the Shareholders by no later than 28 November 2014.

Apart from completing the acquisition of Beijing Weike, the PRC payment business will focus on opportunities arising from three aspects: (1) industry consolidation of traditional corporate prepaid card service; (2) co-brand partnerships; and (3) personal and virtual prepaid card service.

Industry consolidation of traditional corporate prepaid card service

The traditional prepaid card market is a highly fragmented market and competition has been fierce where small and medium-sized regional card issuers are difficult to compete effectively with national card issuers who are usually more resourceful and sizeable. The Group intends to leverage its nationwide Payment Service Licence, management and technology skills to develop a standardized prepaid card platform to attract partnership with those small and medium-sized regional card issuers. It is expected that under such partnership, those small and medium-sized regional card issuers may issue prepaid cards using Payment Service Licence and/or brand of the Licence Company and integrate with the merchant acceptance network of the Licence Company. By doing so, the Licence Company may take over the management of relevant custodian funds, processing, settlement and after-sale services of the prepaid cards issued by those partnering small and medium-sized regional card issuers and enjoy synergy and economy of scale.

Co-brand partnerships

Moreover, prepaid cards can be applied in various markets and industries, such as healthcare, tourism, shopping malls and complexes, transportation, smart city and smart housing. By introducing co-brand card programs with different partners in various industries, the Company can rapidly enhance the acceptance network as well as issuance channels. On the other hand, the partners may control strategic resources (such as information database) for the respective industries, often on a nationwide basis, yet lack the means, capability and the payment service licence to issue relevant payment products. A partnership between the Company and these industry partners can there be beneficial to both sides. The ZH Strategic Cooperation Agreement is a typical example of such kind of co-brand partnerships. Furthermore, on 7 November 2014, the Company and Zhongchao Hismart entered into the TourismCard Cooperation Agreement in respect of collaboration on developing and promoting the TourismCard in Guangdong Province, the PRC. The two parties aim to issue at least 5,000,000 co-brand bank cards with electronic wallet and contactless payment functions and 10,000,000 anonymous prepaid cards and to build an acceptance network of at least 100,000 merchants. The Group strives to introduce and implement more similar partnerships in the near future.

Personal and virtual prepaid card service

Under its Payment Service Licence, the Licence Company is allowed to develop personal and virtual prepaid card service business. The personal and virtual prepaid card service in the PRC is still a largely untapped market as the traditional prepaid card service market is still highly focused on corporate clients. Personal and virtual prepaid service serve individual consumers and has many possible applications.

Financial Review

Total revenue for the Review Period amounted to approximately HK$159.83 million of which approximately HK$40.95 million was generated from the card acceptance business in Thailand while approximately HK$118.88 million was generated by the cross-border e-commerce solution business.

The gross profit for the Review Period was approximately HK$22 million, representing an increase of approximately 14% from the corresponding period in last year. The increase was mainly attributed by the introduction of cross-border e-commerce solution business this year.

The general administrative expenses of the Group during the Review Period were approximately HK$53.64 million, representing an increase of approximately 464% from the corresponding period in last year. The increase was mainly attributable to an increase in the overall staff costs, including the recognition of equity-settled share based payment expenses of approximately HK$38.19 million and directors' remuneration, and the legal and professional fees of the Group during the Review Period.

The selling and distribution costs during the Review Period amounted to approximately HK$1.46 million, which was increased by approximately HK$0.96 million from approximately HK$0.5 million of the same period in last year. The increase was mainly arising from the increase of staff costs of the marketing team in Thailand, the acquisition of new subsidiaries and the overseas travelling expenses of the Group.

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 30 September 2014, the Group's other long-term borrowings amounted to Baht 1,650,000 (equivalent to approximately HK$0.4 million) due to 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, calculated as a ratio of total borrowings to total assets, for periods ended 30 September 2014 and 2013 were approximately 0.07% and 0.44% respectively.

As at 30 September 2014, the Group had net current assets of approximately HK$263.82 million (31 March 2014: HK$139.33 million). Current ratio as at 30 September 2014 was approximately 7.04 (31 March 2014: approximately 4.44). The cash and cash equivalents of the Group as at 30 September 2014 were approximately HK$110.9 million (31 March 2014: HK$47.14 million).

On 28 March 2014, the Company entered into a placing and subscription agreement (the"April Placing and Subscription Agreement") with Tian Li Holdings Limited (being the vendor) (the "Vendor") and certain placing agents. Pursuant to this April Placing and Subscription Agreement, the placing agents would, as placing agents of the Vendor and on a best effort basis, procure placees to purchase up to 144,000,000 placing shares (the "April Placing Share(s)") at the price of HK$1.46 per April Placing Share. Also, the Company agreed to issue and the Vendor agreed to subscribe up to 144,000,000 shares (the "April Subscription Share(s)") at the price of HK$1.46 per April Subscription Share, on the terms and subject to the conditions set out in the April Placing and Subscription Agreement. The relevant placees were independent third parties (as defined in the GEM Listing Rules).

The placing of the April Placing Shares and the subscription of the Subscription Shares were completed on 2 April 2014 and 11 April 2014 respectively. The net proceeds, after deducting related placing commission and other related expenses, of approximately HK$203.3 million were intended to be used (i) as to approximately HK$179 million for the possible investment (as detailed in the Company's announcement dated 19 August 2013); and (ii) as to approximately HK$25 million for investment in Shanghai Koolcloud.

Under the general mandate pursuant to an ordinary resolution of the shareholders of the Company passed on 25 July 2014 (the "General Mandate"), on 10 September 2014, the Company entered into a placing and subscription agreement (the "September Placing and Subscription Agreement") with the Vendor and certain placing agents. Pursuant to the September Placing and Subscription Agreement, the placing agents would, as agents of the Vendor and on a best effort basis, procure placees to purchase up to 104,310,000 placing shares (the "September Placing Share(s)") at the price of HK$1.46 per September Placing Share. Also, the Company agreed to issue and the Vendor agreed to subscribe up to 104,310,000 shares (the "September Subscription Share(s)") at the price of HK$1.46 per September Subscription Share, on the terms and subject to the conditions set out in the September Placing and Subscription Agreement. The relevant placees were independent third parties (as defined in the GEM Listing Rules).

The placing of the September Placing Shares and the subscription of the September Subscription Shares were completed on 15 September 2014 and 24 September 2014 respectively.

Under the General Mandate, on 10 September 2014, the Company also entered into a subscription agreement (the "October Subscription Agreement") with Mr. Zhang Chang (the "Subscriber") who was a professional investor, the manager of his family fund and also the senior investment adviser of 易聯眾信息技術股份有限公司 (YLZ Information Technology Co., Ltd, "YLZ", its English translation is for identification purpose only) who has bridged the strategic cooperation between YLZ and the Licence Company in July 2014. Pursuant to the October Subscription Agreement, the Company agreed to issue and the Subscriber agreed to subscribe 68,490,000 shares (the "Subscriber's Subscription Shares") at a total consideration of HK$99,995,400. The Subscriber was an independent third party (as defined in the GEM Listing Rules) prior to the entering into of the October Subscription Agreement.

The subscription of the Subscriber's Subscription Shares was completed on 8 October 2014.

The net proceeds from the placing of the September Placing Shares and the subscription of the Subscriber's Subscription Shares, after deducting related placing commissions and other related placing commission and other related expenses, amount to approximately HK$248.03 million in aggregate. The Company intends to apply these aggregate net proceeds to finance further investment in the Licence Company (if materialise), any transactions contemplated under the ZH Strategic Cooperation Agreement or towards other payment card business and investment opportunities which may arise in the future or otherwise as general working capital of the Group.

Capital Structure

Total equity attributable to equity holders of the Company amounted to approximately HK$485.59 million as at 30 September 2014 (31 March 2014: HK$134.45 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$"), Renminbi ("RMB") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars ("US$"). 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 2014, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$2,460,000 (equivalent to approximately HK$19,099,000) (31 March 2014: US$1,000,000, equivalent to approximately HK$7,758,000). 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 2014.

Employees and Remuneration Policy

As at 30 September 2014, the Group had a total staff of 61 (31 March 2014: 29) of whom 10 were based in Hong Kong, 11 were based in Thailand and the remaining 40 were based in the PRC. 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 Acquisitions, 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 unaudited condensed consolidated financial results of this announcement.

Charges on Assets

Saved as disclosed in this announcement, as at 30 September 2014, the Group did not have any charges on its assets.

Contingent Liabilities

As at 30 September 2014, 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 2014 (2013: Nil).

UPDATED BIOGRAPHICAL DETAILS OF A DIRECTOR

Mr. Zhang Huaqiao ("Mr. Zhang"), the chairman and the non-executive Director of the Company, was appointed as an independent non-executive director by Luye Pharma Group Limited and Wanda Hotel Development Company Limited (both of them are listed on the Main Board of the Stock Exchange), with effect from June 2014 and September 2014 respectively. On the other hand, Mr. Zhang resigned as the independent non-executive director of Fuguiniao Co., Ltd. and Ernest Borel Holdings Limited (both of them are listed on the Main Board of the Stock Exchange), with effect from 30 June 2014 and 10 November 2014 respectively.

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

As at 30 September 2014, 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
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation *(Note 1)*	174,500,000	18.02%
Mr. Cao Guoqi ("Mr. Cao")	Corporate – Interest of controlled corporation *(Note 2)*	51,270,000	5.29%
	Beneficial owner *(Note 3)*	6,000,000	0.62%
	Interest of spouse *(Note 4)*	770,000	0.08%
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner *(Note 3)*	2,000,000	0.21%
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner *(Note 3)*	6,000,000	0.62%
Mr. Xiong Wensen ("Mr. Xiong")	Beneficial owner *(Note 3)*	8,600,000	0.89%

Note: 1. These Shares were held by Tian Li Holdings Limited ("Tian Li") which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee ("Ms. Cheng") respectively. Ms Cheng is the sister of Mr. Cheng, As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in these Shares held by Tian Li under the SFO.

2. These 51,270,000 Shares were held by Probest Limited ("Probest") which in turn is wholly owned by Mr. Cao. As Mr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 51,270,000 Shares held by Probest under the SFO.

3. These Shares represent the options of shares granted to Mr. 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.

4. These 770,000 Shares were held by Ms. Zheng Lu who is the wife of Mr. Cao. Accordingly, Mr. Cao is deemed to be interested in these 770,000 Shares under the SFO.

(b) Associated corporation

As at 30 September 2014, Ms. Cheng, the sister of Mr. Cheng, held 30% equity interests in Tian Li. Ms. Cheng retired by rotation as an executive Director of the Company with effect from 25 July 2014.

Save as disclosed above, as at 30 September 2014, 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 2014, 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 *(Note 1)*	Beneficial owner	174,500,000	18.02%
Probest *(Note 2)*	Beneficial owner	51,270,000	5.29%

Save as disclosed above, as at 30 September 2014, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Note:

1. Tian Li is a company owned as to 70% and 30% by Mr. Cheng and Ms. Cheng respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in these Shares held by Tian Li under the SFO. Mr. Cheng is a director of Tian Li.

2. Probest is a company wholly owned by Mr. Cao. As Mr. Cao is the controlling shareholder of Probest, he is deemed to be interested in the 51,270,000 Shares held by Probest under the SFO. Mr. Cao is a director of Probest.

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 participants. Eligible participants 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:	Mr. Zhang Huaqiao (a non-executive Director)	(a) Mr. Cao Guoqi (an executive Director) (b) Mr. Fung Weichang (an executive Director)	Mr. Xiong Wensen (an executive Director)
Date of grant:	7 September 2012	19 November 2013	22 September 2014
Exercise price of the share options granted:	HK$0.84 per share	HK$1.66 per share	HK$1.55 per share
Number of the share options granted:	6,000,000	(a) 6,000,000 (b) 2,000,000	8,600,000
Closing price of the share on the date of granted:	HK$0.84 per share	HK$1.64 per share	HK$1.40 per share
Validity period of the share options:	Five years (7 September 2012 to 6 September 2017)	Five years (19 November 2013 to 18 November 2018)	Five years (22 September 2014 to 21 September 2019)
Vesting date of share options:	2,000,000 share options have been vested on 6 March 2013; 2,000,000 share options have been vested on 6 March 2014; and 2,000,000 share options will be vested on 6 March 2015.	(a) 3,000,000 share options have been vested on 19 November 2013; and 3,000,000 share options will be vested on 19 November 2014. (b) 2,000,000 share options have been vested on 19 November 2013.	8,600,000 shares options have been vested on 22 September 2014.

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 an internal control committee and a compliance committee. The Board is responsible for developing and reviewing the Group's policies and practices on corporate governance and reviewing and monitoring the training and continuous professional development of our Directors. The internal control committee is vested with 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, each of the Directors has confirmed that he has confirmed that he has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2014 to 30 September 2014.

AUDIT COMMITTEE

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

The primary responsibilities of the Audit Committee are (i) to review the annual report and accounts, half yearly reports and quarterly reports and provide advice, comments thereon to the Board and (ii) to 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 2014 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Zhang Huaqiao
Chairman

Hong Kong, 14 November 2014

As at the date of this announcement, the Board of Directors of the Company comprises (i) four executive Directors, namely Mr. Cheng Nga Ming Vincent, Mr. Cao Guoqi, Mr. Fung Weichang and Mr. Xiong Wensen,(ii) one non-executive Director, namely Mr. Zhang Huaqiao and (iii) three independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuam 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.