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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

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.

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*This announcement, for which the directors (the “Directors”) of China Smartpay Group Holdings Limited (the “Company”) (other than Mr. Cheng Nga Ming Vincent**) 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 (other than Mr. Cheng Nga Ming Vincent**), 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\$333.39 million for the year ended 31 March 2015, which represented an increase of approximately 125% as compared with the Group's revenue recorded in the corresponding period in 2014.
- The Group reported a loss amounted to approximately HK\$70.50 million for the year ended 31 March 2015 as compared with a loss of approximately HK\$7.70 million last year. The Group reported a loss attributable to equity holders of the Company for the year ended 31 March 2015 amounted to approximately HK\$78.23 million, (2014: approximately HK\$17.76 million).
- The Group recognised equity-settled share-based payment expenses amounted to approximately HK\$53.50 million for the year ended 31 March 2015 (2014: approximately HK\$9.50 million). Without the recognition of equity-settled share-based payment expenses, the Group reported a loss for the year amounted to approximately HK\$17.00 million as compared with a profit for the year of approximately HK\$1.80 million last year.
- Loss per share for the loss attributable to equity holders of the Company for the year ended 31 March 2015 was approximately 8.15 HK cents (2014: approximately 2.72 HK cents).
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2015, together with the comparative figures for the corresponding period in 2014.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	4	333,388	148,475
Cost of services rendered and cost of goods sold		<u>(270,289)</u>	<u>(112,536)</u>
Gross profit		63,099	35,939
Other income	5	858	128
General administrative expenses		(113,972)	(34,428)
Selling and distribution costs		(7,522)	(2,900)
Finance costs	6	(2,534)	(37)
Share of results of joint ventures		(1,167)	–
Share of results of associates		<u>(1,519)</u>	–
Loss before tax	6	(62,757)	(1,298)
Income tax expenses	7	<u>(7,740)</u>	<u>(6,403)</u>
Loss for the year		<u>(70,497)</u>	<u>(7,701)</u>
Attributable to:			
Equity holders of the Company		(78,232)	(17,762)
Non-controlling interests		<u>7,735</u>	<u>10,061</u>
		<u>(70,497)</u>	<u>(7,701)</u>
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted	8	<u>(8.15) HK cents</u>	<u>(2.72) HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year	(70,497)	(7,701)
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign subsidiaries	<u>(268)</u>	<u>(1,502)</u>
Total comprehensive loss for the year	<u>(70,765)</u>	<u>(9,203)</u>
Total comprehensive loss attributable to:		
Equity holders of the Company	(78,507)	(18,848)
Non-controlling interests	<u>7,742</u>	<u>9,645</u>
	<u>(70,765)</u>	<u>(9,203)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Interests in a joint venture		7,683	–
Interests in associates		29,945	–
Goodwill		475,031	988
Property, plant and equipment		43,937	3,320
Intangible assets		2,063	–
		558,659	4,308
Current assets			
Other investments		1,955	–
Trade and other receivables	<i>10</i>	101,556	123,641
Restricted bank balances		784,002	9,026
Cash and cash equivalents		37,577	47,141
		925,090	179,808
Current liabilities			
Trade and other payables	<i>11</i>	804,315	38,631
Other borrowings, secured		88,466	–
Tax payables		4,131	1,843
		896,912	40,474
Net current assets		28,178	139,334
Total assets less current liabilities		586,837	143,642

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		2,076	658
Other long-term liabilities	<i>12</i>	393	393
		<u>2,469</u>	<u>1,051</u>
NET ASSETS		<u>584,368</u>	<u>142,591</u>
Capital and reserves			
Share capital	<i>13</i>	10,368	7,200
Reserves		552,030	127,254
Equity attributable to equity holders of the Company		562,398	134,454
Non-controlling interests		<u>21,970</u>	<u>8,137</u>
TOTAL EQUITY		<u>584,368</u>	<u>142,591</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2015

	Attributable to equity holders of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2013	6,000	14,559	6,996	421	766	928	(13,428)	16,242	2,229	18,471
Loss for the year	-	-	-	-	-	-	(17,762)	(17,762)	10,061	(7,701)
Total other comprehensive loss:										
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of foreign subsidiaries	-	-	-	(1,086)	-	-	-	(1,086)	(416)	(1,502)
Total comprehensive loss for the year	-	-	-	(1,086)	-	-	(17,762)	(18,848)	9,645	(9,203)
Transaction with owners:										
<i>Contributions and distributions:</i>										
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	9,499	-	9,499	-	9,499
Shares issue upon placing in October 2013 (Note 13(a))	1,200	119,223	-	-	-	-	-	120,423	-	120,423
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	(6,599)	(6,599)
<i>Change in ownership interests:</i>										
Disposal of ownership interests in subsidiaries	-	-	-	-	-	-	7,138	7,138	2,862	10,000
Transaction with owners for the year	1,200	119,223	-	-	-	9,499	7,138	137,060	(3,737)	133,323
At 31 March 2014	7,200	133,782	6,996	(665)	766	10,427	(24,052)	134,454	8,137	142,591
At 1 April 2014	7,200	133,782	6,996	(665)	766	10,427	(24,052)	134,454	8,137	142,591
Loss for the year	-	-	-	-	-	-	(78,232)	(78,232)	7,735	(70,497)
Total other comprehensive loss:										
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of foreign subsidiaries	-	-	-	(275)	-	-	-	(275)	7	(268)
Total comprehensive loss for the year	-	-	-	(275)	-	-	(78,232)	(78,507)	7,742	(70,765)
Transaction with owners:										
<i>Contributions and distributions:</i>										
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	53,503	-	53,503	-	53,503
Shares issue upon placing in April 2014 (Note 13(b))	1,440	203,267	-	-	-	-	-	204,707	-	204,707
Shares issue upon placing in September 2014 (Note 13(c))	1,043	147,202	-	-	-	-	-	148,245	-	148,245
Shares issue upon subscription in October 2014 (Note 13(d))	685	99,311	-	-	-	-	-	99,996	-	99,996
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	(6,681)	(6,681)
<i>Change in ownership interests:</i>										
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	-	12,772	12,772
Transaction with owners for the year	3,168	449,780	-	-	-	53,503	-	506,451	6,091	512,542
At 31 March 2015	10,368	583,562	6,996	(940)	766	63,930	(102,284)	562,398	21,970	584,368

NOTES:

1. CORPORATE INFORMATION

China Smartpay Group Holdings Limited was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability. The Company's shares are listed on the GEM of the Stock Exchange. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and the Group is principally engaged in the card acceptance business in Thailand, the cross-border e-commerce solution business and the prepaid cards and internet payment business in the People's Republic of China (the "PRC").

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013/2014 consolidated financial statements except for the adoption of certain new/revised HKFRSs that are relevant to the Group and effective from the current year.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans – Employee Contributions¹</i>
Various HKFRSs	<i>Annual Improvements Project – 2010-2012 Cycle²</i>
Various HKFRSs	<i>Annual Improvements Project – 2011-2013 Cycle²</i>
Amendments to HKAS 1	<i>Disclosure Initiative³</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation³</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants³</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements³</i>
Amendments to HKAS 28 (2011) and HKFRS 10	<i>Sale of Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the consolidation Exception³</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations³</i>
HKFRS 14	<i>Regulatory Deferral Accounts³</i>
Various HKFRSs	<i>Annual Improvements Project – 2012-2014 Cycle⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers⁵</i>
HKFRS 9 (2014)	<i>Financial Instruments⁶</i>

- ¹ Effective for annual periods beginning on or after 1 July 2014
- ² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
- ³ Effective for annual periods beginning on or after 1 January 2016
- ⁴ Effective for annual periods beginning on or after 1 January 2016, with limited exceptions
- ⁵ Effective for annual periods beginning on or after 1 January 2017
- ⁶ Effective for annual periods beginning on or after 1 January 2018

The Directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

Critical judgements made in applying accounting policies

Subsidiary – Oriental City Group (Thailand) Company Limited (“OCG Thailand”)

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the “FBA”), OCG Thailand being a company engaged in the provision for card acceptance business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the preference shares structure arrangement (the “Preference Shares Structure”) of OCG Thailand, majority of OCG Thailand's issued capital, including ordinary and preference share capital, is owned by Thai citizens. However, the Company, through its wholly owned subsidiary, Oriental City Group Thailand Limited, is able to exercise more than 50% voting power in any shareholders' meeting of OCG Thailand.

The Company's legal advisors as to Thai laws have confirmed that the Preference Shares Structure is in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of similar capital structure of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon the management's judgement on the Preference Shares Structure, the Company accounts for OCG Thailand as a subsidiary in accordance with the HKFRS 10 on the ground that it is exposed, or has rights, to variable returns from its involvement with OCG Thailand and has the ability to affect those returns through its power over OCG Thailand.

Subsidiary – 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Limited, “Shanghai Yongle”, English translation for identification purpose only)

By implementation of series of structured agreements entered between an indirect 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”, English translation for identification purpose only), Shanghai Yongle and the legal owners of Shanghai Yongle (the “Control Agreements”), Shenzhen Yongle had obtained control over Shanghai Yongle and Shenzhen Yongle is exposed, or has rights, to variable returns from its involvement with Shanghai Yongle and has the ability to affect those returns through its power over Shanghai Yongle.

The Company’s legal advisors as to the applicable laws and regulations in the PRC have confirmed that the Control Agreements are in compliance with all existing laws and regulations in the PRC. After due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Control Agreements are valid, legal and enforceable in the PRC.

Based upon the management’s judgement on the Control Agreements, the Company accounts for Shanghai Yongle and its subsidiaries, 微科睿思在綫(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited, “Beijing Weike”, English translation for identification purpose only) and 開聯通網絡技術服務有限公司 (Open Union Network Technology Services Limited, “Open Union”, English translation for identification purpose only), as subsidiaries in accordance with HKFRS 10.

As the Group holds no equity interest in Shanghai Yongle but are subject to the Structured Agreements, significant judgments are necessary as to whether these contracts give the Group the ability to exercise control over Shanghai Yongle, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure etc.

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 PRC;
- (ii) cross-border e-commerce solution business; and
- (iii) card 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.

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 three distinctive business activities are provided in three different locations.

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

Year ended 31 March 2015

	Prepaid cards and internet payment business <i>HK\$'000</i>	Cross-border e-commerce solution business <i>HK\$'000</i>	Card acceptance business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
Major customer A	–	187,597	–	187,597
Other customers	7,871	32,332	105,588	145,791
	<u>7,871</u>	<u>219,929</u>	<u>105,588</u>	<u>333,388</u>
Segment results	<u>(1,299)</u>	<u>16,570</u>	<u>19,406</u>	34,677
Unallocated interest and other income				858
Unallocated finance costs				(2,534)
Unallocated other expenses				(93,072)
Share of results of joint ventures				(1,167)
Share of results of associates				<u>(1,519)</u>
Loss before tax				(62,757)
Income tax expenses				<u>(7,740)</u>
Loss for the year				<u><u>(70,497)</u></u>

Year ended 31 March 2014

	Cross-border e-commerce solution business <i>HK\$'000</i>	Card acceptance business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
Major customer A	34,150	–	34,150
Major customer B	–	24,097	24,097
Major customer C	–	23,885	23,885
Other customers	–	66,343	66,343
	<u>34,150</u>	<u>114,325</u>	<u>148,475</u>
Segment results	<u>4,342</u>	<u>25,490</u>	29,832
Unallocated interest and other income			128
Unallocated finance costs			(37)
Unallocated other expenses			<u>(31,221)</u>
Loss before tax			(1,298)
Income tax expenses			<u>(6,403)</u>
Loss for the year			<u>(7,701)</u>

Other information of the operating segments is as follows:

At 31 March 2015

	Prepaid card and internet payment business HK\$'000	Cross-border e-commerce solution business HK\$'000	Card acceptance business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
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
Total assets	1,363,766	25,760	41,727	52,496	1,483,749
Total liabilities	856,782	6,359	28,149	8,091	899,381
Additional segment information:					
Amortisation	55	–	–	2	57
Depreciation	861	38	1,236	424	2,559
Equity-settled share-based payment expenses	–	–	–	53,503	53,503
Additions to intangible assets	2,079	–	–	30	2,109
Additions to property, plant and equipment	39,165	–	1,442	2,394	43,001

At 31 March 2014

	Cross-border e-commerce solution business HK\$'000	Card acceptance business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Property, plant and equipment	160	2,890	270	3,320
Goodwill	988	–	–	988
Other assets	41,928	40,253	97,627	179,808
Total assets	43,076	43,143	97,897	184,116
Total liabilities	9,292	29,583	2,650	41,525
Additional segment information:				
Depreciation	6	985	106	1,097
Equity-settled share-based payment expenses	–	–	9,499	9,499
Additions to property, plant and equipment	168	1,016	77	1,261

4. REVENUE

Revenue is analysed by category as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cross-border e-commerce solution business		
Sales of goods	219,929	34,150
Card acceptance business		
Card acceptance transaction fee income	82,683	90,228
Foreign exchange rate discount income	22,905	24,097
Prepaid cards and internet payment business		
Card issuing service fee income	261	–
Merchant service fee income	1,537	–
Interest income from accumulated unutilised float funds	6,073	–
	<u>333,388</u>	<u>148,475</u>

5. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank interest income from self-owned funds	192	128
Sundry income	666	–
	<u>858</u>	<u>128</u>

6. LOSS BEFORE TAX

This is stated after charging:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(a) Finance costs		
Finance costs on other long-term liabilities	36	37
Interest on other borrowings wholly repayable within five years	<u>2,498</u>	<u>–</u>
	<u>2,534</u>	<u>37</u>
(b) Staff costs, including key management remuneration		
Salaries, allowances and other short-term employee benefits	18,379	8,663
Contributions to defined contribution plans	1,440	207
Equity-settled share-based payment expenses	<u>23,263</u>	<u>9,499</u>
	<u>43,082</u>	<u>18,369</u>
(c) Key management remuneration, including directors' remuneration		
Salaries, allowances and other short-term employee benefits	5,008	4,125
Contributions to defined contribution plans	52	63
Equity-settled share-based payment expenses	<u>9,055</u>	<u>6,330</u>
	<u>14,115</u>	<u>10,518</u>
(d) Other items		
Auditor's remuneration	808	407
Amortisation of intangible assets	57	–
Cost of goods sold	190,280	30,633
Depreciation of property, plant and equipment	2,559	1,097
Equity-settled share-based payment expenses to service providers	<u>30,240</u>	<u>–</u>
Operating lease charges on premises	<u>4,231</u>	<u>1,722</u>

7. TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	2,739	716
Thailand Enterprise Income Tax	3,659	4,612
Withholding tax on dividends declared by a non-wholly owned subsidiary	<u>1,188</u>	<u>594</u>
	7,586	5,922
Deferred tax		
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	<u>154</u>	<u>481</u>
Income tax expenses for the year	<u><u>7,740</u></u>	<u><u>6,403</u></u>

(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 years ended 31 March 2014 and 2015.

(ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in the British Virgin Islands (the "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") of the PRC at 25%, except for Open Union which is subject to PRC EIT at a preferential rate of 15% for high and new technology enterprises. However, no income tax has been provided as the Group's operations in the PRC had incurred losses for taxation purposes.

The Group's operations in Thailand are subject to Thailand Enterprise Income Tax at 20% (2014: 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.

Reconciliation of income tax expenses

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before tax	<u>(62,757)</u>	<u>(1,298)</u>
Income tax at applicable tax rate	(11,679)	(2,398)
Non-deductible expenses	18,149	7,654
Tax exempt revenue	(156)	–
Unrecognised tax losses	55	48
Withholding tax on dividends declared by a non-wholly owned subsidiary	1,188	594
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	154	481
Others	<u>29</u>	<u>24</u>
Income tax expenses for the year	<u>7,740</u>	<u>6,403</u>

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries.

8. LOSS PER SHARE

Basic loss per share is calculated based on the consolidated loss for the year ended 31 March 2015 attributable to the equity holders of the Company of approximately Hong Kong Dollar ("HK\$") 78,232,000 (2014: HK\$17,762,000) and on the weighted average number of 959,710,685 ordinary shares (2014: 651,945,205 ordinary shares) in issue during the year ended 31 March 2015.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 March 2015 and 2014.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

10. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	<i>(a)</i>	29,276	26,187
Other receivables			
Deposits on investments		6,319	50,000
Deposits paid to merchants	<i>(b)</i>	27,418	–
Deposits, prepayments and other receivables	<i>(c)</i>	38,543	47,454
		101,556	123,641

10(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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 1 month	23,941	26,187
1 month to 3 months	3,784	–
Over 3 months	1,551	–
	29,276	26,187

At the end of the reporting period, the ageing analysis of the trade receivables by due date is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current	27,517	26,187
Past due:		
Less than 1 month	495	–
1 month to 3 months	419	–
Over 3 months	845	–
	1,759	–
	29,276	26,187

The trade receivables (including past due receivables) are not assessed to be impaired as there has not been a significant change in credit quality and the Directors believe that the amounts are fully recoverable. The Group does not hold any collateral over these balances.

10(b) Deposits paid to merchants

The amounts represented deposits paid to merchants as guarantees for the settlement of the spending made by prepaid cards' holders and internet payment accounts' holders.

10(c) Deposits, prepayments and other receivables

	2015 HK\$'000	2014 HK\$'000
Funds prepaid to merchants (<i>Note</i>)	5,708	–
Deposits, prepayments and other debtors	<u>32,835</u>	<u>47,454</u>
	<u><u>38,543</u></u>	<u><u>47,454</u></u>

Note: The amounts represented funds remitted to the merchants in advance for the settlement of the spending to be made by the prepaid cards' holders and internet payment accounts' holders. The prepaid amounts are based on the historical spending pattern and expected transaction value with individual merchants.

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the Group's entities:

	2015 HK\$'000	2014 HK\$'000
United States Dollars ("US\$")	<u>18,244</u>	<u>17,400</u>

11. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables	37,455	34,413
Unutilised float funds	<u>748,959</u>	–
	786,414	34,413
Other payables		
Accruals and other payables	14,317	4,218
Due to a joint venture	<u>3,584</u>	–
	<u><u>804,315</u></u>	<u><u>38,631</u></u>

(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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 1 month	<u>37,455</u>	<u>34,413</u>

(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.

(c) **Due to a joint venture**

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

12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent preference shares issued by OCG Thailand.

At the end of the reporting period, the Group had an outstanding amount due to a non-controlling shareholder of Thai Baht ("Baht") 1,650,000 (equivalent to approximately HK\$393,000) (2014: Baht1,650,000 (equivalent to approximately HK\$393,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum. In addition, the relevant dividend on the preference share capital of OCG Thailand was fully settled before the end of the reporting period.

13. SHARE CAPITAL

	2015		2014	
	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 beginning of the year	720,000,000	7,200	600,000,000	6,000
Share issued upon placing in October 2013 (Note(a))	–	–	120,000,000	1,200
Share issued upon placing in April 2014 (Note(b))	144,000,000	1,440	–	–
Share issued upon placing in September 2014 (Note(c))	104,310,000	1,043	–	–
Share issued upon subscription in October 2014 (Note(d))	<u>68,490,000</u>	<u>685</u>	<u>–</u>	<u>–</u>
At end of the reporting period	<u>1,036,800,000</u>	<u>10,368</u>	<u>720,000,000</u>	<u>7,200</u>

Note:

- (a) In October 2013, a total number of 120,000,000 ordinary shares were issued via placing at a price of HK\$1.03 per share. The Company raised proceeds of approximately HK\$123,600,000 before expenses, to finance the Group's future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK\$3,177,000 arising from the placing were recognised in the share premium account of the Company.
- (b) 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 approximately 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.
- (c) 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 approximately 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.
- (d) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Revenue

In addition to the cross-border e-commerce solution business and the card acceptance transaction fee income and the foreign exchange rate discount income generated from the card acceptance business in Thailand, revenue for the Group for the year ended 31 March 2015 was also generated from its prepaid cards and internet payment business which was carried out by a new subsidiary acquired by the Group in January 2015. Total revenue of the Group for the year ended 31 March 2015 amounted to approximately HK\$333.39 million, of which approximately HK\$219.93 million was attributed from the cross-border e-commerce solution business, approximately HK\$7.87 million was attributed from the prepaid cards payment business and approximately HK\$105.59 million was attributed from the card acceptance business in Thailand respectively.

The income generated from the prepaid cards and internet payment business and cross-border e-commerce business was driven by the increasing volume of prepaid cards and internet payment and cross-border e-commerce trading activities. The revenue of prepaid cards and internet payment business and cross-border e-commerce business for the year amounted to approximately HK\$227.80 million, representing 68.33% of total revenue of the Group.

For the card acceptance business, throughout the year, total transaction volume handled by the Group in Thailand was amounted to approximately Baht 27,476 million (equivalent to approximately HK\$6,571 million), with a slightly decrease of approximately 1% as compared with the same recorded in last year. The decrease was mainly attributed to the political instability in the first quarter of the year. The political instability was improved since July 2014.

Cost of Goods Sold/Cost of Services Rendered

Total cost of goods sold and cost of services rendered was amounted to approximately HK\$270.29 million, represented an increase of approximately 140% as compared with the same recorded in last year. Cost of goods sold for the cross-border e-commerce solution business representing the cost for goods traded. Whilst the cost of service rendered comprised the information network cost and the licence fee cost of the card acceptance business in Thailand. The increase was consistent with the increase in revenue generated from the cross-border e-commerce business during the year.

General Administrative Expenses

The general administrative expenses of the Group for the year ended 31 March 2015 were approximately HK\$113.97 million, representing an increase of approximately 231% from that of last year. The increase was primarily attributable to an increase in overall staff costs, including the recognition of equity-settled share based payment expenses of approximately HK\$53.50 million and directors' remuneration, and the legal and professional fees incurred for the investment acquisition projects of the Group during the year.

Selling and Distribution Costs

The selling and distribution costs for the year ended 31 March 2015 amounted to approximately HK\$7.52 million, representing an increase of approximately 159% from last year. The increase was mainly arising from the increase in staff cost of the marketing team in Thailand, the selling and marketing costs for the newly acquired subsidiaries and the overseas travelling expenses of the Group.

Finance Costs

The finance costs for the year ended 31 March 2015 represented the 9% dividend payable to a non-controlling shareholder in respect of the issue and paid up preference share capital of OCG Thailand and the interest expense for the other borrowings. The increase was mainly arising from the increase in interest expenses amounted to approximately HK\$2.50 million from the secured interest bearing borrowings.

Loss for the Year

During the year ended 31 March 2015, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$78.23 million, representing an increase of approximately 4 times over the last year. Loss per share was approximately 8.15 HK cents compared with 2.72 HK cents recorded in last year.

Business Outlook

For the following year, we expect solid growth in all of the four core strategic areas, namely 1) “internet + prepaid” service in collaboration with leading companies in specific industries; 2) merchant O2O based on smart terminals; 3) Pan-Asia payment and e-commerce network and 4) value-added and internet finance services.

For “internet + prepaid”, we expect all of the existing projects finishing the pilot stage in the coming year. The MSYPAY project is expected to cover all major hospitals in the city of Fuzhou in 2015/16, and to cover all major hospitals in Fujian Province within three years. The joint venture with Digital China Group (as disclosed in the Company’s announcement dated 14 May 2015) is expected to witness its first concrete result in a major city of Northeastern China. We are also in the process to set up more similar partnerships with other leading companies, especially in the information technology industry.

For the merchant O2O business, we expect our smart terminals to be deployed at over 40 Wanda Plazas across China by the end of March 2016, and at all of the major Wanda Plazas by the end of 2017. In all, we expect to convert over one million merchants into our smart payment platform within five years.

Also in this coming year, we expect our Pan-Asia payment and e-commerce network taking hold in Singapore and Japan, two of the most advanced economies in Asia, by partnering with Singapore’s national payment system and Japan’s largest duty-free chain, respectively. Building on our traditional strength in Thailand’s payment market and by partnering with a subsidiary of Yunnan Provincial Government, we will add cross-border payment functions into the China-South Asia Expo card, currently operated by Open Union with issuance of 250,000 cards since its introduction. In the long term, we expect to set up a complete network incorporating online payment, offline payment acceptance, e-commerce and internet finance across Asia-Pacific.

For value-added and internet finance services, we expect the completion of acquisition of a leading premium rewards company in China by the end of July 2015. This acquisition will give major boost to the Company’s revenue base. We are also seeking opportunities to expand in internet finance industry by either partnering with or acquiring internet finance operators.

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 31 March 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 上銀瑞金資產管理(上海)有限公司 (Shangyin Ruijin Asset Management (Shanghai) Co., Ltd., “Shangyin”, English translation 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”, English translation 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 Renminbi (“RMB”) 70,000,000 (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. The Premium is recognised as “finance costs” in the Group’s consolidated financial statements.

The Group’s other long-term borrowings amounted to Baht1,650,000 (equivalent to approximately HK\$393,000) 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 the years ended 31 March 2015 and 31 March 2014 were approximately 6% and 1% respectively.

As at 31 March 2015, the Group had net current assets of approximately HK\$28.18 million (2014: HK\$139.33 million). Current ratio as at 31 March 2015 was 1.03 (2014: 4.44). The cash and cash equivalents of the Group as at 31 March 2015 were approximately HK\$37.58 million (2014: approximately HK\$47.14 million).

On 3 April 2014 and 11 April 2014, the Company completed the placing and subscription of 144,000,000 placing shares at a price of HK\$1.46 per placing share. The net proceeds from the placing, after deducting related placing commission and other related expenses in connection with the placing, is approximately HK\$204.7 million. The net proceeds was used to finance the possible acquisition and as general working capital of the Group.

In September and October 2014, the Company completed placing and top-up subscription of 104,310,000 placing shares and 68,490,000 subscriber’s subscription share respectively at HK\$1.46 per placing shares. The aggregate net proceeds from the Top-up Subscription and the Subscriber’s Subscription was used to finance the capital required for further investment in the Licence Company (if materialise) (details of which are set out in the circular of the Company dated 1 September 2014), the capital may be required under the strategic cooperation agreement between 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd., “Zhongchao Hismart”, English translation for identification purpose only) and the Company dated 3 September 2014 (details of which are set out in the announcement of the Company dated 3 September 2014) or towards other payment card business and investment opportunities which may arise in the future or otherwise as general working capital of the Group.

In April 2015, after the end of the reporting period, the Company completed the allotment and issue of 167,675,673 conversion shares at HK\$1.85 per conversion shares. The gross proceeds from the subscription and the placing are estimated to be approximately HK\$310 million and the net proceeds from the subscription and the placing are estimated to be approximately HK\$307 million. The Company intends to use the net proceeds raised from the subscription and the placing (i) to pursue acquisition in the payment and internet finance industry in the PRC and the Company has been in preliminary discussions with potential investment targets but no definite terms have been agreed; (ii) to fund the co-brand payment card cooperation projects in the PRC as disclosed in the circular of the Company dated 5 February 2015; and (iii) as general working capital of the Group.

Capital Structure

Total equity attributable to equity holders of the Company amounted to approximately HK\$562.40 million as at 31 March 2015 (2014: approximately 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 HK\$, 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 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 31 March 2015, the Group had no outstanding foreign currency forward contracts for the exchange of US\$ with Baht (2014: US\$1,000,000, equivalent to approximately HK\$7,758,000). 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 31 March 2015.

Results and Dividends

For the year ended 31 March 2015, the Group recorded a revenue of approximately HK\$333.39 million (2014: approximately HK\$148.47 million) and a loss attributable to equity holders of the Company of approximately HK\$78.23 million as compared with approximately HK\$17.76 million for the previous year. The loss per share was 8.15 HK cents (2014: 2.72 HK cents).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

Employess and Remuneration Policy

As at 31 March 2015, the Group had a total staff of 183 (2014: 29) of whom 10 were based in Hong Kong, 162 were based in the PRC and the remaining 11 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 Acquisitions, Disposals and Significant Investment

Save as disclosed in this announcement, the Group has made no other material acquisitions, disposals or any significant investments during the year ended 31 March 2015.

Capital Commitments

As at 31 March 2015, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to (i) HK\$1.31 million in respect of the purchase of softwares and licenses (ii) not more than RMB13 million (equivalent to approximately HK\$16.7 million) in respect of 10% equity interests of Zhongchao Hismart together with the system development on customer consumption behaviour analysis (2014: RMB20 million (equivalent to HK\$25 million)).

Charges on Assets

At 31 March 2015, the Group's leasehold land and buildings with net carrying amount of approximately 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\$88,466,000) granted to Beijing Weike (2014: Nil).

Contingent Liabilities

As at 31 March 2015, the Group did not have any significant contingent liabilities.

Events After the Reporting Period

- (a) In April 2015, the Company entered into the subscription agreements with two independent third parties to subscribe 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. The First Subscription and the Second Subscription were placed on 27 April 2015. The net proceeds from the First Subscription and the Second Subscription were approximately US\$9.98 million (equivalent to approximately HK\$77.40 million) and US\$9.85 million (equivalent to approximately HK\$76.39 million), respectively. 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.

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

- (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. The April 2015 Placing was completed on 30 April 2015. The net proceeds from the April 2015 Placing were approximately US\$19.64 million (equivalent to approximately HK\$152.31 million). The net price per conversion share under the April 2015 Placing to be issued is approximately HK\$1.817.

The Company had received conversion notices from bondholders to exercise their conversion rights in the April 2015 Placing in respect of the principal amount of US\$8.5 million (equivalent to approximately HK\$65.9 million) and those convertible bonds were converted into 35,631,081 ordinary shares of the Company on 17 June 2015. For the remaining convertible bonds of the principal amount of US\$11.5 million (equivalent to approximately HK\$89.2 million), upon fulfilled the mandatory conversion terms as set out in the placing agreements, the Company had provided the notices to the bondholders to mandatorily converted all remaining convertibles bonds which were converted into 48,206,756 ordinary shares of the Company on 22 June 2015.

- (c) On 20 April 2015, Firm Idea Limited, a wholly owned indirect subsidiary of the Company, entered into a sale and purchase agreement with five independent third parties (the “Vendors”) in respect of both agree to acquire/sell the entire equity interest of AE Investment Consulting Limited (the “AE Acquisition”). AE is primarily engaged in the issuance and sales of prestige benefits cards to premium consumers and financial institutions.

The total initial consideration is HK\$300 million and to be satisfied by the Group as follows:

- (i) HK\$1 million had been paid in cash as non-refundable deposits immediately upon the signing of the sale and purchase agreement;
- (ii) HK\$36.5 million to be paid in cash on the completion date;
- (iii) HK\$137.5 million to be paid in cash within 5 days after the completion date;
- (iv) 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; and
- (v) 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 initial consideration is subject to adjustments on the basis of the following performance targets as stated in the sale and purchase agreement 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 (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 (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.

In addition, on 20 April 2015, the Company also entered into the 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.

Upon the completion of the AE Acquisition, AE and its subsidiaries will be consolidated in the Group's consolidated financial statements as if they were subsidiaries of the Group pursuant to certain structured agreements to be executed. Details of the AE Acquisition and the subscription of shares are set out in the Company's circular dated 12 June 2015.

The proposed resolutions regarding the AE Acquisition together with the allotment of the consideration shares and the subscription of shares are subjected to approval in the Extraordinary General Meeting to be held on 29 June 2015.

- (d) On 21 April 2015, the Company granted the executive directors including Mr. Zhang Huaqiao, Mr. Cao Guoqi, Mr. Xiong Wensen and Mr. Song Xiangping and certain eligible persons for 35,000,000 share options and 68,680,000 share options, respectively, to subscribe a total of 103,680,000 ordinary shares of the Company at the exercise price of HK\$2.20 per share. The total of 103,680,000 share options granted shall be exercisable for a period of five years from the date of grant.

The proposed resolution regarding the share options is subject to the shareholders' approval in the Extraordinary General Meeting to be held on 29 June 2015.

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 year ended 31 March 2015.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2015, the Company has complied with all the code provisions in Corporate Governance Code in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE

The code provision A.2.1 stipulates that the roles of the chairman of the Board (the “Chairman”) and the chief executive officer (the “CEO”) should be separate and should not be performed by the same individual, and that the division of responsibilities between the Chairman and the CEO should be clearly stated.

The Company fully supports this division of responsibilities between the Chairman and CEO in order to ensure a balance of power and authority. The positions of the Chairman and the CEO are segregated and are held by Mr. Zhang Huaqiao, a non-executive Director who was re-designated to an executive Director on 13 May 2015, and Mr. Fung Weichang, an executive Director, respectively. These positions have clearly defined separate responsibilities.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors’ securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance with the required standard of dealings as set out in the adopted code of conduct regarding Directors’ securities transactions from 1 April 2014 to 31 March 2015.

AUDIT COMMITTEE

The audit committee members of the Company comprise Dr. Yuan Shumin, Mr. Wang Yiming and Mr. Lu Dongcheng, all of whom are independent non-executive directors of the Company, with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

REVIEW OF THE FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements of the Group and the annual report for the year ended 31 March 2015.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2015. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this preliminary announcement.

By order of the Board
China Smartpay Group Holdings Limited
Zhang Huaqiao
Chairman

Hong Kong, 22 June 2015

As at the date of this announcement, the board of the Company comprises (i) six executive Directors, namely, Mr. Zhang Huaqiao, Mr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen, Mr. Song Xiangping and Mr. Cheng Nga Ming Vincent; and (ii) three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

*This announcement, for which the Directors (other than Mr. Cheng Nga Ming Vincent**) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rule for the purpose of giving information with regard to the Company. The Directors (other than Mr. Cheng Nga Ming Vincent**), 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.*

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.

** *Mr. Cheng Nga Ming Vincent does not accept responsibility for this announcement as he alleges that he did not have adequate time to review the board papers despite the fact that the relevant board papers to approve this announcement had been provided to him on 19 June 2015.*