

THIRD QUARTERLY
REPORT

2015



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)

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This report, for which the directors (the “Directors”) of China Smartpay Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$419.56 million for the nine months ended 31 December 2015. The Group's gross profit amounted to approximately HK\$111.08 million, which represented an increase of approximately 210.19% as compared with the Group's gross profit recorded in the corresponding period in 2014.
- The Group reported a loss amounted to approximately HK\$108.22 million for the nine months ended 31 December 2015 as compared with that of approximately HK\$42.47 million recorded in the corresponding period in 2014. The Group reported a loss attributable to equity holders of the Company for the nine months ended 31 December 2015 amounted to approximately HK\$112.71 million (2014: approximately HK\$46.83 million).
- For the three months ended 31 December 2015, the Group reported a loss amounted to approximately HK\$28.20 million as compared with a loss of approximately HK\$5.14 million for the three months ended 31 December 2014. The Group reported a loss attributable to equity holders of the Company for the three months ended 31 December 2015 amounted to approximately HK\$28.14 million (2014: HK\$6.38 million).

- The Group recognised share-based compensation cost and fair value loss on contingent consideration (which resulted from acquisition of prestige benefits business) amounted to approximately HK\$17.73 million and HK\$27.91 million for the three months ended 31 December 2015 respectively (three months ended 30 September 2015: approximately HK\$17.73 million and HK\$19.99 million respectively). Without the recognition of such share-based compensation cost and fair value loss on contingent consideration, the Group reported a profit for the three months ended 31 December 2015 amounted to approximately HK\$17.44 million, compared with a loss of HK\$7.63 million for the three months ended 30 September 2015. The turnaround of the result was mainly attributable to 1) the introduction of management fee on inactive accounts of the prepaid cards accounts in accordance with relevant rules and regulations; and 2) the high profitability of the newly acquired prestige benefits business.
- Loss per share for the loss attributable to equity holders of the Company for the nine months ended 31 December 2015 was approximately 9.41 HK cents (2014: 5.11 HK cents).
- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2015 (2014: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31 December 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2015

	NOTE	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	2	196,035	92,182	419,561	252,014
Cost of services rendered and cost of goods sold		(139,104)	(78,370)	(308,478)	(216,203)
Gross profit		56,931	13,812	111,083	35,811
Other income		841	539	2,897	766
General administrative expenses		(46,557)	(13,715)	(131,840)	(67,359)
Selling and distribution costs		(11,549)	(1,826)	(27,616)	(3,283)
Finance costs	4	(471)	(37)	(10,414)	(56)
Fair value loss on contingent consideration – consideration shares	10	(27,907)	–	(47,893)	–
Gain on disposal of equity interest in an associate		192	–	192	–
Share of results of associates		1,105	(338)	99	(717)
Share of result of joint ventures		231	(1,688)	209	(1,707)
Loss before tax	4	(27,184)	(3,253)	(103,283)	(36,545)
Income tax expenses	5	(1,017)	(1,889)	(4,940)	(5,925)
Loss for the period		(28,201)	(5,142)	(108,223)	(42,470)
Attributable to:					
Equity holders of the Company		(28,143)	(6,382)	(112,712)	(46,825)
Non-controlling interests		(58)	1,240	4,489	4,355
		(28,201)	(5,142)	(108,223)	(42,470)
Loss per share for loss attributable to equity holders of the Company					
Basic and diluted	7	(2.22) HK cents	(0.62) HK cents	(9.41) HK cents	(5.11) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2015

	Unaudited		Unaudited	
	Three months ended 31 December		Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Loss for the period	(28,201)	(5,142)	(108,223)	(42,470)
Other comprehensive (loss) income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiaries	(16,803)	(259)	(43,343)	184
Total comprehensive loss for the period	(45,004)	(5,401)	(151,566)	(42,286)
Attributable to:				
Equity holders of the Company	(45,058)	(6,514)	(154,477)	(46,514)
Non-controlling interests	54	1,113	2,911	4,228
	(45,004)	(5,401)	(151,566)	(42,286)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the nine months ended 31 December 2015

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

The Company was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed third quarterly financial statements of the Company for the nine months ended 31 December 2015 (the "Third Quarterly Financial Statements") are prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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

The Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2015, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2015 (the "2014/2015 Annual Financial Statements").

The Third Quarterly Financial Statements have been prepared on the historical costs basis except for the fair value measurement on certain items as set out below.

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

Basis of preparation *(continued)*

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the 2014/2015 Annual Financial Statements, except for the adoption of the accounting policy for contingent consideration, financial assets at fair value through profit or loss, convertible bonds, inventories and provisions as follows:

Contingent consideration

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

Financial assets at fair value through profit or loss

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

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

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

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

Basis of preparation *(continued)*

Financial assets at fair value through profit or loss *(continued)*

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

Convertible bonds

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

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

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

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

Inventories

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

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

Basis of preparation *(continued)*

Inventories *(continued)*

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

Provisions

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

Adoption of new/revised HKFRSs

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior years. A summary of the adoption of the new/revised HKFRSs that are relevant to the Group and effective for the current period is set out below.

Amendments to HKAS 19 (2011): Defined Benefit Plans – Employee Contributions

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

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

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project: 2010-2012 Cycle

The amendments include the followings:

(1) *HKFRS 2 Share-based Payment*

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

(2) *HKFRS 3 Business Combinations*

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

(3) *HKFRS 8 Operating Segments*

HKFRS 8 is updated as follows:

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

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

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

Adoption of new/revised HKFRSs (continued)

Annual Improvements Project: 2010-2012 Cycle (continued)

(4) *HKFRS 13 Fair Value Measurement*

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

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

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

(6) *HKAS 24 Related Party Disclosures*

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

(7) *HKAS 38 Intangible Assets*

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

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

Adoption of new/revised HKFRSs *(continued)*

Annual Improvements Project: 2011-2013 Cycle

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

(1) *HKFRS 3 Business Combinations*

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

(2) *HKFRS 13 Fair Value Measurement*

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

2. REVENUE

Revenue is analysed by category as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Prepaid cards and internet payment business				
Management fee income for prepaid cards	30,406	–	46,355	–
Merchant service fee income	774	–	5,244	–
Interest income from accumulated unutilised float funds	4,816	–	18,783	–
Payment technical solution income	2,396	–	4,798	–
Prestige benefits business				
Issuance of prestige benefits cards	35,965	–	53,803	–
Cross-border e-commerce solution business				
Sales of goods	100,785	59,787	218,495	178,669
Cards acceptance business				
Cards acceptance transaction fee income	16,047	24,464	54,926	57,597
Foreign exchange rate discount income	4,846	7,931	17,157	15,748
	196,035	92,182	419,561	252,014

3. SEGMENT REPORTING

The Directors have been identified as the chief operation decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risk and returns and the Group's internal financial reporting, the Directors consider that the operation segments of the Group comprise:

- (i) prepaid cards and internet payment business in the People's Republic of China (the "PRC");
- (ii) prestige benefits business in the PRC;
- (iii) cross-border e-commerce solution business among Hong Kong and the PRC; and
- (iv) 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 other income, finance costs, general administrative expenses incurred by corporate office, fair value loss on contingent consideration, gain on disposal of equity interest in an associate, share of results of joint ventures and associates and income tax.

3. SEGMENT REPORTING *(continued)*

Nine months ended 31 December 2015 (unaudited):

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

3. SEGMENT REPORTING (continued)

Nine months ended 31 December 2014 (unaudited):

	Cross-border e-commerce solution business <i>HK\$'000</i>	Card acceptance business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	178,669	73,345	252,014
Segment results	13,651	13,304	26,955
Unallocated other income			766
Unallocated finance costs			(56)
Unallocated other expenses			(61,786)
Share of results of associates			(717)
Share of results of joint ventures			(1,707)
Loss before tax			(36,545)
Income tax expenses			(5,925)
Loss for the period			(42,470)

4. LOSS BEFORE TAX

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
This is stated after charging:				
Finance costs				
Effective interest expense				
on convertible bonds	–	–	5,315	–
Finance costs on other				
long-term liabilities	16	9	33	27
Interest on other borrowings	330	–	4,849	–
Other finance costs	125	28	217	29
	471	37	10,414	56
Other items				
Amortisation of intangible assets	85	–	264	–
Cost of goods sold	117,522	54,675	244,430	161,849
Depreciation of property,				
plant and equipment	1,571	402	4,563	1,157
Operating lease charges on premises	3,709	554	8,230	2,379
Staff costs, including directors' emoluments and share-based compensation cost	43,994	3,964	98,384	47,639

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
This is stated after charging:				
Current tax				
Hong Kong Profits Tax	–	350	–	2,252
PRC Enterprise Income Tax	83	–	1,836	–
Thailand Enterprise Income Tax	493	1,254	2,354	2,687
Withholding tax on dividend declared by a non-wholly owned subsidiary	741	–	741	900
	1,317	1,604	4,931	5,839
Deferred tax				
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	(300)	285	9	86
Income tax expenses for the period	1,017	1,889	4,940	5,925

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has not been provided as the Group had incurred losses for taxation purposes for the period ended 31 December 2015.

Hong Kong Profits Tax had been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the period ended 31 December 2014.

5. TAXATION *(continued)*

(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.

For the period ended 31 December 2015, the Group’s operations in the PRC are subject to enterprise income tax (“PRC EIT”) at 25%, except for Open Union Payment Services Limited (“Open Union”, English translation of 開聯通支付服務有限公司 for identification purpose only) which is subject to PRC EIT at a preferential rate of 15% for high and new technology enterprises up to 31 December 2014. For the period ended 31 December 2014, no income tax had been provided as the Group’s operations in the PRC had incurred losses for taxation purposes.

Oriental City Group (Thailand) Company Limited (“OCG Thailand”) is subject to Thailand 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.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2015 (2014: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 31 December 2015 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$28,143,000 and approximately HK\$112,712,000 respectively, (2014: HK\$6,382,000 and HK\$46,825,000 respectively) and on the weighted average number of approximately 1,268,429,159 and 1,197,709,204 ordinary shares (2014: approximately 1,031,588,804 and 915,913,963 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 nine months ended 31 December 2015 and 31 December 2014.

8. MOVEMENT IN EQUITY

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share Options reserve	Convertible bonds reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<Remark>										
For the nine months ended											
31 December 2015											
At 1 April 2015 (audited)	10,368	583,562	6,996	(940)	766	63,930	-	(102,284)	562,398	21,970	584,368
Loss for the period	-	-	-	-	-	-	-	(112,712)	(112,712)	4,489	(108,223)
Other comprehensive loss:											
Items that may be reclassified subsequently to profit and loss:											
Exchange difference on translation of foreign subsidiaries	-	-	-	(41,765)	-	-	-	-	(41,765)	(1,578)	(43,343)
Total comprehensive loss for the period	-	-	-	(41,765)	-	-	-	(112,712)	(154,477)	2,911	(151,566)
Transaction with owner:											
<i>Contributions and distributions:</i>											
Recognition of share-based compensation cost	-	-	-	-	-	48,950	-	-	48,950	-	48,950
Issue of convertible bonds	-	-	-	-	-	-	130,690	-	130,690	-	130,690
Conversion of convertible bonds upon exercise of the subscription agreements	839	156,782	-	-	-	-	(65,340)	-	92,281	-	92,281
Conversion of convertible bonds upon exercise of the placing agreements	838	157,056	-	-	-	-	(65,350)	-	92,544	-	92,544
Share issued upon the subscription in July 2015	639	136,861	-	-	-	-	-	-	137,500	-	137,500
Transfer to statutory reserve	-	-	-	-	1,519	-	-	(1,519)	-	-	-
Dividend to non-controlling interest of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	(6,937)	(6,937)
<i>Changes in ownership interests:</i>											
Acquisition of additional interest in OCG Thailand (Note 11)	-	-	-	-	-	-	-	2,534	2,534	(3,608)	(1,074)
	2,316	450,699	-	-	1,519	48,950	-	1,015	504,499	(10,545)	493,954
At 31 December 2015 (unaudited)	12,684	1,034,261	6,996	(42,705)	2,285	112,880	-	(213,981)	912,420	14,336	926,756

8. MOVEMENT IN EQUITY (continued)

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share Options reserve	Convertible bonds reserve	Accumulated loss	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<Remark>											
For the nine months ended												
31 December 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	-	-	-	-	-	-	-	(46,825)	(46,825)	4,355	(42,470)	
Other comprehensive loss:												
Items that may be reclassified subsequently to profit and loss:												
Exchange difference on translation of foreign subsidiaries	-	-	-	311	-	-	-	-	311	(127)	184	
Total comprehensive loss for the period	-	-	-	311	-	-	-	(46,825)	(46,514)	4,228	(42,286)	
Transaction with owner:												
<i>Contributions and distributions:</i>												
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	
Share issued upon placing in October 2014	685	99,311	-	-	-	-	-	-	99,996	-	99,996	
Recognition of share-based compensation cost	-	-	-	-	-	38,868	-	-	38,868	-	38,868	
Dividend to non-controlling interest of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	(5,055)	(5,055)	
	3,168	449,780	-	-	-	38,868	-	-	491,816	(5,055)	486,761	
At 31 December 2014 (unaudited)	10,368	583,562	6,996	(354)	766	49,296	-	(70,878)	579,756	7,310	587,066	

8. MOVEMENT IN EQUITY *(continued)*

<Remark>

In accordance with the relevant laws and regulations in Thailand, 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.

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the subsidiaries incorporated in the PRC (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

9. CONVERTIBLE BONDS

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

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

9. CONVERTIBLE BONDS *(continued)*

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

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

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

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

9. CONVERTIBLE BONDS (continued)

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

HK\$'000

Liability component at, classified as financial liability at amounted costs

Nominal value of convertible bonds issued	310,200
Derivative component at the issue date	113,500
Equity component at the issue date	(130,690)

At the issue date	293,010
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Effective interest expenses	5,315
Converted during the period	(298,325)

At 31 December 2015	-
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Equity component, classified as equity

Convertible bonds issued	130,690
Converted during the period	(130,690)

At 31 December 2015	-
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Derivative component, classified as financial assets at fair value through profit or loss

Converted bond issued	113,500
Converted during the period	(113,500)

At 31 December 2015	-
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10. CONTINGENT CONSIDERATIONS

On 8 July 2015, the Group completed the acquisition of the entire equity interests of AE Investment Consulting Limited (“AE”) and its subsidiaries (together the “AE Group”) (the “AE Acquisition”). AE is primarily engaged in the issuance of prestige benefits cards to premium consumers and financial institutions.

Pursuant to the sale and purchase agreements of the AE Acquisition, the maximum nominal consideration to be satisfied by the Group is approximately HK\$312 million. Details of the AE Acquisition including the major terms of initial consideration and Contingent Consideration are set out in note 21(a) to the Company’s Interim Financial Statements dated 13 November 2015.

The total fair value of the Contingent Consideration is valued in accordance with HKFRS 13 “Fair Value Measurement” issued by the HKICPA. Fair value is defined in HKFRS 13 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. The valuation of the Contingent Consideration is mainly based on the trading price of the Company’s shares, the latest financial information of AE Group, AE Group’s financial performance forecast and other relevant indicators.

At 8 July 2015, the fair value of the Contingent Consideration is estimated to be approximately HK\$67,805,000. Due to the facts that the final settlement value of the Contingent Consideration – consideration shares is indexed to the achievement of the Performance Targets, therefore, the fair value of the Contingent Consideration – consideration shares is remeasured at 31 December 2015 on the same basis as above and the Group recognised a fair value loss on Contingent Consideration – contingent shares of approximately HK\$47,893,000 in profit and loss increasing the Contingent Consideration to approximately HK\$115,698,000 as a result of the increase in share price of the Company.

10. CONTINGENT CONSIDERATIONS (continued)

The movements of the Contingent Consideration are as follows:

	Unaudited HK\$'000
Initial recognition on 8 July 2015	67,805
Fair value change	19,986
<hr/>	
At 30 September 2015	87,791
Fair value change	27,907
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At 31 December 2015	115,698
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Current portion	50,279
Non-current portion	65,419
<hr/>	
	115,698
<hr/>	

11. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL

Acquisition of additional interest in OCG Thailand

In December 2015, OCG Thailand had completed the follow capital restructuring exercises (the OCG Thailand Restructuring“):

- (i) Oriental City Group Thailand Limited (“OCG Thailand BVI”) and Oriental City Group Asia Pacific Limited (“OCG Asia Pacific”) acquired 999,999 and 1 ordinary shares of OCG Thailand from the minority shareholders at the aggregate consideration of Baht 4,880,000 (equivalent approximately to HK\$1,074,000);
- (ii) OCG Thailand issued 2,550,000 new preference shares of OCG Thailand (the “New Preference Share”) and allot to one of the minority shareholders at par value of Baht 3 each;
- (iii) OCG Thailand reduced its registered and issued capital by deleting the entire existing 550,000 preference shares; and

11. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL *(continued)*

Acquisition of additional interest in OCG Thailand *(continued)*

(iv) the memorandum and articles ("M&A") of OCG Thailand also be updated to reflect the changes in the capital structure.

Upon completion of the OCG Thailand Restructuring on 14 December 2015, the Company's voting rights in OCG Thailand, through its non-wholly/wholly owned subsidiaries (namely, OCG Thailand BVI and OCG Asia Pacific), increased from 57.47% to 90.74%. The results and financial position of OCG Thailand is included in the Group's consolidated financial statements, after accounting for the New Preference Shares issued and its related cumulative dividend and the non-controlling interests of OCG Thailand BVI, to the extent of 70% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares of OCG Thailand indirectly held by the Company through OCG Thailand BVI and OCG Asia Pacific. The financial impact of the OCG Thailand Restructuring to the Third Quarterly Financial Statements is set out as follow:

	Unaudited
	<i>HK\$000</i>
Net consideration paid to non-controlling interests	(1,074)
Carrying amount of non-controlling interests acquired	3,608
	<hr/>
Difference recognised directly in equity	2,534
	<hr/>

Details of the OCG Thailand Restructuring are set out in the Company's announcements dated 15 October 2015 and 15 December 2015.

12. EVENTS AFTER THE REPORTING PERIOD

- (a) On 8 October 2015, the Group had agreed to inject RMB6 million (equivalent to approximately HK\$7 million) into Dalian Youwawa Business Service Limited (“Dalian Youwawa”, English translation of 大連游娃娃商務服務有限公司 for identification purpose only) for the subscription of the newly increased registered capital of RMB0.3 million (equivalent to approximately HK\$0.4 million), representing 20% of the registered capital of Dalian Youwawa upon the completion. Dalian Youwawa is principally engaged in provision of smart tourism solutions in the PRC. Upon completion, Dalian Youwawa would become an associate of the Group. The transaction was completed in January 2016.
- (b) On 20 October 2015, the Company, Shanghai Lujiazui Financial Development Limited (“LJF”, English translation of 上海陸家嘴金融發展有限公司 for identification purpose only), Shanghai Lujiazui Equity Investment Fund (Limited Partnership) (“LJZ Fund”, English translation of 上海陸家嘴股權投資基金合夥企業(有限合夥) for identification purpose only) and Dr. Cao Guoqi (“Dr. Cao”) entered into a subscription agreement, pursuant to which LJF and LJZ Fund have conditionally agreed to (or agreed to procure the designated subsidiary to) subscribe for, and the Company has conditionally agreed to allot and issue, a total number of 422,809,720 new ordinary shares (the “Subscription Shares”) at the subscription price of HK\$1.90 per the Subscription Share (the “LJF Subscription”). The Subscription Shares represent (i) approximately 33.33% of the existing issued share capital of the Company; and (ii) approximately 25.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Since all the conditions precedent to the Completion of the LJF Subscription have been fulfilled, and that with the first tranche of the payment for the LJF Subscription of HK\$349,999,000 made by LJF to the Company on 8 January 2016, the Company had issued a total of 184,210,000 Subscription Shares to LJF Payment Company Limited, being LJF’s designated subsidiary on the same date in accordance with the terms of the subscription agreement of LJF Subscription (the “First Completion”).

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

- (b) Pursuant to the subscription agreement, the remaining balance of LJF Subscription of HK\$453,339,468 will be payable by LJZ Fund to the Company on the thirtieth business day after the date of the First Completion or such other date as the Company and the Subscribers may agree; and the Company will issue a total of 238,599,720 Subscription Shares to LJZ Fund (or the designated subsidiary). The remaining balance of LJF Subscription is not yet paid at the date of approving the Third Quarterly Financial Statements.
- (c) On 5 February 2016, the Company and Zhi Cheng Holdings Limited (“Zhi Cheng”), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on GEM (Stock Code: 8130) entered into a conditional subscription agreement, pursuant to which the company has agreed to subscribe 508,000,000 new shares of Zhi Cheng, which represented 20.01% of the enlarged issued share capital of Zhi Cheng after allotment of a total of 1,600,000,000 new shares of Zhi Cheng (the “Zhi Cheng Subscription Share”) at the total consideration of HK\$68,580,000 (the “Zhi Cheng Subscription”).

The Completion of the Zhi Cheng Subscription will be subjected to the satisfaction of the conditions precedent in the announcement of the Company dated 18 December 2015 and 5 February 2016. The Zhi Cheng Subscription is not yet completed at the date of approving the Third Quarterly Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the nine months ended 31 December 2015 (the “Review Period”), the Group has been engaged in the following businesses:

Total revenue for the Group for the Review Period was approximately HK\$419.56 million of which HK\$75.18 million, HK\$218.50 million, HK\$53.80 million and HK\$72.08 million were generated from the prepaid cards and internet payment business, cross-border e-commerce solution business, prestige benefits business and card acceptance business respectively. The prepaid cards and internet payment business and prestige benefits business were newly acquired by the Group in January 2015 and July 2015 respectively. Compared with the same as recorded in the corresponding period last year, total revenue was increased by approximately 66.48% resulting from the introduction of the prepaid cards and internet payment business and prestige benefits business.

Gross profit of the Group for the Review Period amounted to approximately HK\$111.08 million, representing an increase of approximately 210.19% from the same as record in the corresponding period last year. The increase was mainly attributable by the introduction of the prepaid cards and internet payment business and prestige benefits business.

The general administrative expenses of the Group for the Review Period amounted to approximately HK\$131.84 million, representing an increase of HK\$64.48 million or approximately 95.73% from the same record as last year. The increase was mainly attributable to the increase of salary expenses and other operating costs for the newly acquired and newly established subsidiaries during the Review Period.

The selling and distribution costs of the Group for the Review Period amounted to approximately HK\$27.62 million, representing an increase of 741.18% as compared with the same recorded in the corresponding period of last year. The increase was mainly arising from the increase in the selling and marketing costs for the newly acquired and newly established subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business and Financial Review *(continued)*

The loss of the Group for the Review Period amounted to approximately HK\$108.22 million, representing an increase of approximately 154.82% as compared with the same recorded in the corresponding period of last year. The Group recognised share-based compensation cost and fair value loss on contingent consideration (which resulted from acquisition of prestige benefits business) amounted to approximately HK\$17.73 million and approximately HK\$27.91 million for the three months ended 31 December 2015 respectively (three months ended 30 September 2015: approximately HK\$17.73 million and HK\$19.99 million respectively). Without the recognition of such share-based compensation cost and fair value loss on contingent consideration, the Group reported a profit for the three months ended 31 December 2015 amounted to approximately HK\$17.44 million, compared with a loss of HK\$7.63 million for the three months ended 30 September 2015. The turnaround of the result was mainly attributable to 1) the introduction of management fee on the inactive funds of prepaid cards accounts in accordance with relevant rules and regulations and 2) the high profitability of the newly acquired prestige benefits business.

Business Outlook

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

For the “internet + prepaid” services, we expect this sector will continue to generate substantial amount of operating cash flow for the Group in the coming years. In the meantime, we are seeking major near-term breakthroughs for our e-payment, e-coupon and e-pass products in areas ranging from tourism, e-commerce, healthcare to public transportation.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Outlook *(continued)*

For the Group's merchant O2O services, during the quarter ended 31 December 2015, we deployed smart POS terminals at 7 additional Wanda Plazas, making the Group now present in 27 Wanda Plazas and connecting over 3000 merchants as of 31 December 2015. The Group also will continue to make progress on various smart POS initiatives with strategic partners including SAIC Motor Corporation Limited, PetroChina Company Limited, China UnionPay, NETS, and Dalian Youwawa among others.

In the third financial quarter, the Group's Pan-Asia payment and e-commerce network expanded quickly in the Asia Pacific region, and its overseas businesses have become increasingly integral to the Group's long-term strategy. The strategic partnership with NETS (Singapore's national payment system) continued to develop. Since the September launch of KoolCard, our first co-brand prepaid card outside China, the Group has developed a large number of merchant partners to provide discount benefits to inbound tourists to Singapore. The Group has also begun deploying smart POS terminals in the Singapore market to assist merchants and consumers in using mobile payment and virtual coupon validation. In the coming months, the Group will begin issuing its own discount coupons in both physical and virtual forms, and will also seek further partnerships to issue co-brand cards and membership cards with a continued focus on cross-border tourism. As the Group's overseas venture is met with initial success, the Group has entered close negotiations to enter other markets in the region, with the aim replicate similar business models.

For value-added and internet finance services, our leading prestige benefits company in China has exhibited robust growth and will further contribute to the Company's profitability in the recent months. We will also continue to seek opportunities to expand in the internet finance industry by either partnering with, acquiring or setting up our own internet finance companies in order to leverage the Company's payment capabilities and to provide innovative, convenient and secure financial services.

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

As at 31 December 2015, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Dr. Cao Guoqi ("Dr. Cao")	Corporate – Interest of controlled corporation <i>(Note 1)</i>	57,860,000	4.56%
	Beneficial owner <i>(Note 2)</i>	11,000,000	0.87%
	Interest of spouse <i>(Note 3)</i>	1,370,000	0.11%
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner <i>(Note 2)</i>	2,000,000	0.16%

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

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner <i>(Note 2)</i>	31,310,000	2.47%
Mr. Xiong Wensen ("Mr. Xiong")	Beneficial owner <i>(Note 2)</i>	13,600,000	1.07%
Mr. Song Xiangping ("Mr. Song")	Beneficial owner	5,000,000	0.39%

Notes:

- These 57,860,000 Shares were held by Probest Limited ("Probest") which was in turn wholly owned by Dr. Cao. As Dr. Cao is the controlling shareholder of Probest, he is deemed to be interested in these 57,860,000 Shares held by Probest under the SFO.
- These Shares represent the options of shares granted to Dr. Cao, Mr. Fung, Mr. Zhang and Mr. Xiong pursuant to the Company's share option scheme. Accordingly, they are deemed to be interested in these Shares under the SFO.
- These 1,370,000 Shares were held by Ms. Zheng Lu who is the wife of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu under the SFO.

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

(b) Associated corporation

Save as disclosed above, as at 31 December 2015, so far as is known to any of the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

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

As at 31 December 2015, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

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

Note:

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

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

Save as disclosed above, as at 31 December 2015, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

The Group’s unaudited quarterly results for the nine months ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board

Zhang Huaqiao

Chairman

Hong Kong, 12 February 2016

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