China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)

THIRD QUARTERLY REPORT 2014

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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$252 million for the nine months ended 31 December 2014, which represented an increase of approximately 182% as compared with the Group's revenue recorded in the corresponding period in 2013.

- The Group reported a loss amounted to approximately HK$42 million for the nine months ended 31 December 2014 as compared with approximately HK$5 million last year. The Group reported a loss attributable to equity holders of the Company for the nine months ended 31 December 2014 amounted to approximately HK$47 million (2013: approximately HK$14 million).

- Loss per share for the loss attributable to equity holders of the Company for the nine months ended 31 December 2014 was approximately 5.11 HK cents (2013: 2.19 HK cents).

- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2014 (2013: 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 2014 together with the comparative figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2014

		Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	NOTE	**2014** ***HK$'000***	2013 *HK$'000*	**2014** ***HK$'000***	2013 *HK$'000*
Revenue	*2*	**92,182**	20,241	**252,014**	89,418
Cost of services rendered and cost of goods sold		**(78,370)**	(13,757)	**(216,203)**	(63,659)
Gross profit		**13,812**	6,484	**35,811**	25,759
Other income		**539**	61	**766**	120
General administrative expenses		**(13,715)**	(15,571)	**(67,359)**	(25,087)
Selling and distribution costs		**(1,826)**	(323)	**(3,283)**	(818)
Finance costs	*4*	**(37)**	(9)	**(56)**	(28)
Share of results of an associate	*9*	**(338)**	–	**(717)**	–
Share of results of a joint venture	*10*	**(1,688)**	–	**(1,707)**	–
Loss before taxation	*4*	**(3,253)**	(9,358)	**(36,545)**	(54)
Income tax expenses	*5*	**(1,889)**	(1,181)	**(5,925)**	(4,888)
Loss for the period		**(5,142)**	(10,539)	**(42,470)**	(4,942)
Attributable to:					
Equity holders of the Company		**(6,382)**	(13,005)	**(46,825)**	(13,812)
Non-controlling interests		**1,240**	2,466	**4,355**	8,870
		(5,142)	(10,539)	**(42,470)**	(4,942)
Loss per share for loss attributable to equity holders of the Company					
Basic and diluted	*7*	**0.62 HK cents**	1.88 HK cents	**5.11 HK cents**	2.19 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2014

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period	**(5,142)**	(10,539)	**(42,470)**	(4,942)
Other comprehensive (loss) income				
Item that will be reclassified subsequently to profit or loss:				
Exchange difference on translation of foreign subsidiaries	**(259)**	(410)	**184**	(1,361)
Total comprehensive loss income for the period	**(5,401)**	(10,949)	**(42,286)**	(6,303)
Attributable to:				
Equity holders of the Company	**(6,514)**	(12,983)	**(46,514)**	(14,625)
Non-controlling interests	**1,113**	2,034	**4,228**	8,322
	(5,401)	(10,949)	**(42,286)**	(6,303)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the nine months ended 31 December 2014

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

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

Basis of preparation

The unaudited condensed third quarterly financial statements of the Company for the nine months ended 31 December 2014 (the "Third Quarterly Financial Statements") have been 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 judgments, 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 performance of the Group since 31 March 2014, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretation 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 2014 (the "Annual Report").

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

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 Annual Report, except for the adoption of the accounting policy for associates and joint ventures as follows:

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

Basis of preparation *(continued)*

Associates and joint ventures

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

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

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

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

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

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

Adoption of new/revised HKFRSs

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27: Investment entities

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

Amendments to HKAS 32: Offsetting financial assets and financial liabilities

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

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

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

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

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

HK(IFRIC) 21: Levies

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

2. REVENUE

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2014	2013	**2014**	2013
	HK$	*HK$*	***HK$***	*HK$*
Card acceptance transaction fee income	**24,464**	15,233	**57,597**	70,112
Foreign exchange rate discount income	**7,931**	5,008	**15,748**	19,306
Sales of goods from cross-border e-commerce solution business	**59,787**	–	**178,669**	–
	92,182	20,241	**252,014**	89,418

3. SEGMENT REPORTING

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

(i) card acceptance business in Thailand; and

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

In addition, the Directors consider that the place of domicile for the Group is Hong Kong, where the central management and control is located.

Segment results, which are the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of interest and other income, finance costs, general administrative expenses incurred by corporate office and taxation.

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

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

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

Nine months ended 31 December 2014 (unaudited)

	Card acceptance business *HK$'000*	**Cross-border e-commerce solution business** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**73,345**	**178,669**	**252,014**
Segment results	**13,304**	**13,651**	**26,955**
Unallocated interest and other income			**766**
Unallocated finance costs			**(56)**
Unallocated other expenses			**(61,786)**
Share of results of an associate			**(717)**
Share of results of a joint venture			**(1,707)**
Loss before taxation			**(36,545)**
Income tax expense			**(5,925)**
Loss for the period			**(42,470)**

Nine months ended 31 December 2013 (unaudited)

	Card acceptance business *HK$'000*	Cross-border e-commerce solution business *HK$'000*	Consolidated *HK$'000*
Segment revenue	89,418	–	89,418
Segment results	21,051	–	21,051
Unallocated interest and other income			120
Unallocated finance costs			(28)
Unallocated other expenses			(21,197)
Loss before taxation			(54)
Income tax expense			(4,888)
Loss for the period			(4,942)

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
This is stated after charging:				
Finance costs				
Finance costs on other long-term liabilities	**9**	9	**27**	28
Other finance costs	**28**	–	**29**	–
	37	9	**56**	28
Other items				
Cost of goods sold	**54,675**	–	**161,849**	–
Depreciation of property, plant and equipment	**402**	259	**1,157**	783
Staff costs, including directors' emoluments and equity-settled share-based payment expenses	**3,964**	10,015	**47,639**	13,217
Operating lease charges on premises	**554**	371	**2,379**	1,114

5. TAXATION

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
This is stated after charging:				
Current tax				
Hong Kong Profits Tax	**350**	–	**2,252**	–
Thailand Enterprise Income Tax	**1,254**	973	**2,687**	3,974
Withholding tax on dividend declared by a non-wholly owned subsidiary	**–**	–	**900**	593
	1,604	973	**5,839**	4,567
Deferred tax				
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	**285**	208	**86**	321
Income tax expenses for the period	**1,889**	1,181	**5,925**	4,888

(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 nine months ended 31 December 2014. However, the Group had no assessable profits arising in Hong Kong for the nine months ended 31 December 2013.

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.

The Group's operations in the PRC are subject to PRC enterprise income tax at 25%. However, no income tax has been provided as the Group's operations in the PRC incurred losses for taxation purpose.

Oriental City Group (Thailand) Company Limited ("OCG Thailand") is subject to Thailand income tax at 20% (2013: 20%).

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

6. **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2014 (2013: Nil).

7. **LOSS PER SHARE**

Basic loss per share for the three months and nine months ended 31 December 2014 are calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of HK$6,382,000 and HK$46,825,000 respectively (2013: HK$13,005,000 and HK$13,812,000 respectively) and on the weighted average number of 1,031,588,804 ordinary shares and 915,913,963 ordinary shares respectively (2013: 688,695,652 ordinary shares and 629,672,727 ordinary shares 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 2014 and 31 December 2013.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000* <Remark>	Share Options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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 income:										
Item that may be reclassified subsequently to profit or 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 owners:										
Contributions and distributions										
Share issued upon placing in April 2014	1,440	203,267	-	-	-	-	-	204,707	-	204,707
Share issued upon placing in September 2014	1,043	147,202	-	-	-	-	-	148,245	-	148,245
Share issued upon placing in October 2014	685	99,311	-	-	-	-	-	99,996	-	99,996
Recognition of equity-settled share based payment	-	-	-	-	-	38,868	-	38,868	-	38,868
Dividend to non-controlling interests 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 OF EQUITY *(continued)*

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000* *<Remark>*	Share Options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
For the nine months ended 31 December 2013										
At 1 April 2013 (audited)	6,000	14,559	6,996	421	766	928	(13,428)	16,242	2,229	18,471
Loss for the period	–	–	–	–	–	–	(13,812)	(13,812)	8,870	(4,942)
Other comprehensive income:										
Item that may be reclassify subsequent to profit or loss:										
Exchange difference on translation of foreign subsidiaries	–	–	–	(813)	–	–	–	(813)	(548)	(1,361)
Total comprehensive loss for the period	–	–	–	(813)	–	–	(13,812)	(14,625)	8,322	(6,303)
Transaction with owners:										
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	8,413	–	8,413	–	8,413
Placing of shares	1,200	119,223	–	–	–	–	–	120,423	–	120,423
Disposal of equity interest in a subsidiary	–	–	–	–	–	–	7,138	7,138	2,862	10,000
Dividend to non-controlling interests of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	(6,599)	(6,599)
	1,200	119,223	–	–	–	8,413	7,138	135,974	(3,737)	132,237
At 31 December 2013 (unaudited)	7,200	133,782	6,996	(392)	766	9,341	(20,102)	137,591	6,814	144,405

<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.

9. SHARE OF RESULTS OF AN ASSOCIATE

Pursuant to a capital injection agreement signed on 20 March 2014, during the nine months ended 31 December 2014, the Group injected RMB20 million (equivalent to HK$25 million) into 上海商酷網絡科技有限公司 (Shanghai Koolcloud Technology Company Limited, a limited company established in the PRC and is a manufacturer and operator of leading smart point-of-sale terminal technology, "Shanghai Koolcloud", its English translation is for identification purpose only), which represented 22.22% of the enlarged registered capital of Shanghai Koolcloud.

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

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

	Unaudited Three months ended 31 December 2014 *HK$'000*	Unaudited Nine months ended 31 December 2014 *HK$'000*
Loss of an associate for the period, since the date of investment	**(1,523)**	(3,229)
Group's ownership interest	**22.22%**	22.22%
Group's share of results of an associate	**(338)**	(717)

10. SHARE OF RESULTS OF A JOINT VENTURE

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

10. SHARE OF RESULTS OF A JOINT VENTURE *(continued)*

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

The Group's share of the results of Beijing Weike is set out as follows:

	Unaudited Three months 31 December 2014 *HK$'000*	Unaudited Nine months 31 December 2014 *HK$'000*
Loss for the period, since the date of investment	**(5,113)**	(5,172)
Group's ownership interests	**33%**	33%
Group's share of results of a joint venture	**(1,688)**	(1,707)

11. EVENTS AFTER THE REPORTING PERIOD

After completion of the BJ Weike Acquisition, on 15 October 2014, Beijing Weike, the shareholder of Beijing Weike, 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Company Limited, "Shanghai Yongle", its English translation is for identification purpose only), the shareholders of Shanghai Yongle and a wholly owned subsidiary of the Company, 深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited, "Shenzhen Yongle", its English translation is for identification purpose only), entered into an option framework agreement on the proposed exercise of the call option to acquire the remaining 67% interest in Beijing Weike by Shanghai Yongle (the "Further BJ Weike Acquisition") at an aggregate consideration of RMB312 million (equivalent to approximately HK$393 million), details of which had been set out in the Company's circular dated 29 December 2014.

On 27 January 2015, the Further BJ Weike Acquisition was completed and since then, the Group is able to control Beijing Weike and Open Union under the principles as outlined in HKFRS 10 "Consolidated Financial Statements" issued by the HKICPA pursuant to certain contractual arrangements. Accordingly, each of Beijing Weike and Open Union will be consolidated in the Group's consolidated financial statements as if they were subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the nine months ended 31 December 2014 (the "Review Period"), the Group has been engaged in the following businesses:

The card acceptance business in Thailand is one of the income streams of the Group during the Review Period. Total transaction volume handled by the Group in Thailand was amounted to approximately Thai Baht ("Baht") 19,023 million (equivalent to approximately HK$4,541 million) throughout the Review Period, representing a decrease of approximately 11% from Baht 21,294 million (equivalent to approximately HK$5,314 million) for the nine months ended 31 December 2013. The decrease was mainly arising from the political instability in Thailand in the first three months of the Review Period, which led to the decrease in Chinese tourists in Thailand.

On 15 October 2014, Beijing Weike, Beijing Weike's shareholders and relevant subsidiaries of the Company entered into the Option Framework Agreement to formalise the structure for the exercise of the Option to acquire 67% of the equity interests in Beijing Weike which would result in the Company controlling 90% equity interests in Open Union. All the conditions precedent under the Option Framework Agreement were fulfilled on 15 January 2015. On 27 January 2015, the relevant acquisition of Beijing Weike was completed.

On 7 November 2014, the Company and 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd., "Zhongchao Hismart") entered into the TourismCard Cooperation Agreement in respect of collaboration on developing and promoting the TourismCard product in Guangdong Province, the PRC. The two parties aim to issue at least 5,000,000 co-brand bank cards with electronic wallet and contactless payment functions and 10,000,000 anonymous prepaid cards, and to build an acceptance network of over 100,000 merchants (including China's largest integrated regional public transportation system, connecting 19 cities in Guangdong Province (including Guangzhou, Zhuhai, Zhongshan, Foshan, Hong Kong (through co-brand card program with Octopus Card) and Macau, etc.) with one single card. Zhongchao Hismart was chosen by Tourism Administration of Guangdong Province and UnionPay Guangdong as the sole operator of Barrier-Free TourismCard Pilot Program in Guangdong Province.

On 18 December 2014, the Company and a leading Chinese internet company entered into a memorandum of understanding regarding collaboration on mobile payments in South East Asia region and Japan. The details of such cooperation are yet to be finalized at the date of approving the Quarterly Financial Statements.

In February 2013, the Group entered into a non-legally binding memorandum of understanding (the "Memorandum") with a third party in respect of a possible acquisition of equity interests in a target company (the "Possible Acquisition"). The target company, together with its subsidiary, is principally engaged in the payment card business in the PRC. At the date of approving the Quarterly Financial Statements, the Memorandum has been terminated and no legally binding agreement in relation to the Possible Acquisition has been signed.

Business Outlook

Leveraging its core business in electronic payment, trading and settlement platforms, the Group has been continuously exploring new business opportunities in order to improve the Group's future operating results. Following the completion of acquisition of Beijing Weike, the Group's strategic focus has shifted to payment business centered on the PRC (the "PRC payment business"), which includes 4 strategic areas: 1) smart POS and mobile payment network across Asia Pacific; 2) rapid and small-value payments; 3) issuance, clearing and management of prepaid scheme for merchants with nationwide franchises and, 4) consolidation of traditional PRC prepaid card industry.

Smart POS and virtual payment network across Asia Pacific

The Company intends to build a smart POS and mobile payment network across the Asia Pacific region. The smart POS technology is implemented by Shanghai Koolcloud, an associate of the Company, whose staff work side-by-side with the Company's management and operation teams with the same strategic goals.

Shanghai Koolcloud's smart POS is an integrated point-of-sales terminal through which merchants can accept and process all available payment methods currently in the market. Moreover, through the smart POS, the Company can help merchants to issue virtual prepaid cards, coupons and discounts, from which the Company will derive profits. Currently, the Company is partnering with leading Chinese internet companies to promote the usage of the smart POS technology both in and outside the PRC.

To further implement this strategy, on 22 January 2015, the Company and NETS (Singapore's national payment system) entered into a memorandum of agreement to connect the product developed by the Company to NETS' system in accordance to NETS standards and to put forth the intent for future business collaboration on hardware and software development for the electronic payment services. More similar arrangements are expected to take place across Asia Pacific in 2015.

Rapid and small-value payments

Prepaid card is the more ideal payment method in the realm of rapid and small-value payments, compared with both cash and bank payments which are inconvenient and time-consuming. To date, the rapid and small-value payments market is a largely untapped market in China, with existing applications mostly limited to public transportation payments.

On 28 January 2015, the pilot project of the strategic cooperation with 易聯眾信息技術股份有限公司 (YLZ Information Technology Co., Ltd, "YLZ") was implemented at 福建省人民醫院 (Fujian People's Hospital). Under this project, a patient can now conveniently pass through all medical procedures at the hospital by using a single prepaid medical card developed by the Company and YLZ, without repeatedly returning to the cashier's counter. The patient can also review account activities and make payments through automatic kiosks, online or through mobile applications. After the pilot stage, this project will expand to other hospitals, pharmacies and community clinics all across Fujian Province and in other parts of the PRC.

Additionally, in January 2015, Open Union established a new subsidiary in Guangdong Province which would focus on managing prepaid schemes for the region's grocery markets. Grocery markets are uniquely positioned to take advantage of prepaid cards, as transactions are too small for credit cards, while cash exchange is time-consuming and inefficient, making prepaid card the ideal alternative.

Management of prepaid scheme for merchant with nationwide franchises

Many merchants prefer prepaid scheme as an ultimate customer relationship management (CRM) tool. Through prepaid schemes, merchants can gain insight into customers' consumption patterns and offer targeted discounts, coupons and rewards. However, due to legal and/or technical obstacles, many large merchants with nationwide franchises are unable to implement prepaid scheme on their own. With the technical know-how and the Payment Service Licence, the Company is able to build and manage integrated prepaid schemes in all regions across the PRC and offer technically sophisticated, secure, and standardized platforms, thus fitting the needs of such large nationwide merchants.

The Company is currently in early stage of negotiation with a top multinational software and entertainment corporation. Under the proposed arrangement, if materialized, the Company will manage such corporation's entire prepaid scheme in the PRC. Such business model, once established, can be rapidly replicated with other large merchants, creating economy of scale.

Industry consolidation of traditional corporate prepaid card service

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

At the date of approving the Quarterly Financial Statements, such partnership has already been successfully implemented in the Jiangsu and Hebei Provinces.

Financial Review

The Group's revenue for the Review Period was approximately HK$252 million, of which approximately HK$73 million was generated from the card acceptance business in Thailand and approximately HK$179 million was generated from the cross-border e-commerce solution business. Given that the cross-border e-commerce solution business was newly acquired by the Group in January 2014, no such income was recognised in prior year and therefore, the Group's total revenue was increased by approximately 182% from the corresponding period in last year.

Gross profit for the Group during the Review Period was amounted to approximately HK$36 million, representing an increase of approximately 39% from the same record in last year. The increase was mainly attributable by the introduction of cross-border e-commerce solution business in this year.

The general administrative expenses of the Group for the Review Period amounted to approximately HK$67 million, increased by approximately 168% as compared with the same recorded in last year. The increase was mainly attributable to the increase in the overall staff costs, including the recognition of equity-settled share based payment expenses of approximately HK$39 million and directors' remuneration and the legal and professional fees of the Group during the Review Period.

The selling and distribution costs during the Review Period amounted to approximately HK$3 million, representing an increase of approximately 3 times as compared with that of recorded in the same period last year. The increase was attributable by the acquisition of new subsidiaries, overseas travelling expenses and the increase in staff costs of the marketing team in Thailand.

UPDATED BIOGRAPHICAL DETAILS OF A DIRECTOR

Mr. Zhang Huaqiao ("Mr. Zhang"), the chairman and the non-executive Director of the Company, was appointed as an independent non-executive director by Sinopec Yizheng Chemical Fibre Company Limited (whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1033)), with effect from 9 February 2015.

Mr. Fung Weichang ("Mr. Fung"), the executive Director of the Company, was appointed as an independent non-executive director by Huishang Bank Corporation Limited (whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3698)), with effect from 8 October 2014.

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

As at 31 December 2014, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation *(Note 1)*	174,500,000	16.83%
Mr. Cao Guoqi ("Mr. Cao")	Corporate – Interest of controlled corporation *(Note 2)*	51,270,000	4.95%
	Beneficial owner *(Note 3)*	6,000,000	0.58%
	Interest of spouse *(Note 4)*	770,000	0.07%
Mr. Fung Weichang ("Mr. Fung")	Beneficial owner *(Note 3)*	2,000,000	0.19%
Mr. Zhang Huaqiao ("Mr. Zhang")	Beneficial owner *(Note 3)*	6,000,000	0.58%
Mr. Xiong Wensen ("Mr. Xiong")	Beneficial owner *(Note 3)*	8,600,000	0.83%

Notes: 1. These Shares were held by Tian Li Holdings Limited ("Tian Li") which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee ("Ms. Cheng") respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 174,500,000 Shares held by Tian Li under the SFO.

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

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

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

(b) Associated corporation

As at 31 December 2014, Ms. Cheng, the sister of Mr. Cheng, held 30% equity interests in Tian Li. Ms. Cheng retired by rotation as an executive Director of the Company with effect from 25 July 2014.

Save as disclosed above, as at 31 December 2014, so far as is known to any of the Directors or the chief executive of the Company, none of the Directors or the 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 Rules 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

Saved 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 2014, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
Tian Li *(Note 1)*	Beneficial owner	174,500,000	16.83%
Probest *(Note 2)*	Beneficial owner	51,270,000	4.95%

Notes:

1. Tian Li is a company owned as to 70% and 30% by Mr. Cheng and Ms. Cheng respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 174,500,000 Shares held by Tian Li under the SFO. Mr. Cheng is a director of Tian Li.

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

Save as disclosed above, as at 31 December 2014, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in the securities of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2014 to 31 December 2014.

AUDIT COMMITTEE

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

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

The Group's unaudited quarterly results for the nine months ended 31 December 2014 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Zhang Huaqiao
Chairman

Hong Kong, 13 February 2015

As at the date of this report, the Board of Directors of the Company comprise (i) five executive Directors, namely Mr. Cheng Nga Ming Vincent, Mr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen and Mr. Song Xiangping, (ii) one non-executive Director, namely Mr. Zhang Huaqiao and (iii) three independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.