



EFT Solutions Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8062

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chun Kit Andrew
(Chairman and Chief Executive Officer)
Mr. Lo Chun Wa

Non-executive Directors

Ms. Lam Ching Man
Mr. Lui Hin Weng Samuel
Mr. Chan Lung Ming
(Resigned on 5 July 2019)

Independent Non-executive Directors

Dr. Wu Wing Kuen *B.B.S.*
Ms. Yang Eugenia
(Resigned on 11 September 2019)
Mr. Tso Ping Cheong Brian
(Appointed on 11 September 2019)
Mr. Ng Ming Fai
(Resigned on 28 October 2019)
Mr. Wong Ping Yiu
(Appointed on 28 October 2019)

COMPLIANCE OFFICER

Mr. Lo Chun Wa

COMPANY SECRETARY

Ms. Fok Joyce Sing Yan
(Resigned on 21 August 2019)
Mr. Li Man Ho
(Appointed on 21 August 2019)

AUTHORISED REPRESENTATIVES

Mr. Lo Chun Kit Andrew
Ms. Fok Joyce Sing Yan
(Resigned on 21 August 2019)
Mr. Li Man Ho
(Appointed on 21 August 2019)

AUDIT COMMITTEE

Dr. Wu Wing Kuen *B.B.S.*
Ms. Yang Eugenia
(Resigned on 11 September 2019)
Mr. Tso Ping Cheong Brian *(Chairman)*
(Appointed on 11 September 2019)
Mr. Ng Ming Fai
(Resigned on 28 October 2019)
Mr. Wong Ping Yiu
(Appointed on 28 October 2019)

REMUNERATION COMMITTEE

Mr. Lo Chun Kit Andrew
Dr. Wu Wing Kuen *B.B.S.*
Mr. Ng Ming Fai
(Resigned on 28 October 2019)
Mr. Wong Ping Yiu *(Chairman)*
(Appointed on 28 October 2019)

NOMINATION COMMITTEE

Mr. Lo Chun Kit Andrew *(Chairman)*
Dr. Wu Wing Kuen *B.B.S.*
Mr. Ng Ming Fai
(Resigned on 28 October 2019)
Mr. Wong Ping Yiu
(Appointed on 28 October 2019)

HONG KONG LEGAL ADVISER

Li & Partners
22/F, World-Wide House
Central, Hong Kong

Corporate Information

AUDITOR

Elite Partners CPA Limited
10/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANK

Hang Seng Bank Limited
9/F, 83 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshops B1 & B3
11/F, Yip Fung Industrial Building
28-36 Kwai Fung Crescent
Kwai Chung, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point, Hong Kong

STOCK CODE

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COMPANY WEBSITE

www.eftsolutions.com

FINANCIAL HIGHLIGHTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and nine months ended 31 December 2019, together with the comparative figures for the corresponding periods in 2018, as follows:

	For the nine months ended			+ / (-)
	31 December			
	2019	2018		
	HK\$ million	HK\$ million		
	(unaudited)	(unaudited)		
Revenue	91.3	94.1		(3.0)%
Gross profit	39.0	47.7		(18.2)%
Operating profit	17.8	30.6		(41.8)%
Profit before tax	9.0	23.6		(61.9)%
Profit for the period	5.4	18.3		(70.5)%
Profit attributable to the owners of the Company	5.5	14.0		(60.7)%

EARNINGS PER SHARE

	For the nine months ended			+ / (-)
	31 December			
	2019	2018		
	HK cents	HK cents		
	(unaudited)	(unaudited)		
Earnings per share				
– Basic	1.15	2.91		(60.5)%
– Diluted	1.15	2.90		(60.3)%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 31 December 2019

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	27,937	27,803	91,307	94,085
Cost of goods sold and services		(16,737)	(22,226)	(52,341)	(46,389)
Gross profit		11,200	5,577	38,966	47,696
Other income		43	70	477	175
Other losses		(5,766)	(87)	(6,156)	(611)
Administrative expenses		(4,201)	(8,518)	(15,503)	(16,680)
Operating profit (loss)		1,276	(2,958)	17,784	30,580
Finance costs		(2,181)	(2,770)	(7,534)	(6,340)
Share of results of an associate		(534)	(345)	(1,269)	(686)
Profit (loss) before tax		(1,439)	(6,073)	8,981	23,554
Income tax expense	5	(966)	279	(3,606)	(5,242)
Profit (loss) for the period		(2,405)	(5,794)	5,375	18,312
Profit (loss) attributable to:					
– Owners of the Company		(2,389)	(5,721)	5,537	13,989
– Non-controlling interests		(16)	(73)	(162)	4,323
		(2,405)	(5,794)	5,375	18,312
Earnings (loss) per share for the profit attributable to the owners of the Company:					
– Basic (HK cents)	6	(0.50)	(1.19)	1.15	2.91
– Diluted (HK cents)		(0.50)	(1.19)	1.15	2.90

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2019

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit (loss) for the period	(2,405)	(5,794)	5,375	18,312
Other comprehensive income (loss), net of tax				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences arising on translation of the financial statements of foreign subsidiaries	36	(1)	(7)	83
Exchange reserve realised on disposal of subsidiaries	77	–	77	–
Fair value change of financial assets at fair value through other comprehensive income	–	–	600	–
Total comprehensive income (loss) for the period	(2,292)	(5,795)	6,045	18,395
Total comprehensive income (loss) attributable to:				
Owners of the Company	(2,277)	(5,722)	6,192	14,048
Non-controlling interests	(15)	(73)	(147)	4,347
	(2,292)	(5,795)	6,045	18,395

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to the owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	FVTOCI reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000			
			(Note)						
As at 1 April 2019 (audited)	4,800	53,545	(10,228)	(700)	43	47,660	95,120	13,233	108,353
Comprehensive income									
Profit for the period	-	-	-	-	-	5,537	5,537	(162)	5,375
Other comprehensive income									
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	55	-	55	15	70
Fair value change of financial assets at fair value through others comprehensive income	-	-	-	600	-	-	600	-	600
Disposal of subsidiaries	-	-	-	-	(77)	77	-	-	-
Total comprehensive income	-	-	-	600	(22)	5,614	6,192	(147)	6,045
Disposal of subsidiaries	-	-	-	-	-	-	-	(13,116)	(13,116)
As at 31 December 2019 (unaudited)	4,800	53,545	(10,228)	(100)	21	53,274	101,312	(30)	101,282

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2019

	Attributable to the owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note)	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000			
As at 1 April 2018 (audited)	4,800	53,545	(10,228)	5,851	-	32,096	86,064	-	86,064
Adjustment on initial application of HKFRS 9	-	-	-	-	-	(33)	(33)	-	(33)
Adjusted balance as at 1 April 2018 (unaudited)	4,800	53,545	(10,228)	5,851	-	32,063	86,031	-	86,031
Comprehensive income									
Profit for the period	-	-	-	-	-	13,989	13,989	4,323	18,312
Other comprehensive income									
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	59	-	59	24	83
Total comprehensive income	-	-	-	-	59	13,989	14,048	4,347	18,395
Transactions with owners									
Equity-settled share-based payment transactions	-	-	-	(1,531)	-	-	(1,531)	-	(1,531)
Non-controlling interests arising on business combinations	-	-	-	-	-	-	-	8,690	8,690
Total transactions with owners	-	-	-	(1,531)	-	-	(1,531)	8,690	7,159
As at 31 December 2018 (unaudited)	4,800	53,545	(10,228)	4,320	59	46,052	98,548	13,037	111,585

Note: Special reserve represents the difference between the entire issue shares of EFT Solutions Limited ("EFT") acquired by the Group amounting to HK\$100 and the consideration for acquiring EFT by EFT Solutions International Limited, a wholly-owned subsidiary of the Group, amounting to approximately HK\$10,228,000 pursuant to the reorganisation, the details of which are set out in the prospectus of the Company dated 5 December 2016.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION

For the three months and nine months ended 31 December 2019

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 May 2016. Its registered office is located at Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Workshops B1 & B3, 11th Floor, Yip Fung Industrial Building, 28-36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in sourcing of electronic fund transfer at point-of-sale ("**EFT-POS**") terminals and peripheral devices, provision of EFT-POS system support services and software solution services, as well as the provision of point-of-sale ("**POS**") software solution services in Hong Kong and the People's Republic of China ("**PRC**") and the provision of embedded system solution services in Australia. The Company's parent and ultimate holding company is LCK Group Limited ("**LCK**"), a company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling party is Mr. Lo Chun Kit Andrew ("**Mr. Lo**").

The presentation currency of the quarterly financial information is Hong Kong dollars ("**HKS**"), which is the same as the functional currency of the Group.

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

2. BASIS OF PREPARATION

The quarterly financial information have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The amounts included in the quarterly financial information have been computed in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). However, it does not contain sufficient information to constitute an interim financial statement as defined in HKFRSs.

The quarterly financial information should be read in conjunction with the consolidated financial statements of the Group incorporated in the annual report for the year ended 31 March 2019 (the “**2019 Annual Report**”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2019 Annual Report.

The quarterly financial information have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Reporting Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. The Group has not applied new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

The application of the new and revised HKFRSs effective in the current Reporting Period has had no material effect on the amounts reported in the quarterly financial information and disclosures set out in the quarterly financial information, except for HKFRS 16 Lease as set out below.

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group applies, for the first time, HKFRS 16 Leases. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Other than as further explained below, the Directors do not anticipate that the application of the new HKFRS above will have a material effect on the Group's consolidated financial statements and the disclosure.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HKIFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases-incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. **New definition of a lease**

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

a. **New definition of a lease *(continued)***

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. **Lessee accounting and transitional impact**

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land use right. For an explanation of how the Group applies lessee accounting.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.25%.

To ease the transition to HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020.

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

b. Lessee accounting and transitional impact *(continued)*

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019.

	1 April 2019 HK\$'000
Operating lease commitments at 31 March 2019	3,299
Less: commitments relating to leases exempt from capitalisation: Short-term lease and other leases with remaining lease term ending on or before 31 March 2020	(336)
Less: total future interest expenses	(131)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and total lease liabilities recognised at 1 April 2019	2,832

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

b. Lessee accounting and transitional impact (continued)

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity. The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position:

	Carrying amount at 31 March 2019 HK\$'000	Capitalisation of operating lease HK\$'000	Carrying amount at 1 April 2019 HK\$'000
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Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:

Non-current assets			
Right-of-use assets	–	2,832	2,832
Current liabilities			
Lease liabilities (current)	–	1,744	1,744
Non-Current liabilities			
Lease liabilities (non-current)	–	1,088	1,088

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

4. REVENUE

An analysis of the Group's revenue is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sourcing of EFT-POS terminals and peripheral devices	8,761	12,017	30,013	31,101
Provision of system support and software solution services	19,176	15,786	61,294	62,984
	27,937	27,803	91,307	94,085

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

5. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax:				
Hong Kong Profits Tax	1,016	(247)	3,818	5,253
Overseas income tax	(50)	36	14	147
Total current income tax	966	(211)	3,832	5,400
Deferred income tax	-	(68)	(226)	(158)
Total tax charge (credit) for the period	966	(279)	3,606	5,242

Hong Kong Profits Tax has been provided for at the rate of 16.5% (for the nine months ended 31 December 2018: 16.5%) on the estimated assessable profits for the Reporting Period.

Tax on overseas profits in Australia has been calculated at the prevailing tax rate based on existing legislation, interpretations and practices in respect thereof.

No provision for the PRC corporate income tax has been made as the Group did not generate any taxable profits in the PRC during the Reporting Period. The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

6. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share for both periods is based on the following data:

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Earnings (loss)				
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	(2,389)	(5,721)	5,537	13,989
	2019 '000 (unaudited)	2018 '000 (unaudited)	2019 '000 (unaudited)	2018 '000 (unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	480,000	480,000	480,000	480,000
Effect of dilutive potential ordinary shares on share options	-	-	-	1,920
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	480,000	480,000	480,000	481,920

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

7. RELATED PARTY TRANSACTIONS

During the three months and nine months ended 31 December 2018 and 2019, the Group entered into the following transactions with related parties:

Name of related party	Nature of Transactions	For the three months ended		For the nine months ended	
		31 December	2018	31 December	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Affinity Corporation Limited (Note 1)	Rental expense paid	84	84	252	91
EFT Payments (Asia) Limited ("EFT Payments") (Note 1)	Sourcing of EFT-POS terminals and peripheral devices (Note 2)	2,506	3,883	8,136	5,483
	Provision of EFT-POS system support services (Note 3)	2,101	1,645	6,866	3,700
	Disposal of fixed asset	31	75	62	75
Guangzhou EFTPay Limited (Note 1)	Sourcing of peripheral devices	-	39	-	39
Hung Wai Innovation Limited (Note 4)	Purchasing cost of peripheral devices	-	1,045	-	2,437
Mr. Lo	Rental expense paid	243	243	729	729
Ms. Lam Ching Man (Note 5)	Rental expense paid	81	81	243	243
Mr. Lo Chun Wa (Note 6)	Rental expense paid	45	45	135	135
Open Sparkz Pty Ltd ("Open Sparkz")	Management income received	-	114	-	114

Notes to the Quarterly Financial Information

For the three months and nine months ended 31 December 2019

7. RELATED PARTY TRANSACTIONS *(continued)*

Note 1: Mr. Lo is the ultimate shareholder of Affinity Corporation Limited, EFT Payments and Guangzhou EFTPay Limited.

Note 2: The prices were made with reference to transactions prices of EFT-POS terminals products of comparable quality, quantity, specifications and delivery deadline and arrangements offered to at least 2 independent third parties in the ordinary and usual course of business.

Note 3: The services fee is based on the number of terminals deployed multiplied by a fixed system support fee per terminal that depend on the scope of services required. The charges are substantially in line with those offered to the major customers.

Note 4: Hung Wai Products Limited ("**Hung Wai**"), of which Mr. Lo holds 25%, became related company of the Group since April 2017. Hung Wai Innovation Limited is the wholly-owned subsidiary of Hung Wai Electronics (Huizhou) Limited, which is owned by Hung Wai as to 92.12% of its shareholdings. Accordingly, it is also a related company of the Group.

Note 5: Ms. Lam Ching Man ("**Ms. Lam**") is a non-executive Director and the spouse of Mr. Lo.

Note 6: Mr. Lo Chun Wa is an executive Director and the brother of Mr. Lo.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has continued to take a leading position as an innovative EFT-POS solution provider focusing on sourcing of EFT-POS terminals and peripheral devices, the provision of EFT-POS system support services and software solution services in Hong Kong.

We are confident in positioning ourselves as a major link between EFT-POS terminal manufacturers and acquirers (i.e. acquiring bank or payment processor that processes credit or debit card payments on behalf of a merchant) to provide total EFT-POS solutions, which includes sourcing of EFT-POS terminals and peripheral devices services, as well as the development of software that comply with electronic payment standards acceptance certification, installation and ongoing maintenance and repair services of EFT-POS terminals.

The Group will continue to provide customised project-based software solution services so as to further capture the ongoing growing opportunities and expand our local market share in the EFT-POS terminal market. We will also continue to provide sourcing of EFT-POS terminals and peripheral devices services to acquirers and as well as merchants.

During the period ended 31 December 2019, the Group continued its efforts in developing the sourcing of EFT-POS terminals and peripheral devices, provision of EFT-POS system support services and software solution services and recorded growth in revenue from sourcing of EFT-POS terminals and peripheral devices and provision of EFT-POS system support services, while there was significant growth from software solution services.

We expect there are ample opportunities for growth in EFT-POS terminals and peripheral devices and provision of EFT-POS system support services and software solution services under the rapid development on the digital payment market, especially the popularity of the QR code payment, Faster Payment System (“FPS”) and e-wallet payment system.

The Group will strive its best effort to achieve business growth and contribute our expertise to Hong Kong on its endeavor to transform itself into a smart city. The Group aims to further expand our market shares and strengthen our market position in EFT-POS sourcing, system support and software solution industries by increasing its capabilities and offering diverse and high quality one-stop integrated services.

However, the Group foresees the economic downturn and social unrest in Hong Kong may have negative impact to our performance due to the possible decrease in the sales of EFT-POS terminals and peripheral devices and the number of EFT-POS terminals covered by our system support services. We will closely monitor the conditions and keep our Shareholders informed of material developments.

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

During the Reporting Period, the Group recorded revenue of approximately HK\$91.3 million which represented a decrease of approximately 3.0% as compared with approximately HK\$94.1 million in the corresponding period in 2018.

The Group recorded profit for the Reporting Period of approximately HK\$5.4 million, which represented a significant decrease of approximately 70.5% on a period-to-period basis. It was mainly due to the significant decrease in the provision of system support and software solution services.

Revenue

For sourcing of EFT-POS terminals and peripheral devices, revenue of approximately HK\$30.0 million was recognised for Reporting Period which represented a decrease of approximately 3.5% as compared to HK\$31.1 million in the corresponding period in 2018 due to slight decrease in unit price of EFT-POS terminals sold.

For provision of system support and software solution services, revenue of approximately HK\$61.3 million was recognised for the Reporting Period which represented a decrease of approximately 2.7% as compared to HK\$63.0 million in the corresponding period in 2018 due to the decrease in provision of POS software solution services.

Costs of Goods Sold and Services

Costs of goods sold and services primarily consisted of costs of inventories recognised as expense, cost of independent service providers, tools and consumables, salaries and benefits, freight and transportation, rent, local travelling and telephone and utilities expense. Costs of goods sold and services during the Reporting Period was HK\$52.3 million (for the nine months ended 31 December 2018: HK\$46.4 million), which represented an increase of approximately 12.7% on a period-to-period basis due to increase in costs of inventories sold and increase of the development cost of POS software projects.

Gross Profit and Gross Profit Margin

The overall gross profit for the Reporting Period was approximately HK\$39.0 million (for the nine months ended 31 December 2018: HK\$47.7 million) which represented a decrease of approximately 18.2%. The overall gross profit margin for the Reporting Period was about 42.7% (for the nine months ended 31 December 2018: 50.7%), which represented a decrease of about 8.0%. Such decrease of gross profit was primarily due to the Group sourced more EFT-POS terminals and peripheral devices with relatively lower profit margin to customers and significant decrease of profit margin in the market of POS software solutions services in the Reporting Period as compared to that in the corresponding period in 2018.

Management Discussion and Analysis

Other Income

Other income mainly represented delivery income charged back to customers and management fee income. Other income for the nine months ended 31 December 2018 and 2019 was approximately HK\$0.2 million and HK\$0.5 million, respectively, and was relatively stable over the corresponding periods in 2018.

Other Losses

Other losses mainly represented the exchange losses and the loss on disposal of subsidiary. Other losses of approximately HK\$6.2 million were recorded for the Reporting Period (for the nine months ended 31 December 2018: HK\$0.6 million). The other losses were increased mainly due to the loss on disposal of subsidiaries of approximately HK\$5.7 million in the Reporting Period.

Staff Costs

Staff costs of approximately HK\$17.0 million were recorded for the Reporting Period (for the nine months ended 31 December 2018: HK\$17.8 million) which represented a decrease of approximately 4.5%. The decrease was mainly due to the decrease in directors' remuneration and the number of staff in Reporting Period as compared to that in the corresponding period in 2018.

Other Administrative Expenses

Other administrative expenses (excluding staff costs) comprised mainly auditor's remuneration, depreciation, amortisation of intangible assets, legal and professional fees and office expenses.

Other administrative expenses for the Reporting Period was approximately HK\$12.0 million (for the nine months ended 31 December 2018: HK\$12.7 million), which represented a decrease of approximately 5.5% as a result of the decrease in the professional fee and other administrative expenses.

Finance Costs

Finance costs mainly represented imputed interest expenses on promissory note and interest expenses on bank borrowings. Finance costs for the Reporting Period was approximately HK\$7.5 million (for the nine months ended 31 December 2018: HK\$6.3 million). On 31 May 2018, the Group issued promissory notes of approximately HK\$194.0 million which bear interest at 4% per annum as part of the consideration of acquisition of Earn World Group.

Profit for the Period

For the Reporting Period, the Group recorded profit of approximately HK\$5.4 million (for the nine months ended 31 December 2018: HK\$18.3 million). This was mainly due to the decline in the revenue and gross profit contributed by the provision of POS software solution services.

Management Discussion and Analysis

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. The Group has remained at a sound financial resource level. As at 31 December 2019, the Group had net current assets of approximately HK\$69.4 million (as at 31 March 2019: approximately HK\$24.0 million) including cash and bank balances of approximately HK\$38.0 million (as at 31 March 2019: approximately HK\$38.2 million).

As at 31 December 2019, the gearing ratio (calculated on the basis of total bank borrowings divided by the total equity as at the end of the period) of the Group was 3.7% (as at 31 March 2019: 197.1%). The significant decrease is mainly due to the wavier of the promissory note during the Reporting Period.

Pledge of Assets

As at 31 December 2019, the Group did not have any pledged assets (as at 31 March 2019: nil).

Capital Commitments, Capital Expenditures and Contingent Liabilities

As at 31 December 2019, the Group did not have any significant capital commitments (as at 31 March 2019: nil).

As at 31 December 2019, the Group did not have any significant capital expenditures (as at 31 March 2019: nil).

As at 31 December 2019, the Group did not have any significant contingent liabilities (as at 31 March 2019: nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

References are made to the announcement of the Group dated 15 October 2019; and the circular of the Company dated 26 November 2019 (the “**Circular**”) in relation to the major transaction regarding the disposal of 70% equity interest in Earn World Development Limited and its subsidiaries (“**Disposal Group**”). The completion took place on 17 December 2019 in accordance with the terms and conditions of the Agreement and an announcement was then made. Accordingly, the Company has ceased to have any interests in the Disposal Group and the Disposal Group are no longer subsidiaries of the Company as of the date of the announcement.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the Reporting Period and up to the date of this report.

Plans for Material Investments and Acquisitions

Save as disclosed elsewhere in this report, the Group did not have any plans for material investments and acquisitions as at the date of this report.

Dividend

The Board does not recommend the payment of any dividend for the Reporting Period (for the nine months ended 31 December 2018: nil).

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Capacity	Notes	Long position	
			Total interests in ordinary Shares	Percentage of total number of issued Shares
Mr. Lo	Interest in a controlled corporation	1	346,260,000	72.14%
Ms. Lam	Interest of spouse	2	346,260,000	72.14%

Notes:

1. Mr. Lo is interested in the entire issued share capital of LCK and he is therefore deemed to be interested in the 346,260,000 Shares held by LCK by virtue of the SFO.
2. Ms. Lam is the spouse of Mr. Lo and she is therefore deemed to be interested in the Shares held by Mr. Lo by virtue of the SFO.

Save as disclosed above and the paragraph headed "Share Option Scheme", as at 31 December 2019, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were 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 he will be taken or deemed to have under the SFO), or was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Disclosure of Interests and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, to the knowledge of the Directors, shareholders of the Company (the “**Shareholders**”) (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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 were as follows:

Name	Capacity	Note	Long position	
			Number of ordinary Shares	Percentage of total number of issued Shares
LCK	Beneficial Owner	1	346,260,000	72.14%

Note:

1. The entire issued share capital of LCK is legally and beneficially owned by Mr. Lo who is deemed to be interested in the Shares held by LCK by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, to the knowledge of the Directors, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and the paragraph headed “Share Option Scheme”, at no time during the Reporting Period and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Disclosure of Interests and Other Information

Save as disclosed above and as provided in the section “Share Option Scheme” of this report, at no time during the Reporting Period and up to the date of this report was the Company, any of its subsidiaries, its associated companies 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).

DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST IN COMPETING BUSINESS

For the Reporting Period and up to the date of this report, none of the Directors, nor the substantial Shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interests (other than their interest in the Company or (prior to completion of the Reorganisation) its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

DIRECTORS’ INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 7 to the quarterly financial information in this report, there were no other transactions, arrangements or contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in Note 7 to the quarterly financial information in this report, for the Reporting Period, there had been no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of their close associates, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of their close associates.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

Disclosure of Interests and Other Information

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the Shareholders on 23 November 2016 (the “**Share Option Scheme**”).

The following is a summary of the principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group. The Share Option Scheme is valid and effective for a period of ten years commencing from the date of adoption of the scheme.

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
 - (a) contribution to the development and performance of the Group;
 - (b) quality of work performed for the Group;
 - (c) initiative and commitment in performing his/her duties; and
 - (d) length of service or contribution to the Group.

Disclosure of Interests and Other Information

The maximum number of shares which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Share Option Scheme and any other schemes for the time being of the Company shall not exceed 30% of the shares in issue from time to time. Share options (the “**Options**”) of the Company which are lapsed or cancelled for the time being shall not be counted for the purpose of calculating the said 30% limit and the maximum number of shares which may be issued upon exercise of all Options granted and to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme unless approval for refreshing the 10% limit from the Company’s shareholders has been obtained. The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the “**Cancelled Shares**”)) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to the issue of a circular and the approval of the Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

Upon acceptance of an option to subscribe for Shares granted pursuant to the scheme, the eligible participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to the Options will be a price determined by the Board and notified to each participant and shall be the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options;
- (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

Disclosure of Interests and Other Information

Details of the Options granted and outstanding under the Share Option Scheme during the corresponding period in 2018 of the Reporting Period were as follows:

Category	Date of grant	Exercise period	Exercise price	Number of share options				
				Balance as at 1 April 2018	Granted	Exercised	Cancelled/ lapsed (Note 5)	Balance as at 31 December 2018
Executive Directors								
Mr. Lo	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	(4,800,000)	-
Mr. Lo Chun Wa	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	(4,800,000)	-
Non-executive Directors								
Mr. Chan (Resigned on 5 July 2019)	18 September 2017	Note 2	0.320 (Note 3)	24,000,000	-	-	(24,000,000)	-
Ms. Lam	9 January 2018	Note 1	0.530 (Note 4)	4,800,000	-	-	(4,800,000)	-
				38,400,000	-	-	(38,400,000)	-

Notes:

- 50% of the Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable after three months from the date of grant. The remaining Options granted to Mr. Lo, Mr. Lo Chun Wa and Ms. Lam shall become exercisable on or after the first anniversary of the date of grant.
- 40% of the Options granted to Mr. Chan Lung Ming ("**Mr. Chan**") shall become exercisable immediately upon approval by the Shareholders of the Company; 30% of the Options granted to Mr. Chan shall become exercisable on or after completion of one year of service on 1 September 2018 and the remaining Options granted to Mr. Chan shall become exercisable on or after completion of two years of service on 1 September 2019. Options granted to Mr. Chan have been approved by the Shareholders in its extraordinary general meeting held on 10 November 2017.
- The closing price of shares on the date of grant was HK\$0.320. The average closing price was HK\$0.2744 per share for the five business days immediately preceding the date of grant.
- The closing price of shares on the date of grant was HK\$0.530. The average closing price was HK\$0.520 per share for the five business days immediately preceding the date of grant.
- The Options lapsed during the Reporting Period in accordance with the terms of the Share Option Scheme.

Disclosure of Interests and Other Information

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions (the “**Model Code**”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code for the Reporting Period.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance in emphasising a quality board of directors, sound internal control, transparency and accountability with a view to safeguard the interests of all the Shareholders.

The Group has adopted the principles and code provisions of Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, the Company has established its audit committee (“**Audit Committee**”), a nomination committee and a remuneration committee with specific written terms of reference. During the Reporting Period and up to the date of this report, the Company has complied with all the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules except for the deviations as follows:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lo is the Chairman and the CEO of the Company. In view that Mr. Lo has been assuming day-to-day responsibilities in operating and managing the Group since 2008 and the rapid development of the Group, the Board believes that with the support of Mr. Lo's extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and CEO of the Company in Mr. Lo strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to the Group. The Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

Notwithstanding the above, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Disclosure of Interests and Other Information

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established by the Board on 23 November 2016 with written terms of reference in compliance with the GEM Listing Rules. Members of the Audit Committee currently comprise Mr. Tso Ping Cheong Brian (Chairman of the Audit Committee), Dr. Wu Wing Kuen *B.B.S.* and Mr. Wong Ping Yiu, all of them being independent non-executive Directors. The primary duties of the Audit Committee include, but are not limited to, (a) monitoring the integrity of the Company's financial statements, (b) reviewing the Company's financial controls, internal control and risk management systems, and (c) reviewing the Group's financial and accounting policies and practices.

The unaudited condensed consolidated quarterly results of the Group for the Reporting Period have not been audited.

The Audit Committee has reviewed with the management of the Group the unaudited condensed consolidated quarterly results of the Group for the Reporting Period, this quarterly report, the accounting principles and policies adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board

EFT Solutions Holdings Limited
Lo Chun Kit Andrew

Chairman and Chief Executive Officer

10 February 2020

As at the date of this report, the executive Directors are Mr. Lo Chun Kit Andrew and Mr. Lo Chun Wa; the non-executive Directors are Ms. Lam Ching Man and Mr. Lui Hin Weng Samuel; and the independent non-executive Directors are Dr. Wu Wing Kuen, B.B.S., Mr. Tso Ping Cheong Brian and Mr. Wong Ping Yiu.

This report will remain on the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the date of its posting and be posted on the website of the Company at www.eftsolutions.com.