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EFT Solutions Holdings Limited
俊盟國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8062)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board of Directors of the Company (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

		2019	2018
	Notes	HK\$'000	HK\$'000
Revenue	4	132,937	94,148
Cost of goods sold and services		<u>(75,174)</u>	<u>(45,315)</u>
Gross profit		57,763	48,833
Other income	6	1,686	564
Other losses		(5,450)	(257)
Administrative expenses		<u>(23,384)</u>	<u>(21,522)</u>
Operating profit		30,615	27,618
Finance costs	7	(9,083)	(13)
Share of results of an associate		<u>(1,104)</u>	<u>(214)</u>
Profit before tax		20,428	27,391
Income tax expense	8	<u>(6,155)</u>	<u>(5,693)</u>
Profit for the year	9	<u>14,273</u>	<u>21,698</u>
Attributable to:			
Equity holders of the Company		9,746	21,698
Non-controlling interests		<u>4,527</u>	<u>—</u>
		<u>14,273</u>	<u>21,698</u>
Earnings per share for the profit attributable to the owners of the Company			
– Basic (<i>HK cents</i>)	11	2.03	4.52
– Diluted (<i>HK cents</i>)	11	<u>2.03</u>	<u>4.46</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	14,273	21,698
Other comprehensive income, 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	60	—
Fair value change of financial assets at fair value through other comprehensive income	(700)	—
Total comprehensive income for the year	13,633	21,698
Total comprehensive income attributable to:		
Owners of the Company	9,089	21,698
Non-controlling interests	4,544	—
	13,633	21,698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		2019	2018
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,664	1,785
Intangible assets		17,118	–
Goodwill		175,257	–
Investment in an associate		4,702	4,937
Financial assets at fair value through other comprehensive income		19,300	–
Deposits	12	302	8,306
		<u>222,343</u>	<u>15,028</u>
CURRENT ASSETS			
Inventories		5,211	6,326
Trade and other receivables	12	76,738	66,855
Tax recoverable		1,140	–
Bank balances and cash		38,206	22,626
		<u>121,295</u>	<u>95,807</u>
CURRENT LIABILITIES			
Trade and other payables	13	16,721	16,022
Bank borrowings		13,343	5,000
Promissory notes		61,849	–
Tax payable		5,401	3,749
		<u>97,314</u>	<u>24,771</u>
NET CURRENT ASSETS		<u>23,981</u>	<u>71,036</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>246,324</u>	<u>86,064</u>

		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payable	13	3,200	—
Promissory notes		131,970	—
Deferred tax liabilities		<u>2,801</u>	<u>—</u>
		<u>137,971</u>	<u>—</u>
NET ASSETS			
		<u>108,353</u>	<u>86,064</u>
CAPITAL AND RESERVES			
Share capital		4,800	4,800
Share premium and reserves		<u>90,320</u>	<u>81,264</u>
		95,120	86,064
Non-controlling interests		<u>13,233</u>	<u>—</u>
		<u><u>108,353</u></u>	<u><u>86,064</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to the owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Special Reserve	Share option reserve	FVTOCI reserve	Exchange reserve	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)						
As at 1 April 2017	4,800	53,545	(10,228)	–	–	–	9,990	58,107	58,107
Profit and total comprehensive income for the year	–	–	–	–	–	–	21,698	21,698	21,698
Equity-settled share-based payment transactions	–	–	–	9,585	–	–	–	9,585	9,585
Forfeiture of share options	–	–	–	(3,734)	–	–	408	(3,326)	(3,326)
As at 31 March 2018	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	4,800	53,545	(10,228)	5,851	–	–	32,063	86,031	86,031
Comprehensive income									
Profit for the year	–	–	–	–	–	–	9,746	9,746	14,273
Other comprehensive income									
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	43	–	43	60
Fair value changes of financial assets at fair value through other comprehensive income	–	–	–	–	(700)	–	–	(700)	(700)
Total comprehensive income	–	–	–	–	(700)	43	9,746	9,089	13,633
Transactions with owners									
Lapsed of share option	–	–	–	(5,851)	–	–	5,851	–	–
Non-controlling interests arising on business combinations	–	–	–	–	–	–	–	8,689	8,689
Total transactions with owners	–	–	–	(5,851)	–	–	5,851	8,689	8,689
As at 31 March 2019	4,800	53,545	(10,228)	–	(700)	43	47,660	95,120	108,353

Note: Special reserve represents the difference between the entire issued 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 (“EFT Solutions International”), 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

EFT Solutions Holdings Limited (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, 11/F, 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 and provision of EFT-POS system support services and software solution services. During the year ended 31 March 2019, the Group entered into the provision of point-of-sale (“**POS**”) software solution services in Hong Kong and People’s Republic of China (“**PRC**”) through the acquisition of 70% of the issued share capital of Earn World Development Limited (“**Earn World Development**”), together with its subsidiaries, (“**Earn World Group**”) on 31 May 2018 and provision of embedded system solution services in Australia through the subscription of shares of Newport Tek Pty Ltd (“**Newport**”), which represented 75% of Newport’s shareholdings. Its parent and ultimate holding company is LCK Group Limited (“**LCK**”), a private company incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Mr. Lo Chun Kit, Andrew (“**Mr. Lo**” or the “**Controlling Shareholder**”).

The presentation currency of the consolidated financial statements is Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the listing of securities on GEM of the Stock Exchange and Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative financial instruments, promissory notes) at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sourcing of EFT-POS terminals and peripheral devices
- Provision of system support and software solution services

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts).

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

	Trade receivables <i>HK\$'000</i>
At 31 March 2018 under HKAS 39	42,716
Remeasurement	
Recognition of ECLs on trade receivables	(33)
At 1 April 2018 under HKFRS 9	42,683

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first period beginning on or after 1 January 2020.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$3,299,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$246,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

4. REVENUE

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

	2019 HK\$'000	2018 HK\$'000
Sourcing of EFT-POS terminals and peripheral devices	50,008	31,386
Provision of system support and software solution services	82,929	62,762
	132,937	94,148

5. SEGMENT INFORMATION

Information reported to Mr. Lo, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance, focuses on types of goods delivered or services provided.

Specifically, the Group's reportable and operating segments are as follows:

Sale of hardware devices	–	Sourcing of EFT-POS terminals and peripheral devices
System support and software solution services	–	Provision of system support and software solution services

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment information about these reportable and operating segments is presented below:

Year ended 31 March 2019

	Sale of hardware devices <i>HK\$'000</i>	System support and software solution services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue – external customers	<u>50,008</u>	<u>82,929</u>	<u>132,937</u>
Segment results	<u>22,498</u>	<u>34,253</u>	56,751
Other income			1,189
Finance costs			(9,083)
Share of results of an associate			(1,104)
Unallocated expenses			<u>(27,325)</u>
Profit before tax			<u>20,428</u>

Year ended 31 March 2018

	Sale of hardware devices <i>HK\$'000</i>	System support and software solution services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue – external customers	<u>31,386</u>	<u>62,762</u>	<u>94,148</u>
Segment results	<u>12,062</u>	<u>37,065</u>	49,127
Other income			45
Finance costs			(13)
Share of results of an associate			(214)
Unallocated expenses			<u>(21,554)</u>
Profit before tax			<u>27,391</u>

Segment results represent the profit earned by each segment without allocation of certain other income, finance costs, share of results of an associate and other unallocated expenses including depreciation and amortization expenses, fair value losses of financial asset at fair value through profit or loss and derivative financial instruments and directors' remuneration that are not directly attributable to segments as disclosed in the above table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment assets		
Sale of hardware devices	26,174	14,566
System support and software solution services	<u>43,850</u>	<u>35,615</u>
Total segment assets	70,024	50,181
Unallocated assets:		
Property, plant and equipment	5,664	1,785
Goodwill	175,257	–
Intangible assets	17,118	–
Investment in an associate	4,702	4,937
Financial asset at fair value through profit or loss	19,300	–
Prepayment and deposits	12,227	31,306
Tax recoverable	1,140	–
Bank balances and cash	<u>38,206</u>	<u>22,626</u>
Consolidated assets	<u><u>343,638</u></u>	<u><u>110,835</u></u>
Segment liabilities		
Sale of hardware devices	8,561	9,252
System support and software solution services	<u>7,359</u>	<u>6,591</u>
Total segment liabilities	15,920	15,843
Unallocated liabilities:		
Other payables and accrued expenses	3,564	5,179
Bank borrowings	7,380	–
Promissory notes	200,219	–
Deferred tax liabilities	2,801	–
Tax payable	<u>5,401</u>	<u>3,749</u>
Consolidated liabilities	<u><u>235,285</u></u>	<u><u>24,771</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, goodwill, intangible assets, investment in an associate, financial asset at fair value through profit or loss, certain prepayment and deposits tax recoverable and bank balances and cash that are not attributable to respective segment.
- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, bank borrowings, promissory notes deferred tax liabilities and tax payable that are not attributable to respective segment.

Other segment information

Year ended 31 March 2019

	Sale of hardware devices <i>HK\$'000</i>	System support and software solution services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Allowance for doubtful debts	8	1,535	1,543

Year ended 31 March 2018

	Sale of hardware devices <i>HK\$'000</i>	System support and software solution services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Allowance for doubtful debts	8	160	168

Geographical information

Non-current assets by geographical location

An analysis of the Group's non-current assets by geographical location is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	215,332	10,091
Australia	7,011	4,937
	<u>222,343</u>	<u>15,028</u>

Revenue by geographical location

An analysis of the Group's revenue from external customers by geographical location, determined based on the shipment destination for the sale of hardware devices and the location of services rendered for system support and software solution services are detailed below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	112,093	86,208
Macau	10,120	5,957
Australia	9,809	1,935
Others	915	48
	<u>132,937</u>	<u>94,148</u>

Information about major customers

Revenue from customers that individually contributing over 10% of the total revenue of the Group during the year are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A from system support and software solution services segment	17,503	17,827
Customer B from sale of hardware devices and system support and software solution services segments	<u>14,591</u>	<u>9,517</u>
	<u>32,094</u>	<u>27,344</u>

Note: The corresponding revenue did not contribute over 10% of the total sales of the Group for the current year or previous year.

6. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Management fee income from a related company	–	20
Rental income from a related company	–	21
Bank interest income	13	4
Gain on disposal of property, plant and equipment	337	–
Income from delivery cost recharged to customers	497	519
Deregistration of the subsidiary	<u>839</u>	<u>–</u>
	<u>1,686</u>	<u>564</u>

7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on bank and other borrowings	203	13
Interest on promissory notes	8,880	—
	<u>9,083</u>	<u>13</u>

8. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Current tax:		
Hong Kong Profits Tax	6,291	5,693
Overseas income tax	90	—
	<u>6,381</u>	<u>5,693</u>
Total current income tax	6,381	5,693
Deferred income tax	(226)	—
	<u>(226)</u>	<u>—</u>
Total tax charge for the year	<u>6,155</u>	<u>5,693</u>

Hong Kong Profits Tax has been provided for at the rate of 8.25% on the estimated assessable profits which is less or equivalent to HK\$2,000,000 and 16.5% on the estimated assessable profits which is more than HK\$2,000,000 (2018: 16.5%).

Tax on overseas profits in Australia and Macau 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 for both years. 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 for both years.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before tax	20,428	27,391
Tax at the Hong Kong Profits Tax rate	3,206	4,519
Tax effect of income not taxable for tax purpose	(287)	(549)
Tax effect of expenses not deductible for tax purpose	2,935	1,828
Tax effect of deductible temporary differences not recognised	156	(102)
Underprovision in respect of prior year	83	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	62	(3)
Tax expense for the year	6,155	5,693

9. PROFIT FOR THE YEAR

	2019 HK\$'000	2018 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
– salaries and allowances	2,868	3,495
– discretionary bonus	100	2,080
– retirement benefits scheme contribution	36	36
– share-based payment expenses	–	5,851
Other staff costs		
– salaries and allowances	18,423	14,993
– discretionary bonus	583	1,449
– retirement benefits scheme contribution	834	676
– share-based payment expenses	–	408
Total employee benefits expenses (including directors' emoluments)	22,844	28,988
Auditor's remuneration	600	600
Cost of inventories recognised as expense	26,942	19,208
Depreciation of property, plant and equipment	1,888	864

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year (2018: nil), nor has any dividend been proposed since the end of the reporting period.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for both years is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>9,746</u>	<u>21,698</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	480,000	480,000
Effect of dilutive potential ordinary shares on share options	<u>–</u>	<u>6,439</u>
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	<u>480,000</u>	<u>486,439</u>

12. TRADE AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Current assets		
Trade receivables	54,022	42,716
Prepayment and other deposits	<u>22,716</u>	<u>24,139</u>
Total	<u>76,738</u>	<u>66,855</u>
	2019 HK\$'000	2018 HK\$'000
Non-current asset		
Rental deposits paid to the Lo's Family and Mr. Lo Chun Wa (<i>Note a</i>)	246	246
Rental deposits paid to an independent landlord	56	60
Investment deposit (<i>Note b</i>)	<u>–</u>	<u>8,000</u>
Total	<u>302</u>	<u>8,306</u>

Notes:

- (a) The properties owned by Mr. Lo and his spouse, Ms. Lam Ching Man (“**Ms. Lam**”, collectively referred to as the “**Lo's Family**”) and Mr. Lo Chun Wa are used as the office premises of the Group in Hong Kong.
- (b) As at 31 March 2018, investment deposit represented the deposit paid to Hung Wai Holdings Limited (“**Hung Wai**”) as an earnest money for the proposed investment, of which Mr. Lo holds 25% of its shareholdings. On 15 January 2019, the MOU dated 25 October 2017 entered into between Hung Wai and the Company for the proposed investment has been terminated and the deposit of HK\$8.0 million as earnest money has been returned to the Company.

The Group allows credit periods of 30 days to its trade customers from sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Within 30 days	23,056	7,796
31 – 60 days	10,209	5,133
61 – 90 days	4,307	10,710
91 – 180 days	6,542	9,688
181 – 365 days	5,041	9,263
Over 365 days	4,867	126
	54,022	42,716

Included in the Group's trade receivables balance are debtors as at 31 March 2019 with an aggregate carrying amount of approximately HK\$30,904,000 (2018: HK\$34,919,000) which are past due at the end of reporting period which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group.

Aging of the receivables which are past due but not impaired:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Overdue:		
1 – 30 days	10,019	5,133
31 – 60 days	4,307	10,710
61 – 90 days	740	196
91 – 180 days	8,575	14,632
181 – 365 days	2,691	4,122
Over 365 days	4,572	126
	30,904	34,919

Movement in the allowance for trade receivables

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Balance at beginning of the year	168	161
Adjustment on initial application of HKFRS 9	33	–
Adjusted balance as at 1 April	201	161
Impairment losses recognised on receivables	1,342	7
Balance at end of the year	1,543	168

Included in trade receivables as at 31 March 2019 are amounts net of individually impaired receivables amounting to approximately HK\$1,543,000 (2018: HK\$168,000). The management has reviewed the repayment history of these long overdue customers, considering their deteriorating credit quality and no amount had been settled subsequent to the end of the reporting period, accordingly, full impairment was recognised.

13. TRADE AND OTHER PAYABLES

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade payables	3,890	7,138
Deferred revenue	4,915	1,983
Other payables and accrued expenses (<i>Note</i>)	11,116	6,901
	19,921	16,022
<i>Less: Non-current portion of other payables</i>	(3,200)	–
Current portion	16,721	16,022

Note: Included in other payables and accrued expenses above, approximately HK\$2.4 million (2018: HK\$2.7 million) represented the deposits received from EFT Payments (Asia) Limited, of which Mr. Lo holds 100% of its shareholdings.

The average credit period on trade payables is 30 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period.

	2019 HK\$'000	2018 HK\$'000
Within 30 days	2,528	2,102
31 – 60 days	773	168
61 – 90 days	343	4,837
Over 90 days	246	31
	<u>3,890</u>	<u>7,138</u>

14. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related party	Nature of transactions	2019 HK\$'000	2018 HK\$'000
Affinity Corporation Limited (<i>Note 1</i>)	Rental expense paid	175	–
EFT Payments (Asia) Limited (<i>Note 1</i>)	Sourcing of EFT-POS terminals and peripheral devices (<i>Note 2</i>)	8,937	7,579
	Provision of EFT-POS system support services	5,547	1,938
	Management income received	–	20
	Rental income received	–	21
	Disposal of fixed asset	81	57
	Installation fee of INAC	47	–
Guangzhou EFTPay Limited (<i>Note 1</i>)	Provision of EFT-POS system support services	–	1
	Sourcing of peripheral devices	78	–
Hung Wai Innovation Limited (<i>Note 3</i>)	Purchasing cost of peripheral devices	2,319	744
Hung Wai Products Limited (<i>Note 3</i>)	Purchasing cost of peripheral devices	–	329
Mr. Lo	Rental expenses paid	972	972
Ms. Lam Ching Man (<i>Note 4</i>)	Rental expenses paid	324	324
Mr. Lo Chun Wa (<i>Note 5</i>)	Rental expenses paid	180	180

Notes:

Note 1: Mr. Lo is the ultimate shareholder of Affinity Corporation Limited, EFT Payments (Asia) Limited 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: 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 4: Ms. Lam is a non-executive Director and the spouse of Mr. Lo.

Note 5: Mr. Lo Chun Was is an executive Director and the brother of Mr. Lo.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW, STRATEGY AND OUTLOOK

According to the statistics from the Hong Kong Monetary Authority, the total number of credit cards in circulation in Hong Kong under the credit card schemes of card scheme operators was approximately 19.46 million in the fourth quarter of 2018. The total number of credit card transactions was approximately 196.62 million and the total value of credit card transactions was approximately HK\$196.9 billion, which represented an increase of 18.7% and 7.9%, respectively, as compared to the corresponding period of last year. Stored Value Facilities (“SVF”) in Hong Kong are also blooming. The total number of SVF transactions was around 1.6 billion in the Fourth quarter of 2018, representing a 9.7% increase on a year-on-year basis.

2018 has been a flourishing year for electronic payment development in Hong Kong. The usage of electronic payments as a method of settlement is gaining momentum. The Group believes that electronic payment development in Hong Kong is on the right track and is growing at a stable pace. We expect continuing demand for our payment terminals and the related payment solutions services.

Hardware Devices

The implementation of the SVF scheme in late 2016 and the Faster Payment System in September 2018 by the Hong Kong Monetary Authority have accelerated the development of electronic payment in Hong Kong, it encourages acquirers (i.e. acquiring bank or payment processor that processes credit or debit card payments on behalf of a merchant) to better support electronic payments. The increasing popularity of integrated payment solutions in merchant business process also escalated the need for the integrated payment terminals, which support credit cards, Near Field Communication (NFC), contactless payment and e-wallet payment. By leveraging our experience in the electronic payment industry and our well-established business relationships with EFT-POS terminal and peripheral device manufacturers, we have achieved a substantial growth in revenue for the year ended 31 March 2019 and we would continue to penetrate into electronic payment market by providing suitable EFT-POS solutions to meet the demands of our customers.

System Support and Software Solutions Services

The Group continued to develop the EFT-POS system support business which included the development of software that comply with electronic payment standards acceptance certification, the installation and ongoing maintenance and repair services of EFT-POS terminals and other related services and customised project-based software solution services. For the year ended 31 March 2019, the Group successfully provided integrated payment solutions to several mass transportation service providers in Hong Kong to accept electronic payment.

As a market leader of the EFT-POS solutions provider in Hong Kong, the Group maintains its focus on strengthening its position in the industry and take initiatives to further provide business solutions to our customers. The Group entered into the provision of point-of-sale (“**POS**”) software solution services in Hong Kong and the People’s Republic of China (“**PRC**”) through acquisition of 70% of the issued share capital of Earn World Development Limited (“**Earn World Development**”), together with its subsidiaries, (“**Earn World Group**”) on 31 May 2018. The Group also entered into the provision of embedded system solution services in Australia through the subscription of shares of Newport Tek Pty Ltd (“**Newport**”) on 5 April 2018, which represented 75% of Newport’s shareholdings. The Group successfully acquired Earn World Group and Newport, which have expanded our business to cover POS software solutions in retail, distribution and accounting sectors and embedded system solutions in finance, transportation and manufacturing sectors. It is anticipated that by acquiring these companies would enable us to provide more variety of services to our customers and enable the Group to enlarge the market shares of software solution business in Hong Kong, and other potential geographical cities.

Overall

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business objectives as set out in the prospectus of the Company dated 5 December 2016 (the "**Prospectus**") and actual business progress as at 31 March 2019:

Business objectives	Actual business progress as at 31 March 2019
Expansion of information technology workforce for total EFT-POS solutions	We have recruited information technology staffs to develop software solutions for new models of EFT-POS terminals.
Expansion of information technology workforce for acquiring host software services	We have continued to search for suitable candidates to join our Company.
Expansion of our business development workforce	We have continued to search for suitable candidates to join our Company.
Enhancement of information technology and network system	We have upgraded our server to achieve higher capacity and security and purchased additional computers for new staffs.
Expansion of office space for new headcount	We have fitted our office to accommodate new headcounts.
Expansion of our product portfolio or increase our market share through potential future strategic acquisitions or arrangements	<p>We have invested in Open Sparkz Pty Ltd ("Open Sparkz") to grasp the opportunity to enter into overseas software solutions business and electronic payment business. Please refer to the sub-heading "Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets" for further details.</p> <p>We have invested in Earn World Group, for the purpose of diversifying our business into providing commercial software applications and retail and distribution solutions which are suitable for global operation. Please refer to the sub-heading "Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets" for further details.</p>

We have invested in Newport to enter into the overseas software solutions business. Please refer to the sub-heading “Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets” for further details

We have paid Hung Wai Holdings Limited (“**Hung Wai**”) (formerly known as Hung Wai Products Limited) the deposit of HK\$8.0 million as earnest money for the proposed investment. On 15 January 2019, HK\$8.0 million has been returned to the Company due to termination of memorandum of understanding. Please refer to the Company’s announcement dated 15 January 2019 for further details.

USE OF PROCEEDS

The total net proceeds from the Listing after deducting all related expenses was approximately HK\$35.1 million, which are intended to be applied in the following manner:

- approximately HK\$8.9 million, will be used to expand our information technology workforce for total EFT-POS solutions;
- approximately HK\$5.4 million, will be used to expand our information technology workforce for acquiring host software services;
- approximately HK\$5.4 million, will be used to expand our business development workforce;
- approximately HK\$0.6 million, will be used to enhance our information technology and network system;
- approximately HK\$2.0 million, will be used for property improvements to accommodate new headcount;
- approximately HK\$10.0 million, will be used for potential future strategic acquisitions or arrangements to expand our product portfolio or increase our market share; and
- the remaining amount of approximately HK\$2.8 million will be used to provide funding for our working capital and other general corporate purposes.

Upon receipt of the proceeds, the actual use of the proceeds by the Group as at 31 March 2019 was as follows:

- approximately HK\$6.1 million has been used to expand our information technology workforce for total EFT-POS solutions;
- approximately HK\$3.5 million has been used to expand our information technology workforce for acquiring host software services;
- approximately HK\$3.3 million has been used to expand our business development workforce;
- approximately HK\$0.6 million has been used to enhance our information technology and network system;
- approximately HK\$2.0 million has been used for property improvements to accommodate new headcount;
- approximately HK\$2.0 million has been used for potential future strategic acquisitions or arrangements to expand our product portfolio or increase our market share. As at 31 December 2018, the Group has used approximately HK\$10.0 million for potential future strategic acquisitions or arrangements, of which HK\$8.0 million was paid as earnest money for the proposed investment in Hung Wai. On 15 January 2019, HK\$8.0 million has been returned to the Company due to the termination of memorandum of understanding. Please refer to the Company's announcement dated 15 January 2019 for further details; and
- approximately HK\$2.8 million has been used for our working capital and other general corporate purposes.

The remaining balance is placed with a licensed bank in Hong Kong, and the Group intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Group is exposed to various risks in the operations of the Group's business and the Group believes that risk management is important to the Group's success. Key operational risks faced by the Group include, among others, changes in general market conditions and ability to continue to attract and retain highly qualified technical and managerial staff with the appropriate technical expertise and knowledge of the electronic payment and software solution industry. The provision of our services relies heavily on the technical know-how and skill-set of such employees and their continued employment with us is therefore crucial to our business operations. To cope with our business expansion, we conduct continuous recruitment for high caliber candidates from university graduates in computer science with a view to train them up with technical knowledge in electronic payment and software solution industry.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group successfully entered into the market of POS software solution and the embedded system solution services, which enable us to enlarge the market share of the software solution business and to explore more business opportunities in payment solutions. Revenue of approximately HK\$94.1 million and HK\$132.9 million were recognised for the years ended 31 March 2018 and 2019, respectively, which represented an increase of approximately 41.2%. This was driven by the increase in sourcing of EFT-POS terminals and peripheral devices and provision of system support and software solution services.

For sourcing of EFT-POS terminals and peripheral devices, revenue of approximately HK\$31.4 million and HK\$50.0 million were recognised for the years ended 31 March 2018 and 2019, respectively, which represented an increase of approximately 59.2% mainly due to increase in the number of EFT-POS terminals sold.

For provision of system support and software solution services, revenue of approximately HK\$62.8 million and HK\$82.9 million were recognised for the years ended 31 March 2018 and 2019, respectively, which represented an increase of approximately 32.0% mainly due to increase in number of EFT-POS terminals covered by our system support services and the increase 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 were approximately HK\$45.3 million and HK\$75.2 million for the years ended 31 March 2018 and 2019, respectively, which represented a significant increase of approximately 66.0% mainly due to the increase in cost of terminals and project costs.

Gross Profit and Gross Profit Margin

The overall gross profit were approximately HK\$48.8 million and HK\$57.8 million for the years ended 31 March 2018 and 2019, respectively, which represented an increase of approximately 18.4%. Such increase of gross profit was primarily due to the Group having more EFT-POS terminals and peripheral devices with relatively higher profit margin to customers in the current year as compared to that in the previous year. The overall gross profit margin decrease from approximately 8.4 percentage point for the year ended 31 March 2018 to approximately 43.5% for the year ended 31 March 2019. Such decrease was primarily due to the fact that the Group completed projects with relatively lower profit margin in the current year.

Staff Costs and directors' remuneration

Staff costs of approximately HK\$29.0 million and HK\$22.8 million were recorded for the years ended 31 March 2018 and 2019, respectively, which represented a decrease of approximately 21.4% due to the decrease in directors' remuneration and no share-based payment expenses in current year.

Other Administrative Expenses

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

Other administrative expenses for the years ended 31 March 2018 and 2019 were approximately HK\$5.9 million and HK\$15.4 million, respectively, which represents an increase of approximately 161.0% mainly due to the increase in legal and professional fee to cope with the needs of compliance work, increase in amortisation of intangible assets with the completion of acquisitions of Earn World Group and Newport and the increase in depreciation with the additions of office equipment and leasehold improvements and increase in advertising and promotion.

Share of Results of an Associate

As at 31 March 2019, the Group had 20.02% (2018: 21.97%) of interests in Open Sparkz. Share of results of an associate represented operating losses arising from this associate. The Group's shares of loss of an associate for the years ended 31 March 2018 and 2019 were approximately HK\$0.2 million and HK\$1.1 million, respectively.

Finance Costs

Finance costs mainly represented interest expenses on promissory notes and interest expenses on bank borrowings. Finance costs of approximately HK\$13,000 and HK\$9.1 million were recorded for the years ended 31 March 2018 and 2019, respectively. 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 Development.

Income Tax Expense

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Tax on overseas profits in Australia and Macau 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 for the years ended 31 March 2018 and 2019. 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.

Profit for the Year

The Group recorded profit for the year of approximately HK\$21.7 million and HK\$14.3 million for the years ended 31 March 2018 and 2019, respectively. Such decrease was mainly due to increase of the finance costs of issuance of promissory notes, other administrative expenses, and fair value change in subsidiary.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with major banks in Hong Kong and denominated mostly in Hong Kong dollars.

The Group has remained at a sound financial resource level. As at 31 March 2019, the Group had net current assets of approximately HK\$24.0 million (2018: approximately HK\$71.0 million) including cash and cash equivalents of approximately HK\$38.2 million as at 31 March 2019 (2018: approximately HK\$22.6 million).

As at 31 March 2019, the gearing ratio (calculated on the basis of total bank borrowings and promissory notes divided by the total equity as at the end of the year) of the Group was approximately 197.1% (2018: approximately 5.8%). Details of the borrowings of the Group is disclosed in Note 25 to the consolidated financial statements.

PLEDGE OF ASSETS

As at 31 March 2019, the Group did not have any pledged assets (2018: nil).

FOREIGN CURRENCY RISK

The Group's business activities are mainly in Hong Kong and are principally denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2019, the Group had contracted capital commitment for the acquisition of a subsidiary, Earn World Development, of approximately HK\$210.0 million. Up to the date of this announcement, the Group has paid HK\$9.6 million for the acquisition. Please refer to the section headed "Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets" in this announcement for further details. Save as disclosed above, the Group did not have any significant capital commitments (2018: HK\$210.0 million).

As at 31 March 2019, the Group did not have any significant capital expenditures (2018: nil).

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: nil).

CAPITAL STRUCTURE

As at 31 March 2019, the Group had promissory notes of approximately HK\$200.2 million (2018: nil) and bank borrowings of approximately HK\$13.3 million (2018: approximately HK\$5.0 million). The bank borrowings were for tax and import trade purpose and unsecured.

Save as disclosed above, there has been no change in the Company's capital structure during the year ended 31 March 2019. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in Note 5 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed 74 (2018: 68) full time employees (including Directors). We determine the employees' remuneration based on factors such as qualification, duty, contributions and years of experience. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND CAPITAL ASSETS

On 22 November 2017, the Group entered into a subscription agreement with Open Sparkz to subscribe for the subscription shares, which represents 25% of the enlarged issued share capital of Open Sparkz at the consideration of AUD1.0 million. Open Sparkz is incorporated in Australia and is principally specialising in highly automated offers and rewards solutions using front of wallet credit, debit and prepaid cards. The Group considers that the subscription could provide an opportunity to the Group to enter into the electronic payment business in Australia. As at 31 March 2019, the Group has paid AUD1.0 million to Open Sparkz and held 20.02% interests of Open Sparkz.

On 19 January 2018, the Group entered into the sale and purchase agreement with Earn World Enterprises, pursuant to which Earn World Enterprises has conditionally agreed to sell and the Group has conditionally agreed to purchase the sale shares, which represented 70% of the entire issued share capital of Earn World Development. The consideration for the acquisition is HK\$210.0 million which shall be payable by the Group as to HK\$16.0 million by cash and HK\$194.0 million by issuance of promissory notes. Earn World Group has been in the information technology industry for more than ten years. It is principally engaged in the provision of software solution in retail, distribution and accounting sectors including POS system, ordering and inventory system and accounting system, with the objective of providing commercial software applications and retail and distribution solutions which are suitable for global operation. The Group considers that the acquisition could provide an opportunity to the Group to enlarge the market share of the software solutions business and to explore more business opportunities in payment solutions so as to strengthen the Company's financial position and maintain its growth in Hong Kong. On 31 May 2018, the Group completed the acquisition of 70% of the share capital of Earn World Development. Please refer to the Company's announcement dated 19 January 2018 and 31 May 2018 for further details. Up to the date of this announcement, the Group had paid HK\$9.6 million by cash to Earn World Enterprises for this acquisition.

On 2 March 2018, the Group entered into the subscription agreement with Newport to subscribe for the subscription shares, which represents 75% of the entire issued share capital of Newport at the consideration of approximately AUD360.0. Newport is incorporated in Australia and is principally engaged in guiding the clients through the maze of embedded systems technology to achieve an effective price/performance ratio for their products. The Group considers that the subscription could provide an opportunity to the Group to enter into the overseas software solutions business. All the terms and conditions for completion have been fulfilled and the acquisition was completed on 5 April 2018.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the year ended 31 March 2019 and up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019, both dates inclusive, during which period no transfer of Shares could be registered for determination of entitlement of the Shareholders to the attendance at the forthcoming annual general meeting of the Company to be held on Thursday, 8 August 2019 (the “AGM”).

In order to qualify for attending and voting in the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with our Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Friday, 2 August 2019.

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 risk management and internal control, transparency and accountability with a view to enhance corporate value and to safeguard the interests of all the Shareholders and the Company as a whole.

The Board continues to monitor and review the Company's corporate governance and makes necessary changes at appropriate time.

The Board has adopted the principles, the code provisions of Corporate Governance Code (the “**CG Code**”) and the recommended best practices contained in Appendix 15 to the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, the Company has established an Audit Committee (“**Audit Committee**”), a Nomination Committee (“**Nomination Committee**”) and a Remuneration Committee (“**Remuneration Committee**”) with specific written terms of reference. During the year ended 31 March 2019 and up to the date of this announcement, 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-calibre individuals, with three of them being independent non- executive Directors.

COMPLIANCE WITH 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, the Company was not aware of any non- compliance with the required standard as set out in the code of conduct regarding the directors' securities transactions throughout the year ended 31 March 2019.

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.

AUDIT COMMITTEE

The Audit Committee was established on 23 November 2016 in compliance with Rule 5.28 of the GEM Listing Rules. As at 31 March 2019, the Audit Committee comprised three independent non-executive Directors, namely Ms. Yang, Mr. Ng, Dr. Wu. and Ms. Yang is the chairman of the Audit Committee.

None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

Written terms of reference in compliance with code provisions C.3.3 and C.3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules have been adopted. It is the Board's responsibility to ensure that an effective internal control and risk management framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators, and proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. The Board has delegated the responsibility for the initial establishment and the maintenance of a framework of internal controls and ethical standards for the Group's management to the Audit Committee. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control and risk management systems of the Group. Besides, the Audit Committee reviews and monitors the Company's compliance with its whistleblowing policy and oversees the Company's relations with the external auditor.

During the year ended 31 March 2019, the Audit Committee has reviewed the quarterly, interim and annual results of the Group. As at the date of this announcement, the Audit Committee and the external auditor have also reviewed the audited annual results of the Group for the year ended 31 March 2019. The Audit Committee and the external auditor were 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.

EVENT AFTER THE REPORTING PERIOD

On 27 May 2019, the Company entered into an extension deed with Earn World Enterprises Limited (the "**Vendor**") (the "**Extension Deed**") in relation to the issuance of a promissory note dated 31 May 2018 in the principal amount of HK\$60,000,000 maturing on 30 June 2019 (the "**Promissory Note**") by the Company to the Vendor. The Extension Deed confirms to extend the existing maturity date under the Promissory Note from 30 June 2019 to 30 June 2020. All other terms in the Promissory Note shall remain valid and in force. For details, please refer to the announcement dated 27 May 2019.

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

During the year ended 31 March 2019 and up to the date of this announcement, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

By order of the Board
EFT Solutions Holdings Limited
Lo Chun Kit Andrew
Chairman and Chief Executive Officer

Hong Kong, 14 June 2019

As of the date of this announcement, the Board comprises executive Directors Mr. Lo Chun Kit Andrew, Mr. Lo Chun Wa; non-executive Directors Ms. Lam Ching Man and Mr. Lui Hin Weng Samuel and Mr. Chan Lung Ming; and independent non-executive Directors Ms. Yang Eugenia, Mr. Ng Ming Fai and Dr. Wu Wing Kuen, B.B.S..

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com on the "Latest Company Announcements" 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.