



# **FINTECH CHAIN LIMITED**

ARBN 158 702 400

## **INTERIM REPORT Six months ended 30 September 2019**

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 March 2019 and any public announcements and prospectus made by FINTECH CHAIN LIMITED in accordance with the continuing disclosure requirements of the Corporation Acts 2001.

The interim financial information are presented in Renminbi, the official currency of the People's Republic of China, unless otherwise stated.

# Contents

|  | <b>Pages</b> |
|--|--------------|
| Results for Announcement to the Market   | 1            |
| Directors Report   | 3            |
| Statement by Directors   | 12           |
| Report on Review of Condensed Consolidated Financial Statements                      | 13 - 14      |
| Condensed Consolidated Statement of Profit or Loss and<br>Other Comprehensive Income | 15           |
| Condensed Consolidated Statement of Financial Position                               | 16           |
| Condensed Consolidated Statement of Changes in Equity                                | 17           |
| Condensed Consolidated Statement of Cash Flows                                       | 18           |
| Notes to the Condensed Consolidated Financial Statements                             | 19 - 42      |
| Corporate Directory  | 43           |

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF-YEAR ENDED 30 SEPTEMBER 2019

(Previous corresponding period half-year ended 30 September 2018)

|  |      |           | RMB'000 |
|--|------|-----------|---------|
| <b>Revenue</b> from ordinary activities                          | down | 37.2% to  | 17,796  |
| <b>Loss</b> after tax for the period                             | down | 121.3% to | 2,030   |
| <b>Loss</b> for the period attributable to owners of the Company | down | 118.8% to | 1,806   |

### Dividends

No dividends were paid or declared during the six months ended 30 September 2019 (2018: Nil)

### Explanation of Revenue

Revenue decreased from RMB28.3 million for the six months ended 30 September 2018 to RMB 17.8 million for the six months ended 30 September 2019.

Compared to previous corresponding period, revenue from blockchain technology services significantly dropped from RMB 14.8 million to RMB Nil. This was due to blockchain market fluctuations which management believes is as a result of the sector's relative immaturity. Sector interest is expected to increase as a result of government initiatives.

In contrast, FTC signed new services contracts during this six-month period meaning more bank clients and higher coverage of T-Linx™ system in China. The revenue from T-Linx™ related products and services increased from RMB 13.5 million to RMB 17.8 million. During the financial period, FTC derived RMB12.0 million and RMB 4.9 million in income from the provision of information technology services and sale of point-of-sale machines and hardware respectively.

### Comments on above figures

Loss after tax for the six months ended 30 September 2019 was RMB 2.0 million a decrease of RMB 11.5 million or 121.3% over the corresponding period.

The net loss incurred during the period included:

1. decrease in gross profit of RMB 13.7 million;
2. decrease in other income and net gains by RMB 0.1 million;
3. decrease in selling expenses of RMB 1.9 million;
4. decrease in general and administrative expenses by RMB2.8 million;
5. decrease in unrealised gains on change of fair value of embedded derivatives of convertible bonds by RMB2.4 million;
6. decrease in share of losses of associates by RMB0.3 million; and
7. increase in finance costs by RMB0.4 million.

The revenue for the period was represented by T-Linx™ related products and services. Revenue for the previous corresponding period included by both T-Linx™ related products and services and blockchain technology services. The latter lead to significantly higher gross profit in last period, as the cost of providing the blockchain services is relatively low.

## RESULTS FOR ANNOUNCEMENT TO THE MARKET (Cont'd)

### Comments on above figures (Cont'd)

Decreased selling expenses and general and administrative expenses as a result of FTC management implementing tighten control on the expenditure.

The decrease in share of losses of associates will continue during the development phases of the two associates.

The gain on change of fair value of embedded derivatives of convertible bonds and increase in finance costs due to the issue of the convertible bonds are non-cash items as a result of our issuance of convertible bonds in last corresponding period.

Net loss for the period attributable to owners of the Company is RMB1.8 million, a decrease of RMB11.4 million over the previous corresponding period.

Please refer to the Directors Report for a detailed description of the Company's expansion and other business developments.

| NTA Backing                                    | 30 September 2019 | 30 September 2018 |
|--|-------------------|-------------------|
| Net tangible assets backing per ordinary share | (3.1) cents       | (1.9) cents       |

### Controlled entities acquired or disposed of

The Company did not acquire or dispose of any controlled entities during the period.

### Additional dividend information

The Company has not declared any dividend during both periods.

### Dividend reinvestment plans

The Company does not have any dividend reinvestment plans on hand.

### Associates and joint venture entities

The Company does not acquire nor disposal any associates and joint venture entities during the period.

### Foreign entities

The reports have been prepared under both Hong Kong Financial Reporting Standards and International Financial Reporting Standards, and further details can be obtained by referring to Note 3 in the half year report attached.

## **DIRECTORS REPORT**

Your directors present their report on the consolidated entity consisting of FINTECH CHAIN LIMITED (“FTC”) and its controlled entities for the six months ended 30 September 2019 (hereinafter the “Group”).

### **Directors**

The following persons were directors of FTC during the period and up to the date of this report:

#### **Executive Directors**

XIONG Qiang (Chairman & Chief Executive Officer)

CHOW Ki Shui Louie (Deputy Chairman & Deputy Chief Executive Officer and Chief Financial Officer)

#### **Non-executive Directors**

RYAN Christopher John (Independent Chairman)

ZHOU Chenyao

### **Principal activities**

FTC is a leading Fintech provider of Integrated Payment Acquiring infrastructure for banks and Industry Application Solutions (collectively named T-Linx™ System) in Greater China. In the company's nine-year development history, FTC has always adhered to the development direction of serving banks and financial institutions. FTC has exclusively served UnionPay for five years, which has provided important industry recognition for the development of T-Linx™ system compliance. FTC currently owns more than 100 Invention Patents and Intellectual Property Rights.

Since 2016, FTC has promoted T-Linx™ to enter the banking market. After more than three years of hard work, FTC are now serving more than 700 banks (such as China Merchants Bank, Ping An Bank and Beijing Rural Credit Cooperative Union) indirectly serving over 4 million merchants. Management are very pleased with the recognition of FTC and T-Linx™ from banking industry.

Beginning in March 2019, all our newly signed bank customers have adopted the profit-sharing model based on transaction volume of T-Linx™ system. This business model is a brand new fintech service model for banks. Bank customers have also been actively promoting T-Linx™ business and adapting to this new business model.

During such adaptation period, it usually takes not more than 12 months for bank customers to settle the income generated by T-Linx™ business (including those within the 12 months) to FTC. Management believes that this model will be widely adopted by more banks, and with the active cooperation of banks, management expect that such adaptation period will gradually shorten. Management expect that in the coming years, greater T-Linx™ transaction volume processing (more banks use T-Linx™) and faster settlement of T-Linx™ earnings will allow the company to generate considerable and stable positive cash flow.

## **DIRECTORS REPORT (Cont'd)**

### **Principal activities (Cont'd)**

FTC's revenue model is based on:

#### **1. Provision of services**

- (i) Information technology services from T-linx™ integrated payment business is recognised as a percentage (currently at a rate of 2-3 basis points) of the total transaction payment volume processed by T-Linx™ system within T-Linx™ supported financial institutions and Merchants network.
- (ii) System development services
  - T-linx™ integrated payment business includes system development for banks,
  - blockchain technology services including token management system development, token wallet system development, development of fast payment system and processing of blockchain credit and digital tokens.
- (iii) Provision of services arising from point-of-sale machines from T-linx™ integrated payment business including rent and maintenance of point-of-sale machines to the customers of FTC's partners.

#### **2. Sale of point-of-sale machines**

### Market background of Facial Recognition Payment in China

Facial recognition is emerging in payment industry of China in year 2019, supported officially by Public Bank of China in August 2019. Various payment institutions (such as Union Pay, Alipay, WeChat Pay, etc.) and hardware manufacturers have ambitiously followed this innovative payment trend and launched their own products. The promotion of by large institutions/corporates, the follow-up of government supervision, the excitement of the industry, and the inquisitiveness of the public is very similar to the situation when the QR code was concerned.

### T-Linx™ Function Expansion in Full Compliance Leading Application of Integrated Facial Recognition Payments

FTC is the first to launch an integrated facial recognition payment solution - "Flounder" in China, Flounder will complete against both UnionPay and WeChat Pay facial recognition payments on one single hardware device on which QR code payments (UnionPay, WeChat Pay and Alipay) are also integrated.

## DIRECTORS REPORT (Cont'd)

### Principal activities (Cont'd)

#### T-Linx™ Function Expansion in Full Compliance

#### Leading Application of Integrated Facial Recognition Payments (Cont'd)

In the market, each payment institution (UnionPay, WeChat Pay and Alipay) has its own hardware device to process facial recognition payment. In other words, 3 individual devices are required for UnionPay, WeChat Pay and Alipay respectively. It poses great cost pressure to acquiring institutions (e.g. banks) and setup space difficulties to merchants. In order to resolve the cost pressure for banks and simplify the operation process of merchants. The launch of “Flounder” has broken through the original thought that one device can only support one facial recognition payment, whilst also integrating both QR code and facial recognition payments on one single hardware device.



## **DIRECTORS REPORT (Cont'd)**

### **Management Discussion and Analysis**

FTC's T-linx™ related products continue to receive positive feedback from the market after years of research and development, marketing and promotion to different commercial banks, financial institutions and commercial companies.

In the second half of the 2020 financial year, we shall continue to promote our products and services with the banks, financial institutions and commercial companies that we signed contract already.

In addition, we shall continue to negotiate and conclude contracts with other commercial banks, financial institutions and commercial companies so that our services can be adopted by more merchants in China.

When transaction income grows, the cost of sales does not grow proportionately as the foundation ground work is complete. Now we focusing on specialised, amendment and upgrading of the developed system to fit customers' business models. Therefore, we expect that gross margins will improve marketing based increased sales.

As a results of improved margins cashflow will improve significantly in the future, both by way of our continuous business development and fund raising.

### **Revenue**

Revenue decreased from RMB28.3 million for the six months ended 30 September 2018 to RMB 17.8 million for the six months ended 30 September 2019. During the financial period, FTC derived RMB12.0 million and RMB 4.9 million in income from provision of information technology services and sale of point-of-sale machines and hardware respectively. These sources of revenue increased sharply was due to new bank client's services agreement is signed in this period. In contrast revenue for the previous corresponding period mainly relates to system development services.

We expect revenue to grow further in the second half of the financial year.

### **Gross profit**

Gross profit amounted to RMB9.3 million, a decrease of RMB13.7 million, or 59.5% compared to the previous corresponding period. Decrease in gross profit is due to most of the revenue being generated by T-Linx™ related products and services during this period, a higher cost product to deliver as opposed to blockchain technology.

We expect gross profit will increase in line with the revenue in the second half of the financial year.



## **DIRECTORS REPORT (Cont'd)**

### **Other income and net gain**

Other income and net gain amounted to RMB0.1 million, a decrease of 34.9% compared to the previous corresponding period. Other income and net gain represents income from products not directly related to our principal activities.

### **Selling expenses**

Selling expenses decreased by RMB1.9 million, or 57.9%, from RMB3.3 million to RMB1.4 million due to FTC management implementing tighten controls on the expenditure.

### **General and administrative expenses**

General and administrative expenses decreased by RMB2.8 million, or 23.2% from RMB11.9 million to RMB9.1 million. The decrease in spending was due to the suspension of director remuneration during the period and foreign exchange favourable movements.

### **Operating loss**

Operating loss, which is equivalent to the sum of sales and other income, after deduction of selling expenses and general and administrative expenses, decreased from an operating profit RMB8.0 million to operating loss RMB1.1 million. The decrease is due to we generated RMB 14.8 million sales attributable from the blockchain technology services in last corresponding period.

### **Other expenses / gain**

1. Decrease in share of losses of associates of RMB0.3 million;

Decrease in share of losses of associates are due to continuing development of our two associates.

2. Decrease in unrealised gain on change of fair value of embedded derivatives of convertible bonds by RMB2.4 million; and
3. Increase in finance costs of RMB0.4 million

The change in fair value of embedded derivatives of convertible bonds and increase in finance costs due to issue of convertible bonds are non-cash items as a result of our issuance of convertible bonds in the past financial period.

## **DIRECTORS REPORT (Cont'd)**

### **Net loss attributable to owners of the Company**

Net loss after tax attributable to owners of the Company is RMB1.8 million. This is the net effect of:

1. gross profit of RMB9.3 million;
2. other revenue and net gain of RMB0.2 million;
3. total expenses, including share of losses of associates, of RMB11.5 million; and
4. non-controlling interests of RMB0.2 million.

The increase in net loss attributable to owners of the Company of RMB11.4 million, or 118.8%, (from net profit RMB9.6 million to net loss RMB1.8 million) over the last corresponding period, was primarily driven by

5. decrease in gross profit by RMB 13.7 million;
6. decrease in other income and net gains by RMB 0.1 million;
7. decrease in selling expenses and general and administrative expenses by RMB4.7 million in total;
8. decrease in unrealised gain on change of fair value of embedded derivatives of convertible bonds by RMB2.4 million;
9. decrease in share of losses of associates by RMB0.3 million; and
10. increase in finance costs by RMB0.3 million.

### **Loss per share**

The Company incurred a loss of RMB0.28 cents per share, compared to the profit of RMB1.49 cents per share in the previous period.

### **Dividends**

No dividends have been paid nor are any dividends proposed to be paid during the financial period.

### **Net current assets and net tangible assets**

The Group has net current liabilities of RMB19.3 million as at 30 September 2019 compared to net current liabilities RMB4.0 million at 31 March 2019. The main reason for the increase is due to the current portion of convertible bonds increased.

Net tangible liabilities were RMB20.5 million compared to RMB12.6 million as at 30 September 2018, represented mainly by convertible bonds RMB26.6 million.

Net tangible liabilities per share were RMB3.1 cents per share at 30 September 2019, compared to RMB1.9 cents per share at 30 September 2018.

## **DIRECTORS REPORT (Cont'd)**

### **Share Capital**

Movements in share capital of the Company during the period are set out in note 17 to the condensed consolidated financial statements.

### **Share options**

The Company did not issue any share options during the financial period. Please refer to note 18(ii) to the condensed consolidated financial statements.

### **Transfer to Reserves**

Please refer to condensed consolidated statement of changes in equity for the Group's transfer to reserves.

### **Plant and Equipment**

Details of the movements in plant and equipment during the period are set out in note 12 to the condensed consolidated financial statements.

### **Convertible bonds**

The Company did not issue any convertible bonds during the financial period. Please refer to note 16 to the condensed consolidated financial statements for details of convertible bonds of the Company up to 30 September 2019.

### **Commitments**

The Group had capital commitments for unpaid registered capital for the subsidiaries and investments of RMB26,209,400 as at 30 September 2019. Details are set out in note 21 to the condensed consolidated financial statements.

### **Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **Directors' interests in contracts**

Except for the directors' interests as disclosed in the note 19 to the condensed consolidated financial statements, no contract of significance in relation to the Company's business to which the Company or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year.

## **DIRECTORS REPORT (Cont'd)**

### **Foreign exchange exposure**

The Group is exposed to currency risk primarily through cash and bank balances that are denominated in a foreign currencies, i.e. a currency other than functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, United States Dollars ("USD") and Australia Dollars ("AUD").

The Group's revenue is mainly denominated and settled in RMB. The Group incurred most of its operational expenses and capital outlays in RMB. The directors considered its exposure to foreign currency exchange risk arising from its operating activities to be insignificant as the majority of the Group's operating activities are denominated in functional currency of the respective group entities.

### **Employee, remuneration policies and share option scheme**

At 30 September 2019, the Group had 120 full-time employees (31 March 2019: 115). The salaries of the Group's employees were determined by reference to personal performance, professional qualifications, industry experience and relevant market trends. The Company ensures all levels of employees are paid competitively within market parameters and employees are rewarded on a performance-related basis within the framework of the Group's salary, incentives and bonus schemes. The management reviews the remuneration policy of the Group on a regular basis and evaluates the work performance of the employees. The remuneration of employees includes salaries, allowances, year-end bonuses and social insurance.

FTC also issued options to certain employees. For details please refer to share option scheme in note 18 to the condensed consolidated financial statement.

### **Material uncertainty related to going concern**

We draw attention to note 2 to the condensed consolidated financial statements which describes that the Group's current liabilities exceeded its current assets by RMB19,269,637 and the Group had net liabilities of RMB20,275,361 as at 30 September 2019. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern.

In view of this, FTC has adopted the following immediate measures to improve our cashflow:

1. The management have been implementing various strategies to broaden the customer base and revenue to the Group. The Group has negotiated with some banks for new contracts that will generate new revenue to the Group.
2. The Group is negotiating with the existing holders of convertible bonds to extend the repayment period. CB3 disclosed in the note 16(b) to the condensed consolidated financial statements extended on 6 November 2019.
3. The Group would take (a) relevant measures in order to tighten cost controls over various operating expenses, and (b) steps to negotiate and discuss with any existing and potential investors so as to attain ongoing financing from them.
4. Mr. Xiong Qiang and Mr. Chow Ki Shui, shareholder of the Company, provide additional funding to the Company if required, and they will not demand repayment of amount owing to them until after the Company's cashflow situation is improved;
5. Accelerate the customer receivables collection process

## DIRECTORS REPORT (Cont'd)

### Business outlook

The adoption of T-Linx™ by both China Merchants Bank and Rural Credit Bank's customers after the recent successful rollout programme has lead to FTC's T-Linx™ coverage in a greater number of industries and provinces in China. This will lead to increased aggregate transaction volume through the Bank-Merchant network at the provincial, and city/country level.

FTC considers this traction is the start of continuous growth of FTC revenue for the remainder of the financial year 2020 and will gain further traction during the roll out of the remaining 120 Rural Credit Banks in Hunan province.

Beginning in March 2019, all our newly signed bank customers have adopted the profit-sharing model based on transaction volume of T-Linx™ system. This business model is a brand new fintech service model for banks. Bank customers have also been actively promoting T-Linx™ business and adapting to this new business model.

During such adaptation period, it usually takes not more than 12 months for bank customers to settle the income generated by T-Linx™ business (including those within the 12 months) to FTC. Management believes that this model will be widely adopted by more banks, and with the active cooperation of banks, management expect that such adaptation period will gradually shorten. Management expect that in the coming years, greater T-Linx™ transaction volume processing (more banks use T-Linx™) and faster settlement of T-Linx™ earnings will allow the company to generate considerable and stable positive cash flow.

Furthermore, facial recognition is emerging in payments industry of China in year 2019, which has already been supported officially by Public Bank of China in August 2019. Various payment institutions (such as Union Pay, Alipay, WeChat Pay, etc.) and hardware manufacturers have ambitiously followed this innovative payment trend and launched their own products. FTC is the first to launch an integrated facial recognition payment solution - "Flounder" in China, that can simultaneously complete both UnionPay and WeChat Pay facial recognition payments on one single hardware device on which QR code payments (UnionPay, WeChat Pay and Alipay) are also integrated.

FTC is focused on expanding the overall banking market share in Greater China and overseas, and consolidating its leading position in the Banking sector. FTC will continue improve and enhance the T-Linx™ related products and services which is expected to grow and penetrate the market quickly and effectively, leading to an increase in revenue, and gross profit.

This report is made in accordance with a resolution of directors.



Mr. XIONG Qiang  
President  
FINTECH CHAIN LIMITED



Mr. CHOW Ki Shui Louie  
Vice President  
FINTECH CHAIN LIMITED

Shenzhen, 29 November 2019

## STATEMENT BY DIRECTORS

In accordance with a resolution of the Directors of FINTECH CHAIN LIMITED (the "Company"), we state that:

(1) In the opinion of the Directors:

- a. The condensed consolidated statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company and its subsidiary (the "Group") as at 30 September 2019 and
- b. At the date of this statement there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

(2) In the opinion of the Directors, the interim financial information give a true and fair view of:

- a. The loss and cash flows of the Group for the six months ended 30 September 2019; and
- b. The state of affairs of the Group at 30 September 2019.

On behalf of the Board



Mr. XIONG Qiang  
President  
FINTECH CHAIN LIMITED



Mr. CHOW Ki Shui Louie  
Vice President  
FINTECH CHAIN LIMITED

## Report on Review of Condensed Consolidated Financial Statements

### TO THE BOARD OF DIRECTORS OF FINTECH CHAIN LIMITED

(incorporated in Hong Kong with limited liability)

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Fintech Chain Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 13 to 42, which comprises the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. As the annual financial statements of the Group are prepared in accordance with both International Financial Reporting Standards and Hong Kong Financial Reporting Standards, the directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with both International Accounting Standard ("IAS") 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and HKAS 34.

## Report on Review of Condensed Consolidated Financial Statements - Continued

### **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to Note 2 to the condensed consolidated financial statements, the Group reported loss attributable to the owners of the Company of RMB1,806,241 for the six-month ended 30 September 2019 and, as of that date, the Group's current liabilities exceeded its current assets by RMB19,269,637 and the Group had net liabilities of RMB20,275,361. These conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

*Asian Alliance (HK) CPA Limited.*

**Asian Alliance (HK) CPA Limited**  
*Certified Public Accountants (Practising)*  
**Chung Chi Chiu**  
Practising Certificate Number: P06610

Suites 313-316, 3/F  
Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

29 November 2019



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the six months ended 30 September 2019

|   | Notes | Six months ended<br>30 September |                            |
|---|-------|----------------------------------|----------------------------|
|   |       | 2019<br>RMB<br>(Unaudited)       | 2018<br>RMB<br>(Unaudited) |
| <b>Revenue</b>  | 4     | <b>17,795,602</b>                | 28,320,611                 |
| <b>Cost of sales and services rendered</b>  |       | <b>(8,501,855)</b>               | (5,374,127)                |
| <b>Gross profit</b>   |       | <b>9,293,747</b>                 | 22,946,484                 |
| <b>Other income and gains</b>   | 6     | <b>178,502</b>                   | 274,380                    |
| Selling expenses  |       | <b>(1,383,476)</b>               | (3,286,668)                |
| General and administrative expenses   |       | <b>(9,134,490)</b>               | (11,891,808)               |
| Unrealised gain on change of fair value of embedded derivatives of convertible bonds          | 15    | <b>735,811</b>                   | 3,160,638                  |
| Share of losses of associates   |       | -                                | (326,936)                  |
| Finance costs   | 7     | <b>(1,720,073)</b>               | (1,367,509)                |
| <b>(Loss) profit before tax</b>   |       | <b>(2,029,979)</b>               | 9,508,581                  |
| <b>Income tax</b>   | 8     | -                                | -                          |
| <b>(Loss) profit and total comprehensive (expense) income for the period</b>                  | 9     | <b>(2,029,979)</b>               | 9,508,581                  |
| <b>(Loss) profit and total comprehensive (expense) income for the period attributable to:</b> |       |                                  |                            |
| - Owners of the Company   |       | <b>(1,806,241)</b>               | 9,592,167                  |
| - Non-controlling interests   |       | <b>(223,738)</b>                 | (83,586)                   |
|   |       | <b>(2,029,979)</b>               | 9,508,581                  |
| <b>(Loss) earnings per share (RMB Cents)</b>  |       |                                  |                            |
| - Basic   | 10    | <b>(0.278)</b>                   | 1.485                      |
| - Diluted   | 10    | <b>(0.278)</b>                   | 1.485                      |

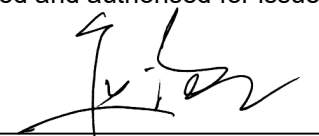
The notes on pages 19 to 42 form an integral part of this unaudited condensed consolidated financial statements.

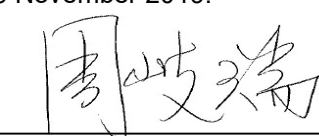
# Condensed Consolidated Statement of Financial Position

## At 30 September 2019

|   | Notes | As at<br>30 September<br>2019<br>RMB<br>(Unaudited) | As at<br>31 March<br>2019<br>RMB<br>(Audited) |
|---|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                           |       |   |   |
| Plant and equipment                                 | 12    | 1,979,422   | 3,535,445                                     |
| Intangible assets                                   | 12    | 284,305   | 318,131                                       |
| Interests in associates                             | 13    | -   | -   |
| Right-of-use assets                                 |       | 3,239,548   | -   |
| Deposits and other receivables                      | 14    | 1,396,128   | 1,396,128                                     |
|   |       | <b>6,899,403</b>                                    | <b>5,249,704</b>                              |
| <b>CURRENT ASSETS</b>                               |       |   |   |
| Inventories   |       | 61,920  | 119,897                                       |
| Trade and other receivables                         | 14    | 18,353,256  | 11,312,296                                    |
| Bank balances and cash                              |       | 2,848,798   | 2,289,152                                     |
|   |       | <b>21,263,974</b>                                   | <b>13,721,345</b>                             |
| <b>CURRENT LIABILITIES</b>                          |       |   |   |
| Trade and other payables                            | 15    | 12,177,187  | 9,344,363                                     |
| Contract liabilities                                |       | 4,089,557   | 948,394                                       |
| Other borrowing                                     |       | 2,202,669   | 2,071,228                                     |
| Lease liabilities - current portion                 |       | 3,056,476   | -   |
| Convertible bonds                                   | 16    | 19,007,722  | 5,402,852                                     |
|   |       | <b>40,533,611</b>                                   | <b>17,766,837</b>                             |
| <b>NET CURRENT LIABILITIES</b>                      |       | <b>(19,269,637)</b>                                 | <b>(4,045,492)</b>                            |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>        |       | <b>(12,370,234)</b>                                 | <b>1,204,212</b>                              |
| <b>NON-CURRENT LIABILITIES</b>                      |       |   |   |
| Convertible bonds                                   | 16    | 7,614,240   | 19,544,460                                    |
| Lease liabilities - non-current portion             |       | 262,230   | -   |
| Other payable                                       | 15    | 28,657  | 159,253                                       |
|   |       | <b>7,905,127</b>                                    | <b>19,703,713</b>                             |
| <b>NET LIABILITIES</b>                              |       | <b>(20,275,361)</b>                                 | <b>(18,499,501)</b>                           |
| <b>CAPITAL AND RESERVES</b>                         |       |   |   |
| Share capital                                       | 17    | 87,189,117  | 87,189,117                                    |
| Reserves  |       | (106,145,910)                                       | (104,593,788)                                 |
| <b>Equity attributable to owners of the Company</b> |       | <b>(18,956,793)</b>                                 | <b>(17,404,671)</b>                           |
| <b>Non-controlling interests</b>                    |       | <b>(1,318,568)</b>                                  | <b>(1,094,830)</b>                            |
| <b>TOTAL DEFICIT</b>                                |       | <b>(20,275,361)</b>                                 | <b>(18,499,501)</b>                           |

Approved and authorised for issue by the board of directors on 29 November 2019.

  
Xiong Qiang

  
CHOW Ki Shui Louie

The notes on pages 19 to 42 form an integral part of this unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Statement of Changes in Equity For the six months ended 30 September 2019

|   | Attributable to owners of the Company |                             |                           |                  | Non-controlling interests<br>RMB | Total deficit<br>RMB |
|---|---------------------------------------|-----------------------------|---------------------------|------------------|----------------------------------|----------------------|
|   | Share capital<br>RMB                  | Share option reserve<br>RMB | Accumulated losses<br>RMB | Sub-total<br>RMB |                                  |                      |
| At 1 April 2018 (Audited)   | 78,734,856                            | 4,382,617                   | (112,408,221)             | (29,290,748)     | (968,564)                        | (30,259,312)         |
| Adjustments   | -                                     | -                           | (242,536)                 | (242,536)        | -                                | (242,536)            |
| At 1 April 2018 (restated)  | 78,734,856                            | 4,382,617                   | (112,650,757)             | (29,533,284)     | (968,564)                        | (30,501,848)         |
| Profit (loss) and total comprehensive income (expense) for the period | -                                     | -                           | 9,592,167                 | 9,592,167        | (83,586)                         | 9,508,581            |
| Conversion of convertible bonds to ordinary shares                    | 8,454,261                             | -                           | -                         | 8,454,261        | -                                | 8,454,261            |
| Equity-settled share-based payments                                   | -                                     | 408,001                     | -                         | 408,001          | -                                | 408,001              |
| At 30 September 2018 (Unaudited)                                      | 87,189,117                            | 4,790,618                   | (103,058,590)             | (11,078,855)     | (1,052,150)                      | (12,131,005)         |
| At 1 April 2019 (Audited)   | 87,189,117                            | 5,036,535                   | (109,630,323)             | (17,404,671)     | (1,094,830)                      | (18,499,501)         |
| Loss and total comprehensive expense for the period                   | -                                     | -                           | (1,806,241)               | (1,806,241)      | (223,738)                        | (2,029,979)          |
| Equity-settled share-based payments                                   | -                                     | 254,119                     | -                         | 254,119          | -                                | 254,119              |
| Lapse of share options (Note 18)                                      | -                                     | (13,233)                    | 13,233                    | -                | -                                | -                    |
| At 30 September 2019 (Unaudited)                                      | 87,189,117                            | 5,277,421                   | (111,423,331)             | (18,956,793)     | (1,318,568)                      | (20,275,361)         |

The notes on pages 19 to 42 form an integral part of this unaudited condensed consolidated financial statements.

## Condensed Consolidated Statement of Cash Flows

### For the six months ended 30 September 2019

|  | <b>Six months ended<br/>30 September</b> |                    |
|--|--|--------------------|
|  | <b>2019</b>                              | <b>2018</b>        |
|  | <b>RMB</b>                               | <b>RMB</b>         |
|  | <b>(Unaudited)</b>                       | <b>(Unaudited)</b> |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>  | <b>2,189,831</b>                         | <b>10,613,905</b>  |
| <b>INVESTING ACTIVITIES</b>  |  |                    |
| Interest received  | <b>2,130</b>                             | 2,131              |
| Proceed from disposal of property, plant and equipment   | <b>15,929</b>                            | -                  |
| Payments for purchase of intangible assets   | <b>(133,724)</b>                         | -                  |
| Payments for purchase of property, plant and equipment   | -  | (1,027,986)        |
| Deposit paid for an investment   | -  | (500,000)          |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(115,665)</b>                         | <b>(1,525,855)</b> |
| <b>NET CASH USED IN FINANCING ACTIVITY</b>   |  |                    |
| Principal portion of lease payment   | <b>(1,514,520)</b>                       | -                  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>559,646</b>                           | <b>9,088,050</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING<br/>OF THE PERIOD</b>                                  | <b>2,289,152</b>                         | <b>1,598,644</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD,<br/>represented by bank balances and cash</b> | <b>2,848,798</b>                         | <b>10,686,694</b>  |

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 1. GENERAL INFORMATION

Fintech Chain Limited (the “Company”) is a limited liability company domiciled and incorporated in Hong Kong. The address of its registered office and principal place of business is Unit 1806, 18/F., Gala Place, 56 Dundas Street, Mongkok, Kowloon, Hong Kong.

Pursuant to the special resolution of the Company dated 4 April 2018, the name of the Company has been changed from “TTG Fintech Limited” to FinTech Chain Limited” with effect from 18 April 2018.

The Company is an investment holding company and its shares are listed on Australian Securities Exchange. Its subsidiaries are principally engaged in provision of system development services and information technology services, sale of point-of-sale machines and provision of services arising from point-of-sale machines in the People's Republic of China (the “PRC”). At 30 September 2019, the directors of the Company consider that the ultimate controlling party of the Company to be Mr. Xiong Qiang.

The condensed consolidated financial statements was approved for issue by the board of directors on 29 November 2019.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements has been prepared in accordance with International Accounting Standards (“IAS”) 34 “*Interim Financial Reporting*”, issued by the International Accounting Standard Board (“IASB”). IAS 34 is consistent with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accordingly this condensed consolidated financial statements is also prepared in accordance with HKAS 34.

The financial information relating to the year ended 31 March 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements.

The Company has delivered the consolidated financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The auditor's report was unmodified; included a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The Group reported loss attributable to the owners of the Company of RMB1,806,241 for the six-month ended 30 September 2019 and, as of that date, the Group's current liabilities exceeded its current assets by RMB19,269,637 and the Group had net liabilities of RMB20,275,361. In preparing these condensed consolidated financial statements, the directors of the Company (the “Directors”) have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain positive cash flows from operations in the immediate and longer term.

In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measure:

- The management have been implementing various strategies to broaden the customer base and revenue to the Group. The Group has negotiated with some banks for new contracts that will generate new revenue to the Group.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 2. BASIS OF PREPARATION - Continued

- The major shareholders of the Group continued to provide financial support to the Company until the Company has sufficient funds to meet its operations;
- The Group is negotiating with the existing holders of convertible bonds to extend the repayment period; and
- The Group would take (a) relevant measures in order to tighten cost controls over various operating expenses, and (b) steps to negotiate and discuss with any existing and potential investors so as to attain ongoing financing from them.

Having taken into account the available financial resources of the Group and the above measures, the Directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") and Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019.

#### *Application of new and amendments to IFRSs and HKFRSs*

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by ISAB and HKFRSs issued by the HKICPA, which are mandatory effective for the annual period on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements. The equivalent amendments to IFRSs/HKFRSs, which term collectively includes all applicable individual IFRSs/HKFRSs, IASs/HKASs and interpretations, consequently issued by the ISAB/HKICPA as a result of these developments have the same effective date as those issued by the IASB/HKICPA and are in all material aspects identical to the pronouncements issued by the IASB/HKICPA.

|                            |  |
|----------------------------|--|
| IFRS/HKFRS 16              | Leases   |
| IFRIC 23/HK(IFRIC)-Int 23  | Uncertainty over Income Tax Treatments               |
| Amendments to IFRS/HKFRS 9 | Prepayment Features with Negative Compensation       |
| Amendments to IAS/HKAS 19  | Plan Amendment, Curtailment or Settlement            |
| Amendments to IAS/HKAS 28  | Long-term Interests in Associates and Joint Ventures |
| Amendments to IFRSs/HKFRSs | Annual Improvements to IFRSs/HKFRSs 2015-2017 Cycle  |

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

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 3. PRINCIPAL ACCOUNTING POLICIES - Continued

#### 3.1 Impacts and changes in accounting policies of application on IFRS/HKFRS 16 Leases

The Group has applied IFRS/HKFRS 16 for the first time in the current interim period. IFRS/HKFRS 16 superseded IAS/HKAS 17 *Leases* ("IAS/HKAS 17"), and the related interpretations.

##### 3.1.1 Key changes in accounting policies resulting from application of IFRS/HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS/HKFRS 16.

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS/HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### As a lessee

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 3. PRINCIPAL ACCOUNTING POLICIES - Continued

#### 3.1 Impacts and changes in accounting policies of application on IFRS/HKFRS 16 Leases - continued

##### 3.1.1 Key changes in accounting policies resulting from application of IFRS/HKFRS 16 - continued

#### As a lessee - continued

##### Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS/HKFRS 9 *Financial Instruments* ("IFRS/HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

##### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS/HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

##### 3.1.2 Transition and summary of effects arising from initial application of IFRS/HKFRS 16

#### Definition of a lease

The Group has elected the practical expedient to apply IFRS/HKFRS 16 to contracts that were previously identified as leases applying IAS/HKAS 17 and IFRIC 4/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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 3. PRINCIPAL ACCOUNTING POLICIES - Continued

#### 3.1 Impacts and changes in accounting policies of application on IFRS/HKFRS 16 Leases - continued

##### 3.1.2 Transition and summary of effects arising from initial application of IFRS/HKFRS 16 - continued

#### Definition of a lease - continued

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS/HKFRS 16 in assessing whether a contract contains a lease.

#### As a lessee

The Group has applied IFRS/HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS/HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS/HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS/HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS/HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.35% to 4.75%.

|  | At 1 April 2019<br>RMB |
|--|------------------------|
| Operating lease commitments disclosed as at 31 March 2019            | 5,117,605              |
| Lease liabilities discounted at relevant incremental borrowing rates | 4,781,526              |
| Less: Recognition exemption - short-term leases                      | (46,802)               |
| Lease liabilities as at 1 April 2019                                 | 4,734,724              |
| Analysed as:   |                        |
| Non-current  | 3,004,668              |
| Current  | 1,730,056              |

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 3. PRINCIPAL ACCOUNTING POLICIES - Continued

#### 3.1 Impacts and changes in accounting policies of application on IFRS/HKFRS 16 Leases - continued

##### 3.1.2 Transition and summary of effects arising from initial application of IFRS/HKFRS 16 - continued

#### As a lessee - continued

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

|  | Right-of-use<br>assets<br>RMB |
|--|-------------------------------|
| Right-of-use assets relating to operating leases<br>recognised upon application of IFRS/HKFRS 16 |                               |
| By class:  |                               |
| Office   | 4,734,724                     |

The transition to IFRS/HKFRS 16 has no impact on the accumulated losses at 1 April 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

|   | Carrying<br>amounts<br>previously<br>reported at<br>31 March<br>2019<br>RMB | Adjustments<br>RMB | Carrying<br>amounts<br>under IFRS/<br>HKFRS 16<br>at 1 April<br>2019<br>RMB |
|---|---|--------------------|---|
| <b>Non-current assets</b>               |   |                    |   |
| Right-of-use assets                     | -   | 4,734,724          | 4,734,724   |
| <b>Current Liabilities</b>              |   |                    |   |
| Lease liabilities - current portion     | -   | 3,004,668          | 3,004,668   |
| <b>Non-current liabilities</b>          |   |                    |   |
| Lease liabilities - non-current portion | -   | 1,730,056          | 1,730,056   |

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 4. REVENUE

#### Disaggregation of revenue from contracts with customers

|  | Six months ended<br>30 September |                   |
|--|----------------------------------|-------------------|
|  | 2019                             | 2018              |
|  | RMB                              | RMB               |
|  | (Unaudited)                      | (Unaudited)       |
| <b>Types of goods and services</b>           |                                  |                   |
| Provision of system development services     | -                                | 14,826,894        |
| Provision of information technology services | 12,035,272                       | 8,341,975         |
| Provision of point-of-sale machines services | 894,791                          | 3,431,565         |
| Sale of point-of-sale machines and hardware  | 4,865,539                        | 1,720,177         |
| <b>Total</b>                                 | <b>17,795,602</b>                | <b>28,320,611</b> |
| <b>Timing of revenue recognition</b>         |                                  |                   |
| Over time                                    | 12,930,063                       | 26,600,434        |
| A point of time                              | 4,865,539                        | 1,720,177         |
| <b>Total</b>                                 | <b>17,795,602</b>                | <b>28,320,611</b> |
| <b>Geographical markets</b>                  |                                  |                   |
| Mainland China                               | 17,795,602                       | 7,165,472         |
| Hong Kong                                    | -                                | 21,155,139        |
| <b>Total</b>                                 | <b>17,795,602</b>                | <b>28,320,611</b> |

For the provision of system development services, revenue is recognised over the period of the contract by reference to the progress of work performed and acknowledged by the customers.

For the provision of information technology services, revenue is recognised as a percentage of transactions volume processed by T-Linx™ system.

For the point-of-sale machines services, revenue is recognised as a fixed rent and as a percentage of transactions volume processed by T-Linx™ system.

For sale of point-of-sale machines, revenue is recognised when the control of the machines is transferred to customers.

### 5. SEGMENT INFORMATION

The Group manages its business by divisions which are organized from the services perspective.

Information reported to the board of directors (the "Board"), being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focus on the types of goods delivered or services provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the Board have been aggregated in arriving at the reporting segments of the Group. In addition, the principal assets employed by the Group are located in the PRC. Accordingly, no segment analysis and geographical information is presented.

Specifically, the Group's reportable and operating segment under IFRS/HKFRS 8 is as follow:

Technology services – Provision of system development services, information technology services, sale of point-of-sale machines and provision of services arising from point-of-sale machines

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 6. OTHER INCOME AND GAINS

|   | Six months ended<br>30 September |                |
|---|----------------------------------|----------------|
|   | 2019                             | 2018           |
|   | RMB                              | RMB            |
|   | (Unaudited)                      | (Unaudited)    |
| <b>Other income and gains, net</b>                |                                  |                |
| Government grants                                 | 58,582                           | 130,000        |
| Sundry income                                     | 112,141                          | 140,139        |
| Net exchange gain                                 | -                                | 2,110          |
| Interest income earned on bank deposits           | 2,130                            | 2,131          |
| Gain on disposal of property, plant and equipment | 5,649                            | -              |
|   | <b>178,502</b>                   | <b>274,380</b> |

### 7. FINANCE COSTS

|                      | Six months ended<br>30 September |                  |
|----------------------|----------------------------------|------------------|
|                      | 2019                             | 2018             |
|                      | RMB                              | RMB              |
|                      | (Unaudited)                      | (Unaudited)      |
| Interest expense on: |                                  |                  |
| - Convertible bonds  | 1,537,740                        | 1,367,509        |
| - Lease liabilities  | 98,502                           | -                |
| - Other borrowing    | 83,831                           | -                |
|                      | <b>1,720,073</b>                 | <b>1,367,509</b> |

### 8. INCOME TAX

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) 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 gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity 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 a 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 condensed consolidated financial statements.

No provision of taxation in Hong Kong has been made as the group entities in Hong Kong did not generate any assessable profits for the six months ended 30 September 2019.

No provision of taxation in Hong Kong has been made as certain group entities in Hong Kong did not generate any assessable profits or the assessable profits of certain group entities in Hong Kong were wholly absorbed by tax losses brought forward for the six months ended 30 September 2018.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 8. INCOME TAX - Continued

(b) Except for Shenzhen Tao-taogu Information Technology Co., Ltd. ("STIT"), a wholly-owned subsidiary of the Company, the other PRC subsidiaries are subject to PRC enterprise income tax at 25%. Pursuant to a notice issued by the tax authority on 5 April 2012, STIT is exempted from PRC enterprise income tax ("EIT") for the first two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. No provision of EIT of STIT as the estimated assessable profits for the period was wholly absorbed by unrelieved tax losses brought forward for the six months ended 30 September 2019.

No provision of EIT has been made in the condensed consolidated financial statements as STIT sustained a loss for the six months ended 30 September 2018.

(c) No provision of EIT has been made in the condensed consolidated financial statements as the other PRC subsidiaries sustained a loss during the periods.

### 9. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

|   | <b>Six months ended<br/>30 September</b> |                    |
|---|--|--------------------|
|   | <b>2019</b>                              | <b>2018</b>        |
|   | <b>RMB</b>                               | <b>RMB</b>         |
|   | <b>(Unaudited)</b>                       | <b>(Unaudited)</b> |
| Amortisation of intangible assets                             | <b>167,550</b>                           | 81,991             |
| Depreciation of plant and equipment                           | <b>1,545,743</b>                         | 1,941,137          |
| Depreciation of right-of-use assets                           | <b>1,495,176</b>                         | -                  |
| Operating lease charges in respect of properties              |  |                    |
| - minimum lease payments                                      | <b>90,250</b>                            | 943,860            |
| Cost of services rendered                                     | <b>5,633,200</b>                         | 3,939,021          |
| Cost of inventories sold                                      | <b>2,868,655</b>                         | 1,435,106          |
| Cost of sales and services rendered                           | <b>8,501,855</b>                         | 5,374,127          |
| Write-off of other receivable, deposit and prepayment         | <b>361,692</b>                           | -                  |
| Impairment losses recognised on trade receivables             | <b>21,193</b>                            | -                  |
| Reversal of impairment losses recognised on other receivables | <b>(274)</b>                             | -                  |
| Impairment losses recognised on amount due from associates    | <b>4,612</b>                             | -                  |
| Equity-settled share-based payment - consultants              | <b>208,050</b>                           | 330,132            |
| Staff cost (including directors' emoluments)                  |  |                    |
| - Salaries and allowances                                     | <b>4,039,068</b>                         | 6,661,529          |
| - Contribution to defined contribution retirement plan        | <b>256,514</b>                           | 469,517            |
| - Equity-settled share-based payment                          | <b>46,069</b>                            | 77,869             |
|   | <b>4,341,651</b>                         | 7,208,915          |

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

| (Loss) earnings   | Six months ended<br>30 September |                            |
|---|----------------------------------|----------------------------|
|   | 2019<br>RMB<br>(Unaudited)       | 2018<br>RMB<br>(Unaudited) |
| (Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share | (1,806,241)                      | 9,592,167                  |
| Effect of dilutive potential ordinary shares:   |                                  |                            |
| Interest on convertible bonds (net of income tax)   | 1,537,740                        | 1,367,509                  |
| (Loss) earnings for the purpose of diluted (loss) earnings per share  | (268,501)                        | 10,959,676                 |

| Number of shares  | Six months ended<br>30 September |                            |
|---|----------------------------------|----------------------------|
|   | 2019<br>RMB<br>(Unaudited)       | 2018<br>RMB<br>(Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share   | 650,769,591                      | 645,957,932                |
| Effect of dilutive potential ordinary shares:   |                                  |                            |
| Convertible bonds   | N/A                              | N/A                        |
| Share options   | N/A                              | N/A                        |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | 650,769,591                      | 645,957,932                |

For the six months ended 30 September 2018, the computation of diluted earnings per share:

- (i) does not assumed the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share which is regarded as anti-dilutive, and
- (ii) does not assumed the exercise of the Company's share options because the exercise price of those options were higher than the average market price for shares.

For the six months ended 30 September 2019, the computation of diluted loss per share does not assumed the conversion of the Company's outstanding convertible bond and share options since their assumed conversion / exercise would result in a decrease in loss per share which is regarded as anti-dilutive.

### 11. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 12. PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

|   | Plant and equipment<br>RMB | Intangible assets<br>RMB |
|---|----------------------------|--------------------------|
| <b>Carrying amount at 1 April 2019 (audited)</b>        | 3,535,445                  | 318,131                  |
| Costs:  |                            |                          |
| Additions   | -                          | 133,724                  |
| Disposal  | (14,804)                   | -                        |
|   | (14,804)                   | 133,724                  |
| Depreciation and amortisation:                          |                            |                          |
| Charge for the period                                   | 1,545,743                  | 167,550                  |
| Written back on disposal                                | (4,524)                    | -                        |
|   | 1,541,219                  | 167,550                  |
| <b>Carrying amount at 30 September 2019 (unaudited)</b> | 1,979,422                  | 284,305                  |

### 13. INTERESTS IN ASSOCIATES

|                     | As at<br>30 September<br>2019<br>RMB<br>(Unaudited) | As at<br>31 March<br>2019<br>RMB<br>(Audited) |
|---------------------|---|---|
| Share of net assets | -   | -   |

The particulars of the principal associate of the Group as at 30 September 2019 and 31 March 2019, which is unlisted corporate entity are as follows:

| Name of associates   | Place of establishment and business | Form of business structure | Particulars of registered capital | Proportion of ownership interest held directly | Principal activities   |
|--|-------------------------------------|----------------------------|-----------------------------------|--|--|
| Shenzhen Intelligent Preferential Pay Company Limited* ("IPP")<br>(深圳市智惠付信息技術有限公司) | The PRC                             | Incorporated               | RMB2,000,000                      | 37.5%  | Provision of e-commerce, information technology consultancy services, electronic promotion services and electronic messaging information services. |

Note:

As at 30 September 2019, IPP has syndicated loan of RMB500,000 (31 March 2019: RMB1,300,000). The syndicated loan agreements were arranged by Wuhaw Yifaw Wealth Investment Co., Ltd. (武漢億房財富投資有限公司)\*, a company registered in the PRC, with participation from a consortium of individual and/or corporate investors. Such facility was partially secured by an equity pledge over 10% of the Group's interest on the registered capital of IPP.

\* The English translation of the company name is for reference only. The official name of IPP is in Chinese.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 14. TRADE AND OTHER RECEIVABLES

|   | Notes | As at<br>30 September<br>2019<br>RMB<br>(Unaudited) | As at<br>31 March<br>2019<br>RMB<br>(Audited) |
|---|-------|---|---|
| Trade receivables                               | (a)   | 10,432,855  | 3,786,387                                     |
| Less: Allowance of credit losses                |       | (21,193)  | -   |
|   |       | <b>10,411,662</b>                                   | <b>3,786,387</b>                              |
| Other receivables                               |       | 1,750,623   | 1,634,320                                     |
| Amounts due from associates (Note 19(c))        | (b)   | 5,134,691   | 4,870,403                                     |
| Amounts due from related companies (Note 19(c)) | (b)   | 593,430   | 180,323                                       |
| Amount due from a director (Note 19(c))         | (b)   | 19,303  | 19,303  |
| Prepayments and deposits                        |       | 1,787,812   | 2,281,441                                     |
| Value added tax recoverable                     |       | 572,104   | 452,150                                       |
|   |       | <b>9,857,963</b>                                    | <b>9,437,940</b>                              |
| Less: Allowance of credit losses                |       | (520,241)   | (515,903)                                     |
| Other receivables, net of allowance             |       | <b>9,337,722</b>                                    | <b>8,922,037</b>                              |
|   |       | <b>19,749,384</b>                                   | <b>12,708,424</b>                             |
| Less: Non-current portion                       |       |   |   |
| - Deposits and other receivables                |       | (1,396,128)   | (1,396,128)                                   |
|   |       | <b>18,353,256</b>                                   | <b>11,312,296</b>                             |

#### Notes:

- a) As at 30 September 2019, trade receivables from contracts with customers amounted to RMB10,411,662 (31 March 2019: RMB3,786,387). Sales are generally made without prescribed credit terms in the sales contracts but customers usually take 1 to 3 months to settle the receivables.

As at 30 September 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,896,870 (31 March 2019: RMB434,684) which are past due. Out of the past due balances, RMB225,656 (31 March 2019: RMB70,324) has been past due 90 days or more and is not considered as in default by considering the ongoing business relationship, repayment history and expected future settlements. The Group does not hold any collateral over these balances.

- b) The amounts due from associates, related companies and a director are unsecured, interest-free and repayable on demand.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 15. TRADE AND OTHER PAYABLES

|  | Note | As at<br>30 September<br>2019<br>RMB<br>(Unaudited) | As at<br>31 March<br>2019<br>RMB<br>(Audited) |
|--|------|---|---|
| Trade payables                                   |      | 2,801,614   | 4,410   |
| Other payables and accruals                      |      | 4,437,373   | 3,941,908                                     |
| Deposits received                                |      | 2,276,810   | 2,766,090                                     |
| Amounts due to directors (Note 19(c))            | (a)  | 2,690,047   | 2,713,743                                     |
| Financial liabilities measured at amortised cost |      | 12,205,844  | 9,426,151                                     |
| Other tax levies payables                        |      | -   | 77,465  |
|  |      | 12,205,844  | 9,503,616                                     |
| Less: Non-current portion                        |      |   |   |
| - Other payables                                 |      | (28,657)  | (159,253)                                     |
|  |      | 12,177,187  | 9,344,363                                     |

Note:

- a) The amounts due are unsecured, interest free and repayable on demand.

### 16. CONVERTIBLE BONDS

#### a) Movements in the components of the convertible bonds

The movements in the liability and derivative components of the convertible bonds during the year ended 31 March 2019 are set out below:

|   | Liability<br>component<br>RMB | Gross<br>RMB | Derivative component<br>Deferred<br>day one<br>gain<br>RMB | Net<br>RMB  | Total<br>RMB |
|---|-------------------------------|--------------|--|-------------|--------------|
| At 1 April 2018   | 21,105,086                    | 1,914,274    | 5,385,290  | 7,299,564   | 28,404,650   |
| Issuance of convertible bonds (Note)  | 3,372,846                     | 400,222      | 1,226,932  | 1,627,154   | 5,000,000    |
| Conversion to ordinary shares   | (6,405,060)                   | (472,882)    | (1,567,050)  | (2,039,932) | (8,444,992)  |
| Amortisation of deferred day one gain in profit or loss   | -                             | -            | (2,423,658)  | (2,423,658) | (2,423,658)  |
| Change in fair value of embedded derivatives  | -                             | (1,837,224)  | -  | (1,837,224) | (1,837,224)  |
|   | -                             | (1,837,224)  | (2,423,658)  | (4,260,882) | (4,260,882)  |
| Exchange movement   | 1,164,324                     | (4,356)      | 309,082  | 304,726     | 1,469,050    |
| Interest expenses   | 2,779,486                     | -            | -  | -           | 2,779,486    |
| At 31 March 2019 (Audited)  | 22,016,682                    | 34           | 2,930,596  | 2,930,630   | 24,947,312   |
| Total loss for the year included in profit or loss for liabilities held at the year end 31 March 2019 | -                             | (1,837,224)  | (2,423,658)  | (4,260,882) | (4,260,882)  |

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 16. CONVERTIBLE BONDS - Continued

#### a) Movements in the components of the convertible bonds - continued

The movements in the liability and derivative components of the convertible bonds during the six months ended 30 September 2019 are set out below:

|   | Liability component<br>RMB | Derivative component |                                    |                  | Total<br>RMB      |
|---|----------------------------|----------------------|------------------------------------|------------------|-------------------|
|   |                            | Gross<br>RMB         | Deferred<br>day one<br>gain<br>RMB | Net<br>RMB       |                   |
| At 1 April 2019 (audited)   | 22,016,682                 | 34                   | 2,930,596                          | 2,930,630        | 24,947,312        |
| Amortisation of deferred day one gain in profit or loss   | -                          | -                    | (1,246,406)                        | (1,246,406)      | (1,246,406)       |
| Change in fair value of embedded derivatives  | -                          | 510,595              | -                                  | 510,595          | 510,595           |
|   |                            | 510,595              | (1,246,406)                        | (735,811)        | (735,811)         |
| Exchange movement   | 940,421                    | 1,766                | (69,466)                           | (67,700)         | 872,721           |
| Interest expenses   | 1,537,740                  | -                    | -                                  | -                | 1,537,740         |
| <b>At 30 September 2019 (unaudited)</b>   | <b>24,494,843</b>          | <b>512,395</b>       | <b>1,614,724</b>                   | <b>2,127,119</b> | <b>26,621,962</b> |
| Total loss for the period included in profit or loss for liabilities held at the six months ended 30 September 2019 | -                          | 510,595              | (1,246,406)                        | (735,811)        | (735,811)         |

Note:

#### For convertible bond issued on 13 July 2018 ("CB 9")

On 13 July 2018, the Company issued CB 9 in the principal amount of RMB5,000,000 with zero coupon to off-setting the outstanding payable of RMB5,000,000 (equivalent to USD725,000) due from the Group.

The exercise price of the convertible bond is AUD0.2 per share with the remaining contracting life of 3 years. The fair value of the convertible bond was measured based on binomial model at the date of grant. Share price of AUD0.12, exercise price of AUD0.2, volatility of 31%, dividend yield of 0% and risk free rate 2.06% were used in the valuation.

According of the valuation report issued by an independent qualified valuer, the fair value of the liability component of CB 9 at the date of issuance amounted to RMB3,372,846 as at 31 March 2019. The carrying value of derivative component recognized in the consolidated statement of financial position was net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain was amortised on a straight-line method over the terms of convertible bonds.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the convertible bond), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

CB 9 was fully converted into ordinary shares on 13 July 2018.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 16. CONVERTIBLE BONDS - Continued

#### b) Major terms of convertible bonds

|                             | Issue date | Date of maturity | Principal amount | Effective interest rate of liability component | Conversion price per share AUD | As at 30 September 2019 RMB | As at 31 March 2019 RMB |
|-----------------------------|------------|------------------|------------------|--|--------------------------------|-----------------------------|-------------------------|
| Convertible bond 2 ("CB 2") | 9/12/2016  | 31/12/2019       | AUD500,000       | 19.33%   | 0.20                           | 2,384,416                   | 2,464,201               |
| Convertible bond 3 ("CB 3") | 28/4/2017  | 28/4/2020        | HK\$15,000,000   | 13.72%   | 0.20                           | 13,650,770                  | 12,575,774              |
| Convertible bond 5 ("CB 5") | 31/5/2017  | 31/12/2019       | RMB3,000,000     | 12.28%   | 0.20                           | 2,972,536                   | 2,938,651               |
| Convertible bond 6 ("CB 6") | 16/11/2017 | 15/11/2020       | USD500,000       | 14.06%   | 0.20                           | 3,535,850                   | 3,236,068               |
| Convertible bond 7 ("CB 7") | 16/11/2017 | 15/11/2020       | USD376,687       | 14.06%   | 0.20                           | 2,664,050                   | 2,438,191               |
| Convertible bond 8 ("CB 8") | 16/11/2017 | 15/11/2020       | USD200,000       | 14.06%   | 0.20                           | 1,414,340                   | 1,294,427               |
|                             |            |                  |                  |  |                                | 26,621,962                  | 24,947,312              |
|                             |            |                  |                  |  |                                | (7,614,240)                 | (19,544,460)            |
|                             |            |                  |                  |  |                                | 19,007,722                  | 5,402,852               |

All the convertible bonds are zero coupon bonds.

The principal amount of convertible bonds can be converted into ordinary shares of the Company at an original conversion price ("Conversion Price") per share, subject to adjustments, upon giving 30 days' notice by the holders of the convertible bonds ("Holders") to the Company, before the maturity date. The actual total number of ordinary shares can be converted depend on the exchange rate at one day before the conversion.

The shares to be converted by the Holders carry the same right as the existing shareholders of the Company. If there is dilution of existing shares, the Holders can apply the new shares on a pro-rata basis to retain their shareholdings. The issuance price of new shares are not lower than the Conversion Price. If the issuance price of new shares is lower than the Conversion Price, the Holders can then convert more shares as if the Conversion Price is the same as the issuance price of new shares.

#### c) Conversion at the option of the holders

The Company will, at the option of the holders convert all the convertible bonds upon maturity.

The fair value of the convertible bonds was determined by an independent qualified valuer. The fair value of the embedded derivatives (conversion and early redemption component) of the convertible bonds was determined using the binomial valuation model. The residual value represents the fair value of the liability component upon the issuance of convertible bonds which was calculated at the present value of the redemption amount, at 100% of the principal amount.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 16. CONVERTIBLE BONDS - Continued

#### c) Conversion at the option of the holders - continued

The fair value of the embedded derivatives of the convertible bonds was determined using the binomial model, and inputs into the model at the relevant dates were as follows:

|                         | Six months ended 30 September 2019 |       |       |              |       |
|-------------------------|------------------------------------|-------|-------|--------------|-------|
|                         | At Issue date                      |       |       |              |       |
|                         | CB 2                               | CB 3  | CB 5  | CB 6,7 and 8 | CB 9  |
| Share price (AUD)       | 0.074                              | 0.06  | 0.06  | 0.125        | 0.12  |
| Conversion price (AUD)  | 0.20                               | 0.20  | 0.20  | 0.20         | 0.20  |
| Risk free interest rate | 1.91%                              | 1.80% | 1.60% | 1.94%        | 2.06% |
| Time to maturity (year) | 3.1                                | 3     | 2.6   | 3            | 3     |
| Expected volatility     | 32%                                | 45%   | 40%   | 30%          | 31%   |
| Expected dividend yield | 0%                                 | 0%    | 0%    | 0%           | 0%    |

|                         | At 30 September 2019 |       |       |               |
|-------------------------|----------------------|-------|-------|---------------|
|                         | CB 2                 | CB 3  | CB 5  | CB 6, 7 and 8 |
| Share price (AUD)       | 0.145                | 0.145 | 0.145 | 0.145         |
| Conversion price (AUD)  | 0.20                 | 0.20  | 0.20  | 0.20          |
| Risk free interest rate | 1.06%                | 1.06% | 0.96% | 0.81%         |
| Time to maturity (year) | 0.3                  | 0.6   | 0.3   | 1.2           |
| Expected volatility     | 36%                  | 36%   | 37%   | 38%           |
| Expected dividend yield | 0%                   | 0%    | 0%    | 0%            |

The loss on change in fair value of embedded derivatives of the convertible bonds for the six months ended 30 September 2019 of RMB510,595 (30 September 2018: gain on change in fair value of RMB1,813,667) and amortisation of deferred day one gain of RMB1,246,406 (30 September 2018: RMB1,346,971) were recognised as "Unrealised gain (loss) on change of fair value of embedded derivatives of convertible bonds" in the condensed consolidated statement of profit or loss and other comprehensive income. The related interest expense of the liability component of the convertible bonds for the six months ended 30 September 2019 amounted to RMB1,537,740 (30 September 2018: RMB1,367,509), which was calculated using the effective interest method.

### 17. SHARE CAPITAL

|  | Number of<br>ordinary<br>shares | HK\$               | RMB<br>equivalent |
|--|---------------------------------|--------------------|-------------------|
| <b>Issued and fully paid:</b>                        |                                 |                    |                   |
| At 1 April 2018                                      | 642,245,705                     | 107,210,929        | 78,734,856        |
| Conversion of convertible bonds (note a)             | 8,523,886                       | 9,983,936          | 8,454,261         |
| At 31 March 2019, 1 April 2019 and 30 September 2019 | <b>650,769,591</b>              | <b>117,194,865</b> | <b>87,189,117</b> |

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 17. SHARE CAPITAL - Continued

Notes:

- (a) On 13 July 2018, the Company's convertible bonds with principal value of RMB8,000,000 were converted into 8,009,236 ordinary shares of the Company at the conversion price of AUD0.2 (equivalent to RMB0.99) per share.

On 18 July 2018, the Company's convertible bonds with principal value of HK\$600,000 were converted into 514,650 ordinary shares of the Company at the conversion price of AUD0.2 (equivalent to RMB0.99) per share.

- (b) The holders of ordinary shares are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### 18. SHARE OPTION SCHEME

The Company's share option scheme (the Scheme) was adopted pursuant to a resolution passed on 18 September 2015 for the primary purpose of providing incentives to qualifying grantees. Qualifying grantees of the Scheme mean (i) any employee, director, or any contractor of the Company or any group company; or (ii) any consultant or other qualified participants who provide goods or services to the Company or any group company.

On 12 August 2015, the Company granted 9,770,000 and 2,000,000 share options to certain consultants and other qualified participants at the exercise price of AUD0.80 and AUD0.10 per option share (the "August 2015 Option") respectively. Share options granted to participants other than employees are measured at fair value of options granted as these other participants are providing services that are similar to those rendered by employees. The fair value of the options determined at the date of grant using the binomial option pricing model were AUD727,445 (equivalent to RMB3,607,190). The consultants and other qualified participants have rendered services to the Group during the six months ended 30 September 2019 and year ended 31 March 2019.

On 23 September 2015, the Company granted 7,577,474 share options to 2 directors at the exercise price of AUD0.80 per option share (the "September 2015 Option"). The fair value of the options determined at the date of grant using the binomial option pricing model were AUD414,920 (equivalent to RMB2,057,467).

On 1 October 2016, the Company granted 20,000,000 share options to a consultant and at the exercise price of AUD0.30 per option share (the "October 2016 Option"). The fair value of the options determined at the date of grant using the binomial option pricing model were AUD2,635 (equivalent to RMB12,295).

On 17 January 2018, the Company granted 6,000,000 share options to a consultant at the exercise price of AUD0.30 per option share (the "January 2018 Option"). Share options granted to a consultant other than employees are measured at fair values of options granted as this consultant is providing services that are similar to those rendered by employees. The fair value of the options determined at the date of grant using the binomial option pricing model were AUD6,080 (equivalent to RMB30,772). This consultant has rendered services to the Group during the six months ended 30 September 2019 and year ended 31 March 2019.

On 28 September 2018, the Company granted 31,800,000 share option to four directors (the "September 2019 Option"). The fair value of the options determined at the date of grant using the binomial option pricing model were AUD10,000 (equivalent to RMB49,729). These directors have rendered services to the Group during the six months ended 30 September 2019 and year ended 31 March 2019.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 18. SHARE OPTION SCHEME - Continued

(i) Details of specific categories of options are as follows:

| Category of eligible persons                           | No. of share options granted | Date of grant     | Vesting conditions                             | Period during which share options are exercisable | Exercise price per share |
|--|------------------------------|-------------------|--|---|--------------------------|
| Consultants and other qualified participants (Group A) | 9,770,000                    | 12 August 2015    | From 1 July 2016 to 30 June 2017 (10%)         | 1 July 2016 to 30 June 2022                       | AUD0.80                  |
|  |                              |                   | From 1 July 2017 to 30 June 2018 (10%)         |   |                          |
|  |                              |                   | From 1 July 2018 to 30 June 2019 (20%)         |   |                          |
|  |                              |                   | From 1 July 2019 to 30 June 2020 (20%)         |   |                          |
|  |                              |                   | From 1 July 2020 to 30 June 2021 (40%)         |   |                          |
| Consultants and other qualified participants (Group B) | 2,000,000                    | 12 August 2015    | From 1 July 2016 to 30 June 2017 (10%)         | 1 July 2016 to 30 June 2022                       | AUD1.00                  |
|  |                              |                   | From 1 July 2017 to 30 June 2018 (10%)         |   |                          |
|  |                              |                   | From 1 July 2018 to 30 June 2019 (20%)         |   |                          |
|  |                              |                   | From 1 July 2019 to 30 June 2020 (20%)         |   |                          |
|  |                              |                   | From 1 July 2020 to 30 June 2021 (40%)         |   |                          |
| Directors (Note)                                       | 7,577,474                    | 23 September 2015 | From 1 July 2016 to 30 June 2017 (10%)         | 1 July 2016 to 30 June 2022                       | AUD0.80                  |
|  |                              |                   | From 1 July 2017 to 30 June 2018 (10%)         |   |                          |
|  |                              |                   | From 1 July 2018 to 30 June 2019 (20%)         |   |                          |
|  |                              |                   | From 1 July 2019 to 30 June 2020 (20%)         |   |                          |
|  |                              |                   | From 1 July 2020 to 30 June 2021 (40%)         |   |                          |
| Consultant   | 20,000,000                   | 1 October 2016    | From 1 October 2016 to 30 September 2017 (30%) | 1 October 2016 to 30 September 2019               | AUD0.30                  |
|  |                              |                   | From 1 October 2017 to 30 September 2018 (35%) |   |                          |
|  |                              |                   | From 1 October 2018 to 30 September 2019 (35%) |   |                          |

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 18. SHARE OPTION SCHEME - Continued

(i) Details of specific categories of options are as follows: - continued

| Category of eligible persons | No. of share options granted | Date of grant     | Vesting conditions                               | Period during which share options are exercisable | Exercise price per share |
|------------------------------|------------------------------|-------------------|--|---|--------------------------|
| Consultant                   | 6,000,000                    | 17 January 2018   | From 17 January 2018 to 31 January 2021 (100%)   | 17 January 2018 to 31 January 2021                | AUD0.30                  |
| Directors                    | 31,800,000                   | 28 September 2018 | From 28 September 2018 to 18 January 2021 (100%) | 28 September 2018 to 18 January 2021              | AUD0.20                  |

Note: A director was granted 6,377,474 share options during the year ended 31 March 2016. As the director resigned during the year ended 31 March 2018 and the respective share options are classified from the category of Directors to others.

(ii) The following table discloses movement of the Company's share options held by the Group's qualifying grantees during the period/year:

|   | Weighted average exercise price |                            | Number of share options |                     |
|---|---------------------------------|----------------------------|-------------------------|---------------------|
|   | As at 30 September 2019<br>AUD  | As at 31 March 2019<br>AUD | As at 30 September 2019 | As at 31 March 2019 |
| Outstanding at the beginning of the period / year | <b>0.390</b>                    | 0.522                      | <b>77,147,474</b>       | 45,347,474          |
| Granted during the period / year                  | -                               | 0.200                      | -                       | 31,800,000          |
| Expired during the period / year                  | <b>0.300</b>                    | -                          | <b>(20,000,000)</b>     | -                   |
| Outstanding as at the end of the period / year    | <b>0.296</b>                    | 0.390                      | <b>57,147,474</b>       | 77,147,474          |
| Exercisable at the end of the period / year       | <b>0.305</b>                    | 0.407                      | <b>44,263,494</b>       | 47,669,494          |

No options were exercised during the six months ended 30 September 2019 (2018: Nil).

The options have a contractual option terms ranged from 2.3 year to 6 years. The options outstanding at 30 September 2019 had exercise prices ranged from AUD0.2 to AUD1.0 and a weighted average remaining contractual lives of 1.45 years.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 18. SHARE OPTION SCHEME - Continued

(iii) Fair value of share options and assumptions:

|                                   | August 2015 Option |         | September 2015 Option | October 2016 Option | January 2018 Option | September 2018 Option |
|-----------------------------------|--------------------|---------|-----------------------|---------------------|---------------------|-----------------------|
|                                   | Group A            | Group B |                       |                     |                     |                       |
| Fair value per share option (AUD) | 0.063              | 0.054   | 0.055                 | 0-0.003             | 0.001               | 0.00032               |
| Grant date share price (AUD)      | 0.2                | 0.2     | 0.2                   | 0.08                | 0.105               | 0.075                 |
| Exercise price (AUD)              | 0.8                | 1.0     | 0.8                   | 0.3                 | 0.3                 | 0.2                   |
| Expected life (Years)             | 6.883              | 6.883   | 6.768                 | 1-3                 | 3.01                | 2.3                   |
| Expected volatility (%) (Note)    | 61.239             | 61.239  | 57.986                | 32-33               | 30                  | 29                    |
| Dividend yield (%)                | 0                  | 0       | 0                     | 0                   | 0                   | 0                     |
| Risk-free interest rate (%)       | 2.353              | 2.353   | 2.363                 | 1.64-1.66           | 2.17                | 2.04                  |

Note: Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restriction and behavioral considerations.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share option is based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the option.

During the six months ended 30 September 2019, the Group recognised total expenses of RMB254,119 (six months ended 30 September 2018: RMB408,001) as share option expense.

### 19. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group has entered into the following material related party transactions during the period.

#### a) Transactions with key management personnel

All members of key management personnel are the Directors. The remuneration paid to them during the year were disclosed in Note 9 to the condensed consolidated financial statements.

#### b) Transactions with other related parties:

| Name of related party                        | Nature of transaction | Six months ended 30 September |                            |
|--|-----------------------|-------------------------------|----------------------------|
|  |                       | 2019<br>RMB<br>(Unaudited)    | 2018<br>RMB<br>(Unaudited) |
| Shenzhen Intelligent Preferential IPP (Note) | Technical service fee | -                             | 99,434                     |

As at 30 September 2019, IPP has syndicated loan which was partially secured by an equity pledge over 10% of the Group's interest on the registered capital of IPP. For details, please refer to Note 13 to the condensed consolidated financial statements.

The Directors are of the opinion that the above transactions were negotiated on a normal commercial terms and conditions that would be available to third party.

Note: IPP is an associate of the Group.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 19. MATERIAL RELATED PARTY TRANSACTIONS - Continued

c) The Group had the following material balances with related parties:

| Name of related party  | Notes     | As at<br>30 September<br>2019<br>RMB<br>(Unaudited) | As at<br>31 March<br>2019<br>RMB<br>(Audited) |
|--|-----------|---|---|
| Amounts due from (to) directors:   |           |   |   |
| - Mr. Chow Ki Shui Louie   | (i)       | (2,690,047)   | (2,713,743)                                   |
| - Mr. Xiong Qiang  | (i)       | 19,303  | 19,303  |
| Amounts due from related companies:  |           |   |   |
| - Investorlink Securities Limited  | (i)&(ii)  | 53,430  | 50,323  |
| - Shenzhen Bozhong Communication Technology Company Limited ("Shenzhen Bozhong") * |           |   |   |
| (深圳市伯仲通信技術有限公司)  | (i)&(iii) | 540,000   | 130,000                                       |
|  |           | 593,430   | 180,323                                       |
| Amounts due from associates (Note)   |           |   |   |
| - IPP  | (i) &(v)  | 239,702   | 239,702                                       |
| - TTG Fintech Service Limited  | (i)       | 4,523,613   | 4,263,937                                     |
|  |           | 4,763,315   | 4,503,639                                     |

\* The English name is for identification only

Notes:

- (i) The amounts are unsecured, interest free and repayable on demand.
- (ii) Mr. Christopher Ryan, a director of the Company, is also the director of Investorlink Securities Limited. The maximum outstanding balance is RMB53,430 during the six months ended 30 September 2019.
- (iii) Ms. Ling Fang, the wife of Mr. Xiong Qiang, a director and a shareholder of the Company, is the director and major shareholder of Shenzhen Bozhong. The maximum outstanding balance of amount due from a related company is RMB540,000 during the six months ended 30 September 2019.
- (iv) The amounts due from (to) the above related parties are included in trade and other receivables (Note 14) and trade and other payables (Note 15) respectively.
- (v) The amounts represent the amounts due from associates net of allowance for credit losses.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 20. OPERATING LEASE COMMITMENT

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of offices which fall due as follows:

|                                 | As at<br>30 September<br>2019<br>RMB<br>(Unaudited) | As at<br>31 March<br>2019<br>RMB<br>(Audited) |
|---------------------------------|---|---|
| Within 1 year                   | 123,000   | 3,110,313                                     |
| After 1 year but within 5 years | -   | 2,007,292                                     |
|                                 | <b>123,000</b>                                      | <b>5,117,605</b>                              |

The leases typically run for an initial period of one to five years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### Fair value measurements and valuation processes

This note provides information about how the Group determines fair values of various financial instruments.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The board is responsible for determining fair value and the process of determining fair value.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The board works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

#### Fair value of the Group's financial liability that is measured at fair value on a recurring basis

Some of the Group's financial liability is measured at fair value at the end of each reporting period. The following table gives information about how the fair values of this financial liability is determined (in particular, the valuation technique(s) and inputs used).

|  | Level 3<br>2019<br>RMB<br>(Unaudited) | 2018<br>RMB<br>(Audited) |
|--|---------------------------------------|--------------------------|
| Embedded derivative of convertible bonds | 2,127,119                             | 2,930,630                |

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

#### Fair value measurements and valuation processes - continued

Fair value of the Group's financial liability that is measured at fair value on a recurring basis  
- continued

| Financial liability                      | Fair value                                    |   | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input                   |
|--|---|---|----------------------|---|--|
|  | As at 30 September 2019<br>RMB<br>(Unaudited) | As at 31 March 2019<br>RMB<br>(Audited) |                      |   |  |
| Embedded derivative of convertible bonds | 2,127,119                                     | 2,930,630                               | Level 3              | Binomial option pricing model           | Expected volatility range from 36% to 38% (Note) |

There were no transfers between Levels 1, 2 and 3 in current and prior year.

Reconciliation of Level 3 fair value measurements:

|                               | Embedded derivative of convertible bonds<br>RMB |
|-------------------------------|---|
| At 31 March 2018              | 7,299,564                                       |
| Issuance of convertible bonds | 1,627,154                                       |
| Conversion to ordinary shares | (2,039,932)                                     |
| Fair value changes            | (4,260,882)                                     |
| Exchange movement             | 304,726   |
| At 31 March 2019              | 2,930,630                                       |
| Fair value changes            | (735,811)                                       |
| Exchange movement             | (67,700)  |
| At 30 September 2019          | 2,127,119                                       |

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their values.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 30 September 2019

### 22. CAPITAL COMMITMENT

|   | As at<br>30 September<br>2019<br>RMB<br>(Unaudited) | As at<br>31 March<br>2019<br>RMB<br>(Audited) |
|---|---|---|
| Contracted but not provided for:            |   |   |
| - Capital contribution to other investments | 26,209,400  | 26,209,400                                    |

### 23. EVENT AFTER REPORTING PERIOD

On 6 November 2019, the holder of CB 3 and the Company agreed to extend the maturity date of the convertible bond for a further 3-year period to 28 April 2023. Other key terms of the CB 3 remain unchanged. Details of the extension has been set out in the ASX announcement on 6 November 2019.

## CORPORATE DIRECTORY

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

Level 12, Block 2, Xunmei Tech Plaza No. 8 Keyuan Blvd  
Nanshan District Shenzhen 518000  
People's Republic of China

### REGISTERED OFFICE, PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

1806, Gala Place, 56 Dundas Street  
Mongkok, Kowloon  
Hong Kong

### REPRESENTATIVE OFFICE IN AUSTRALIA

Investorlink Group Limited  
Level 26, 56 Pitt Street  
Sydney NSW 2000  
Australia

### BOARD OF DIRECTORS

#### *Executive Directors*

XIONG Qiang (President & Chief Executive Officer)  
CHOW Ki Shui Louie (Vice President & Deputy Chief Executive Officer and Chief Financial Officer)

#### *Non-Executive Directors*

Christopher John Ryan (Independent Chairman)  
ZHOU Chenyao

### COMPANY SECRETARIES

CHOW Ki Shui Louie

### AUDITORS

Asian Alliance (HK) CPA Limited

### AUDIT COMMITTEE

RYAN Christopher John (Chairman)  
ZHOU Chenyao

### REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

RYAN Christopher John (Chairman)  
XIONG Qiang  
CHOW Ki Shui Louie  
ZHOU Chenyao

### AUSTRALIA BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

### WEBSITE

<http://www.ttg.hk>