

2018

# FTC annual report



**FinTech  
Chain**



## Chairman's Statement

On behalf of our fellow board members, we are pleased to present the 2018 annual report for Fintech Chain Limited ("FTC"), formerly known as "TTG Fintech Limited".

In the past 7 years, FTC has always been committed to innovation in the field of Internet + FinTech, with many independent invention patents and intellectual property rights. In the world's fastest-growing and leading multiple mobile payment market in China, FTC took the lead in 2014 to propose the concept of "Fusion Payments" (later defined as "Integrated Payments" in 2016 by the People's Bank of China) and successfully developed the T-LINX Intelligent Acquiring and Settlement Banking System. FTC T-LINX system integrated various payment methods such as traditional bank cards, QR code, pre-paid cards, NFC, etc. Based on long-term consistent effort and strict adherence to financial regulations (including but not limited to KYC and AML), the FTC T-LINX system is currently serving numerous banks and acquirers, merchants of various industries and their POS terminals, and continued to grow. FTC embraces traditional finance through innovative financial technologies, and realised the upgrade and integration of financial industry and financial services.

FTC is well versed in rapid development of financial technology and the research and development in financial blockchain technology as early as 2016. FTC is also ranked in China's top 10 operators in terms of blockchain independent invention patent number holdings. FTC employs leading financial technology and blockchain technology, is committed to the following goals:

1. Establish a compliant, efficient and secure switching network to support and handle the circulation of various currencies and assets. This switching network integrates a variety of payment methods, including various types of cards (debit cards, credit cards, and prepaid cards), QR code accounts, various digital tokens, and also supports the compliant swap of fiat currencies and various digital tokens.
2. Based on the industry experience of FTC T-LINX system over the years to serve transaction acquisition and fund settlements between banks and merchants, put forward the future Token Cashification theory. In strict compliance with the financial regulations of various countries, serving all digital token issuers with good reputation and various digital token wallets, and realising various digital tokens to be circulated and used compliantly and legally as fiat currencies, which will bring added revenues to FTC.

Mr Qiang XIONG  
Chairman  
FinTech Chain Limited

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# BOARD OF DIRECTORS

Details of each of the Directors at the date of this report are set out below:



## **Mr XIONG Qiang – Chairman & Chief Executive Officer**

Mr Xiong graduated from Jiangxi University of Finance and Economics with a bachelor degree.

Mr Xiong is a successful entrepreneur in the field of China mobile internet applications. He has been awarded the “Top 10 Outstanding Entrepreneurs in Brand Building in China”. He has also driven Shenzhen e-commerce (communications and wireless internet applications) businesses through which he has substantially gained a wealth of experience in this industry. Mr Xiong is responsible for the formulation of FTC’s strategic direction, expansion plans, and the management of FTC’s overall business development.



## **Mr CHOW Ki Shui Louie - Deputy Chairman & Deputy Chief Executive Officer**

Mr Chow graduated from Xiamen University with a bachelor degree. He co-founded a non-profit educational foundation in China.

Mr Chow has many years of experience in both domestic and international direct investment. Mr Chow is responsible for FTC’s strategic planning and corporate finance activities.

# BOARD OF DIRECTORS



## **Mr RYAN, Christopher John - Non-Executive Director**

Chris is an Executive Director of Investorlink Group Limited, a Sydney-based corporate finance and advisory firm.

Chris's other ASX Listed company non-executive directorships include: Propertylink (Holdings) Limited (ASX Code: PLG) and 99 Wuxian Limited (ASX Code: NNW). Chris either chairs or is a member of PLG and NNW's audit and remuneration committees.

Chris has industry diverse experience and expertise in mergers and acquisitions together with initial public offerings.

Chris has advised on ASX listings since 1986.

Chris's qualifications include holding a Bachelor of Financial Administration, University of New England, fellowship of the Chartered Accountants Australia and New Zealand and membership of the Australian Institute of Company Directors.



## **Ms Zhou Chen Yao Zoe - Non-Executive Director**

Zoe graduated in Saint Louis University in United States of America. Zoe started her career in venture capital in 2014 when she joined Longling Capital, a Xiamen-based

venture firm in China specializing in seed stage, early stage and angel investments in the area of internet healthcare, internet education, internet finance and artificial intelligence. She is now a partner of Longling Capital and oversees a portfolio of \$140 million in early stage technology funding.

Zoe was included on Forbes's 2017 "30 under 30 years of age" Asia List as one of the young talents and change-makers in industries ranging from consumer technology to health care and science.

# BOARD SKILLS & EXPERIENCE

A summary of the Directors' skills and experience relevant to FTC as at the end of the reporting period is set out below.

Skills and Experience (out of 5 Directors)	
<b>Leadership and Management</b>	
Executive management	4
Corporate Governance	4
Strategy	3
Policy Development	4
<b>Corporate</b>	
Business Operation	3
Legal	1
Investor Relation	4
Marketing	3
International Operation Management	3
<b>Capital Markets</b>	
Capital Raising	4
Capital Management	4
Corporate Actions	4
<b>Finance and Risk</b>	
Risk Management and Compliance	3
Financial	1
<b>Sector Experience</b>	
Software Development	2
IT Technology	2

# DIRECTORS REPORT

The directors present the directors report together with the audited financial statements consisting of Fintech Chain Limited (formerly known as TTG Fintech Limited), ("FTC") and the entities it controlled for the year ended 31 March 2018 (hereinafter referred to the "Group").

FTC is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business located at:

Unit 1806, 18/F., Gala Place  
56 Dundas Street, Kowloon  
Hong Kong

## Directors

The following persons were directors of FTC and its subsidiaries during the year and up to the date of this report, unless otherwise disclosed below:

### 1. Fintech Chain Limited

#### *Executive Directors*

XIONG Qiang (Chairman & Chief Executive Officer)  
CHOW Ki Shui Louie (Deputy Chairman & Deputy Chief Executive Officer)  
KWOK Kin Kwong Gary (Chief Financial Officer) (resigned on 5 December 2017)

#### *Non-executive Directors*

RYAN Christopher John  
CAI Wensheng (resigned on 8 August 2017)  
Zhou Chenyao (appointed on 8 August 2017)

Mr. Kwok Kin Kwong Gary and Mr. Cai Wen Sheng resigned as the directors of FTC on 5 December 2017 and 8 August 2017 respectively. Both of them confirmed that they had no disagreement with the board of directors and nothing relating to the affairs of FTC needed to be brought to the attention of the shareholders of FTC.

In accordance with Article 104 of the Company's Articles of Association, XIONG Qiang and CHOW Ki Shui Louie retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election

### 2. Shenzhen Taotaogu Information Technology Company Limited (深圳市淘淘谷信息技术有限公司)

XIONG Qiang  
CHOW Ki Shui Louie  
WU Linyan

### 3. Shenzhen Taotaogu E-commerce Company Limited (深圳市淘淘谷电子商务有限公司)

XIONG Qiang



# DIRECTORS REPORT

4. Shenzhen Taotaogu Investment Co., Limited (深圳市淘淘谷投资有限公司)

CHOW Ki Shui Louie

5. Xiamen Taotaogu Information Technology Company Limited (厦门市淘淘谷信息技术有限公司)

WANG Haibin

6. Jiangxi Taotaogu E-commerce Company Limited (江西淘淘谷电子商务有限公司)

LING Chen

7. Jiangxi Kelaihui Information Technology Company Limited.(江西客来惠信息技术有限公司)

YI Yongqing

8. Neimenggu Taotaogu Information Technology Services Company Limited (内蒙古信息技术服务有限公司)

LING Song

9. TTG Mobile Coupon Services Limited

XIONG Qiang  
CHOW Ki Shui Louie

10. Q-life HK Limited

CHOW Ki Shui, Louie  
XIONG Qiang

11. TTG Techfin Limited

XIONG Qiang  
CHOW Ki Shui Louie

## Directors Interest in Shares/CDI

As at the date of report, the directors have the following interests in fully-paid shares/CDI in FTC.

XIONG Qiang	212,200,000
CHOW Ki Shui	108,250,000
RYAN, Christopher John	6,031,000



# DIRECTORS REPORT

As at the date of report, the directors have the following interests in share options in FTC.

RYAN, Christopher John	1,200,000
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The share options in which Mr. RYAN, Christopher John has an interest is held under related superannuation fund Stradbroke Plaza Pty Ltd as trustee for Ryan Retirement Fund (previously known as Chris Ryan & Sabine Ryan and Lois Ryan as trustee for Ryan Retirement Fund) ("Ryan Retirement Fund")

The options are exercisable from 1 July 2016 to 30 June 2021 at an exercise price of A\$0.80 and subsequently reduced to A\$0.30 on 4 April 2018. In the event there are outstanding options yet to be exercised upon the expiry of the exercise period for the Tranche 5, they can be extended for another 12 months up to 30 June 2022, after which it is the discretion of the Board to extend further.

Each option can be converted into 1 ordinary share.

Tranche	Percentage of options eligible to be exercised	Prescribed exercise date	Exercise date
Tranche 1	10%	1 July 2016	1 July 2016 to 30 Jun 2017
Tranche 2	10%	1 July 2017	1 July 2017 to 30 Jun 2018
Tranche 3	20%	1 July 2018	1 July 2018 to 30 Jun 2019
Tranche 4	20%	1 July 2019	1 July 2019 to 30 Jun 2020
Tranche 5	40%	1 July 2020	1 July 2020 to 30 Jun 2021

There are no partly-paid shares at the date of report.

## Principal Activities

The principal activity of FTC and its subsidiaries ("the Group") is to act as a financial technology service provider. Its core business is based in China, with the goal to expand into other East Asian and Southeast Asian countries.

The consolidated entity operates within the software and information services industry in the People's Republic of China. The main business of the consolidated entity derives its income from its self-developed technologies called Financial Electronic Authentication ("FEA") which provides the solution for clearing and settlement for multi parties, and "Tlinx", a smart cloud-supported point of sales ("POS") system.

By combining bank-card and non-bank-card bank accounts, this FEA technology allows clearing and settlement of digital currencies and payment of commissions. With the use of FEA technology, currency is not just a medium and consideration of exchange, but also a means of communication, sharing, analysis, transmission, promotion, data sourcing and labelling, and targeted marketing. FEA technology is now used in FTC's Tlinx systems, ULPOS platform, and is being extended to other applications

# DIRECTORS REPORT

Tlinx can be applied to different types of POS, both traditional and smart. Tlinx accommodates varying payment methodologies (e.g. cash, bank card, debit card, QR code, NFC, mobile payment, payment by royalty points, etc.) to be transacted on one hardware portal. Commercial banks, merchants, POS acquirers, traditional POS manufacturers, Management Information System (MIS) manufacturers, electronic tax invoice system providers, retail chains and other private companies all benefit from the use of our Tlinx.

Tlinx allows for data transmission and supports risk analysis of bank loan financing for commercial banks and financiers, MIS functions and financial planning for merchants, as well as numerous CRM functions (e.g. promotion of merchants, coupon, transaction data management, customer loyalty data analysis and management, etc) for diverse industries such as beverage, retail chain stores and B2C e-commerce.

In addition, FTC's technology serves to upgrade the traditional POS to the intelligent POS so that the clients with existing traditional POS facilities can enjoy the above value added services.

FTC's revenue model is based on:

1. System development fees
2. System maintenance fees
3. Sales revenue of POS to banks/merchants
4. Rental of POS to banks/merchants
5. Transaction fees generated on transactions that employ the FEA and Tlinx technologies.

## Financial Review

	Year ended 31 March 2018 RMB '000	Year ended 31 March 2017 RMB '000	% change
Revenue	10,030	6,150	63.1%
Loss after income tax expense	(23,184)	(22,853)	1.4%
Loss attributable to owners of the Company	(22,831)	(22,579)	1.1%

Revenues increased by RMB3.8 million, or 63% to RMB10 million. The Group's revenue is mainly derived from distribution of our smart cloud-supported POS system called Tlinx. The increase in revenue represents the higher penetration and acceptance of Tlinx in the region whereas the Group recorded gross loss of approximate RMB2.2 million.

Other income and net gain increased from RMB0.5 million to RMB2.2 million mainly due to the increase in exchange difference of RMB1.5 million during the year.

General administrative expenses decreased by 6%, or RMB1.2 million, to RMB17.4 million. The Group employs stringent controls over its administrative costs as the business expands.

The Group has reduced sales and marketing to speed up our business expansion. As a result sales and marketing expenses decreased by RMB1.4 million or 26% to RMB4.2 million for the financial year.

# DIRECTORS REPORT

Unrealised gain on change of fair value of embedded derivatives of convertible bonds, as a result of the issue of the convertible bonds, amounted to RMB2.1 million during the financial year.

Together with share of losses of associates of RMB1.3 million and the non-controlling interests of RMB0.4 million, our loss attributable to shareholders increased by 1%, or RMB0.3 million, to RMB22.8 million.

## Loss Per Share

Loss per share increased from RMB3.54 cents per share to RMB3.56 cents per share. The increase in loss per share is mainly due to increase in loss during the year.

## Net Current Assets and Net Tangible Asset

The Group had net current liabilities of RMB9.8 million as at 31 March 2018, compared to RMB19.2 million at 31 March 2017.

Net tangible liabilities amounted to RMB30.9 million as at 31 March 2018 (2017: RMB15.2 million)

Both decreases are mainly due to the net effect of losses attributable to shareholders.

The net tangible liability per share was RMB4.8 cents at 31 March 2018 (2017: RMB2.4 cent per share).

## Dividends

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

## Share Repurchase

No shares were repurchased during the financial year.

## Change of Company's name

Pursuant to a 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.

## Financial Statements

The loss of FTC for the year ended 31 March 2018 and the state of the FTC's affairs as at that date are set out in note 27 to the financial statements.

# DIRECTORS REPORT

## Reserves

Movements in capital and reserves of FTC during the year are set out in note 27(b) to the financial statements

## Transfer to Reserves

Please refer to Consolidated Statement of Changes in Equity for the group's transfer to reserves and note 26 to the financial statements for the FTC's changes in equity.

## Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 12 to the financial statements.

## Share Capital

Details of the movements in share capital of FTC during the year are set out in note 24 to the financial statements.

## Controlled Entities Acquired or Disposed Of

FTC did not acquire or dispose of any controlled entities during the financial year.

## Associates and Joint Venture Entities

As at 31 March 2018, FTC held investments in three associates:

1. 37.5% of 深圳市智慧付信息技術有限公司 (English translated name: Shenzhen Intelligent Preferential Pay Co., Limited, or "IPP")
2. 47.5% of 深圳市大售后信息技術有限公司 (English translated name: Shenzhen Dashouhou Information Technology Co., Ltd)
3. 40.0% of TG Fintech Services Limited

## Pledge of Assets

During the year ended 31 March 2017, IPP entered into syndicated loan agreements under which IPP was granted a facility in the aggregate sum of RMB3,000,000 of which RMB2,500,000 were utilised as at 31 March 2017. The syndicates under the syndicated loan agreements are arranged by Wuhan Yifan 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 secured by an equity pledge over 10% of FTC's interest in the registered capital of IPP.

# DIRECTORS REPORT

## Capital Commitments

The Group's capital commitments as at 31 March 2018 are set out in note 32(a) to the financial statements.

## Foreign Exchange Exposure

The Group is exposed to currency risk primarily through cash and bank balances that are denominated in a foreign currency, 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 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 is insignificant as the majority of the Group's operating activities are denominated in functional currency of the respective group entities.

## Share Options Under Share Option Scheme

On 17 January 2018, FTC granted 6,000,000 share options to a consultant at the exercise price of AUD0.30 per option share ("January 2018 Option").

Details of the share option scheme including those options issued in prior financial year are set out in Note 25 of the financial statements.

## Convertible Bonds and Other Share Options (Issue during Financial Year)

### 1. Issue of HKD15 million zero coupon convertible bonds and formation of the Hong Kong Joint Venture

On 28 April 2017, FTC issued 12,755,000 3-year zero-coupon, unsecured convertible bonds for HKD15 million (approximately A\$2,551,000) to Ever Star Creation Limited (the "Ever Star"), an independent unrelated third party.

Upon conversion, the convertible bonds are convertible into a maximum of 12,755,000 CHESS Depositary Interests underlying each ordinary share on identical terms of the existing CDIs on issue at the conversion price of A\$0.20 being the face value of each convertible bond.

FTC will also partner with Ever Star and other unrelated parties to form a joint venture company pursuant to the terms and conditions of the joint venture agreement to carry out TTG's services in Hong Kong ("HKJV"). Please see below "Market outside Mainland China" for detailed terms of the HKJV.

# DIRECTORS REPORT

## 2. Issue of RMB6 million zero-coupon convertible bonds and 27,080,982 options to repay the RMB6 million convertible bonds due on 6 March 2017

On 31 May 2017, TTG and two independent investors who each invested in RMB3 million zero-coupon bonds maturing on 6 March 2017 ("Old Convertible Bonds"), each signed another agreement of RMB3 million zero-coupon bonds convertible at A\$0.2 maturing on 31 December 2019 with TTG as a full repayment of the Old Convertible Bonds. Upon conversion, FTC will issue a maximum of 5,887,170 fully paid CHESS Depositary Interests.

TTG will further issue to the investors at nil issue price of 27,080,982 options expiring on 31 December 2019 with each carrying an option to acquire one CDIs in the capital of FTC at an exercise price of A\$0.20.

## 3. Issue of AUD1.08 million convertible bonds to three independent investors due on 15 November 2020

On 16 November 2017, FTC issued convertible bonds to an three independent investors at a nominal value of USD500,000, USD376,687 and USD200,000 respectively maturing on 15 November 2020. The convertible bonds can be converted into ordinary shares of FTC at a conversion price of AUD0.20 per share.

Please refer to Note 20 of the financial statements for the accounting treatment of the convertible bonds issued during the financial year.

## **Convertible Bonds and Other Share Options (Issue after Financial Year End)**

No convertible bonds and other share options is issued after 31 March 2018 and up to the date of this report.

## **Management contracts**

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

## **Directors' material interests in transactions, arrangements and contracts that are significant in relation to FTC's business**

Except for the directors' interests as disclosed in the note 31 to the financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which FTC or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of FTC 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

## Employee, Remuneration Policies and Share Option Scheme

At 31 March 2018, the Group had 126 full-time employees (31 March 2017: 96). The salaries of the Group's employees were determined by reference to personal performance, professional qualifications, industry experience and relevant market trends. FTC 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, and social insurance.

## Subsequent Events

On 31 January 2018, FTC entered an agreement (the "2018 CB Agreement") with an independent third party (the "Investor") in regard of an issuance of zero-coupon convertible bonds which is conditional on, among other things, the issuance of such convertible bonds to be approved by the board of directors and shareholders of FTC. The convertible bonds will be matured on the third anniversary of the issue date, with conversion price of AUD0.2. Pursuant to the 2018 CB Agreement, the Investor shall pay FTC the proceeds equivalent to RMB5,000,000 on or before 30 June 2018. Should the conditions set forth in the 2018 CB Agreement failed, the proceeds of RMB5,000,000 shall be treated as an interest-free loan to FTC which will be matured on the third anniversary of the date of the loan received.

On 27 June 2018, the Investor, FTC and another independent third party (the "New Investor") entered into a supplementary agreement that the New Investor took over the role of the Investor for the aforementioned agreement.

## Permitted Indemnity Provision

At no time during the financial year and up to the date of this directors report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of FTC (whether made by FTC) or otherwise or an associated company (if made by FTC).

## Material Uncertainty Related To Going Concern

The auditor of FTC has included in the audit opinion with a section of material uncertainty related to going concern as suggested below:

We draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a net loss attributable to owners of the Company of RMB22,831,558 and net cash outflows from operating activities of RMB16,175,849 for the year ended 31 March 2018 and the Group had net current liabilities of RMB9,830,791 and net debt of RMB26,806,006 as at 31 March 2018 as disclosed in note 28 to the financial statements. These conditions, along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to generate sufficient cash flows from future operations to enable it to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future. Our opinion is not modified in respect of this matter



# DIRECTORS REPORT

## Material Uncertainty Related To Going Concern (Continue)

Management has already taken the following steps to improve the cash flow situation

1. Strengthening the sales and marketing;
2. Speeding up the collection process;
3. On 31 January 2018, FTC entered into an agreement (the “2018 CB Agreement”) with an independent third party (the “Investor”) in regard of an Issuance of zero-coupon convertible bonds which is conditional on, among other things, the issuance of such convertible bonds to be approved by the board of directors and shareholders of FTC. The convertible bonds will be matured on the third anniversary of the issue date, with conversion price of AUD0.2. Pursuant to the 2018 CB Agreement, the Investor shall pay FTC the proceeds equivalent to RMB5,000,000 on or before 30 June 2018. Shall the conditions set forth in the 2018 CB Agreement failed, the proceeds of RMB5,000,000 shall be treated as an interest-free loan to FTC which will be matured on the third anniversary of the date of the loan received.

On 27 June 2018, the Investor, FTC and another independent third party (the “New Investor”) entered into a supplementary agreement that New Investor took over the role of the Investor for the aforementioned agreement

4. Additional fund raising.

In this regard, at the date of this report, there are reasonable grounds to believe that the Group and FTC will be able to pay its debts as and when they fall due.

## Market and Business Overview

### China market

1. UnionPay Merchants
2. Jiangxi Jiujiang Bank
3. Jinagxi Shangrao Bank
4. China Merchant Bank – Chengdu Branch
5. China Everbright Bank – Hangzhou Branch

With the continuing expansion in new payment technologies especially in China, demand for our Fintech technologies and solutions is escalating quickly.

We expect that TTG will sign contracts with 20 additional banks and other operating partners during the financial year ending 31 March 2019.

As set out in Chairman’s statement, FTC either lowered various fees or allowed for longer repayment period of our services to enhance penetration of our Tlinx products. Although that affected our revenue and cashflow for the previous financial year, it actually laid a solid foundation for FTC’s future growth

# DIRECTORS REPORT

## Markets Outside Mainland China

Apart from the mainland China market, FTC is also expanding into other Asian markets. As disclosed previously, FTC has signed a cooperation agreement with 久昌金融科技股份有限公司 (“TBF”, translated name: Taiwan Boom FinTech Co., Ltd ) to expand into the Taiwan market. Due to the sudden sharp decrease in tourists number to Taiwan during the financial year, FTC agreed to slow down the development of the cooperation by extending TBF’s payment (apart from the first tranche RMB2 million which was received by FTC last financial year) until after the business environment improves.

FTC continues to open other markets in the region. According to FTC’s announcement on 26 April 2017, FTC formed a Hong Kong Joint Venture with Ever Star and another unrelated party (HKJV is 40% owned by FTC) whereby FTC will provide a non-interest-bearing funding of HKD5 million into the HK JV as operating capital for 3 years.

In addition to the Hong Kong market, FTC is also looking at opening other markets such as Japan, Thailand, Singapore and South Korea. FTC will inform the market once any conclusive agreements are reached.

## Outlook

Other than the longer than expected timing to roll out our Tlinx products and monetise our efforts, FTC’s board considers the FTC’s operations for the current financial year have met management expectations. Our Tlinx system has successfully penetrated the rapidly growing Fintech market in China. We are confident that our FEA services will grow significantly in the future.

Based on the industry experience of FTC T-LINX system over the years to serve transaction acquisition and fund settlements between banks and merchants, put forward the future Token Cashification theory. In strict compliance with the financial regulations of various countries, serving all digital token issuers with good reputation and various digital token wallets, and realising various digital tokens to be circulated and used compliantly and legally as fiat currencies, which will bring revenues to FTC.

While timing is difficult to predict, FTC is set to break-even during the financial year ending 31 March 2019.

## Auditor

Crowe Horwath (HK) CPA Limited has changed its name to Crowe (HK) CPA Limited. Accordingly, the independent auditor’s report is new signed under the new name.

Crowe (HK) CPA Limited acted as auditor of the FTC and audited the Group’s consolidated financial statement for the financial year ended 31 March 2018.

Crowe (HK) CPA Limited retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (HK) CPA Limited as auditor of FTC is to be proposed at the forthcoming annual general meeting.

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

A handwritten signature in black ink, appearing to be 'Xiong Qiang', written in a cursive style.

XIONG Qiang  
Chairman  
Fintech Chain Limited

Shenzhen, 29 June 2018

# 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 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 subsidiaries (the "Group") as at 31 March 2018; 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 consolidated financial statements give a true and fair view of:

- a. The loss and cash flows of the Group for the year ended 31 March 2018; and
- b. The state of affairs of the Group at 31 March 2018.

On behalf of the Board



Qiang XIONG  
Chairman  
Fintech Chain Limited

Shenzhen, 29 June 2018

# CORPORATE GOVERNANCE

The Board has adopted the third edition of the ASX Corporate Governance Principles and Recommendations and has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations.

This statement sets out the Company's current compliance with the third edition of the ASX Corporate Governance Principles and Recommendations (Principles or Recommendations).

The Board is responsible for ensuring the existence of an effective corporate governance environment to safeguard the interests of the Company, its shareholders and other stakeholders. The Board considers that the Company generally complies with the Principles and, where the Company does not comply, this is primarily due to the current relative size of the Company and scale of its current operations. Comments on compliance and departures are set out below.

Principles/recommendations	Does FTC comply?	Particulars of compliance & if not why not
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>		
<p>Recommendation 1.1</p> <p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	Complies	<p>The Board's responsibilities are contained in the Company's Board Charter. A copy of the Board Charter is available on the Company's website at <a href="http://www.ttq.hk">www.ttq.hk</a>.</p> <p>The functions of the Board and Chairman are specifically set out in the Board Charter. All senior executives are currently on the Board.</p>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	Complies	<p>The Board will undertake the role of the Nomination and Remuneration Committee relating to the appointment and election of director. The Board regularly reviews its composition and succession plans. It established the skills matrix to guide its assessment of the skills and experience of the current directors and any candidates for the new member of the Board.</p> <p>The Nomination and Remuneration Committee's responsibilities in relation to director appointments are contained in the Nomination and Remuneration Committee Charter. Before appointing a director, the Company undertakes appropriate checks including bankruptcy checks and police checks whenever a new director is appointed or putting forward to security holders as a candidate for election as a director.</p> <p>All material information in relation to whether to elect or re-elect a Director is contained in the Company's notice of annual general meeting and explanatory statement</p>

# CORPORATE GOVERNANCE

<p>Recommendation 1.3:</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	Complies	<p>The terms and conditions of the appointment of each Director are contained in the letter of appointments and the responsibilities of the Directors are set out in the section 'Board's role and responsibilities' under the Corporate Governance Plan which is available as at:</p> <p><a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p>
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	Complies	<p>The Chairman agrees the agenda of the Board meetings in consultation with the Company Secretary to enable effective decision making and discussion on strategic, operational and compliance issues.</p> <p>The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with proper functioning of the Board.</p>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	Does not comply	<p>The Board considers that the Company is not currently of a size with a diversity policy.</p> <p>This position will be continuously reviewed at the appropriate stages of the Company's development.</p> <p>Whilst the Company does not have a diversity policy in place, it will be unable to provide measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.</p> <p>This disclosure will be provided in the Company's annual report once a diversity policy is adopted.</p> <p>As at 31 March 2018, FTC had 30 female employees representing 22.56% of the total employees and 3 female employees held senior executive positions.</p>

# CORPORATE GOVERNANCE

<p>Recommendation 1.6:</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Complies</p>	<p>The Chairman initiates the process of Board, committee and Director performance appraisal. The Board is responsible for the evaluation of its performance and the performance of individual Directors. This internal review is to be conducted on an annual basis and if deemed necessary this internal review will be facilitated by an independent third party</p> <p>The Chairman holds discussion with individual Directors when evaluating their performance. This performance evaluation took place in FY18. The Board takes this evaluation into consideration when recommending Directors for election.</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>Complies</p>	<p>The Nomination and Remuneration Committees is responsible for reviewing the performance targets for senior management and where appropriate, making recommendations to the Board for approval. The Committee is also responsible to establish process for the review of the performance of individual non-executive directors.</p> <p>At the moment the full board assume the function of the Nomination and Remuneration Committee which means the Board is responsible for the evaluation the performance of individual Directors and other senior executives. This internal review is conducted on an annual basis and if deemed necessary this internal review is facilitated by an independent third party.</p> <p>In accordance with the process disclosed above, the Company conducted the annual performance reviews for its senior executives during the year</p>



# CORPORATE GOVERNANCE

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE		
<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Partly complies</p>	<p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter which is contained in the Corporate Governance Plan on the Company's website at <a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p> <p>The Nomination and Remuneration Committee consists of the entire Board which has the current member of four, namely, Mr Christopher Ryan, non-executive Director, Mr Qiang Xiong, executive Director, Mr Louie Chow, executive Director and Ms Chenyao Zhou, non-executive Director, of which only half of the members are independent Directors.</p> <p>The Committee is chaired by Mr Chris Ryan, an independent non-executive Director.</p> <p>The Company will review the composition of the Committee on a regular basis and ensure the majority of the members are independent directors during the development of the Company.</p> <p>Details of the committee meeting during the year are contained on page 31 of the annual report.</p>
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Complies</p>	<p>The Board maintains a board skill matrix of the current Directors of the Board. The Company's Board Skills Matrix is contained on page 5 of the annual report.</p>

# CORPORATE GOVERNANCE

<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(1) the names of the directors considered by the board to be independent directors;</p> <p>(2) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(3) the length of service of each director.</p>	<p>Complies</p>	<p>Currently the Board consists of four members, of which both Mr Christopher Ryan and Ms Chenyao Zhou are independent non-executive Directors.</p> <p>The Board regularly assessed, using the criteria set out in the ASX Corporate Governance Principle and Recommendations, the independence of the Directors in light of their interests and associations disclosed.</p> <p>The appointment and rotation of Directors is governed by the Constitution of the Company and the terms and conditions of the each director are contained in the letter of appointment.</p> <p>The nomination and remuneration committee are responsible in monitoring the length of service of current Board members, considering succession planning issues and identifying the likely order of retirement by rotation of Directors.</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>Does not comply</p>	<p>The full Board determines the size and composition of the Board, subject to the limits imposed by the Company's Memorandum and Articles of Association.</p> <p>The Board considers that the Company is not currently of a size nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive Directors.</p> <p>The Company has structured its Board with a focus on a combination of skill and experience consistent with its operations and size. The Board believes that this is both appropriate and acceptable at this stage for the Company's development.</p> <p>The Board is of the opinion that each Director on the Board holds sufficient experience to make quality independent judgement and decision in their role as Director in the best interests of the Company on all relevant issues.</p>

# CORPORATE GOVERNANCE

<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>Does not comply</p>	<p>The Chairman, Mr Qiang Xiong is an executive Director and is not considered independent under the ASX guidelines. The Board believes that having an executive Chairman is good for the business development and decision making in China and the Company has adequate procedures to ensure the independence of the Chairman's decisions.</p> <p>Given the experience of Mr Qiang Xiong and the size and operations of the Company, Mr Qiang Xiong currently occupies the role of both Chief Executive Officer and Chairman.</p> <p>The appointment of Mr Qiang Xiong to both positions will be continuously reviewed at the appropriate stages of the Company's development.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>Complies</p>	<p>The nomination and remuneration committee is responsible to design induction and ongoing training and education programs for the Board to ensure that directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties.</p>
<p><b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b></p>		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>Complies</p>	<p>All directors, senior executives, employees and consultants are expected to act with the utmost integrity and objectivity and to enhance the reputation and performance of the Company.</p> <p>A code of conduct has been established requiring directors and employees to act honestly and in good faith, exercise due care and diligence in fulfilling the functions of office, avoid conflicts and make full disclosure of any possible conflict of interest, comply with the law, encourage the reporting and investigating of unlawful and unethical behavior and comply with the securities trading policy.</p> <p>The Code of Conduct is available at</p> <p><a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p>

# CORPORATE GOVERNANCE

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board,</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and experience of the members of the committee; and</li> <li>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>Partially complies</p>	<p>The Board has established an Audit and Risk Management Committee</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which assists with ensuring the integrity and reliability of information prepared for use by the Board and the integrity of the Company's internal controls affecting the preparation and provision of that information in determining policies or inclusion in the financial report.</p> <p>The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan which is available at : <a href="http://www.ttq.hk/en_us/contact_us/investor_relation">http://www.ttq.hk/en_us/contact_us/investor_relation</a></p> <p>The Audit and Risk Management Committee currently consists of two members. They are Ms Chenyao Zhou and Mr Chris Ryan who are both Independent non- Executive Director.</p> <p>The Committee is chaired by the independent Director, Mr Chris Ryan of the Company.</p> <p>The Board considers the current mix of the Committee and the fact that it is chaired by the Mr Chris Ryan who is not chair of the Board is appropriate for the Company given the current size of the Company and the Board, the role of the committee and the skillset of the relevant Directors that sit on the Committee.</p> <p>Details of the relevant qualifications and experience of the members of the committee is contained on pages 3-4 of the annual report.</p> <p>Details of the committee meeting during the year are contained on page 31 of the annual report.</p>
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>Complies</p>	<p>Prior to the recommendation to the Board to approve the financial statements, the Audit and Risk Management Committee reviewed the draft financial statements for the year ended 31 March 2018 and considered that the consolidated statements of the financial position gives a true and fair view of the state of affairs of the Company and its subsidiaries as at 31 March 2018 and there are reasonable grounds to believe that the Group and the Company will be able to pay its debts when they fall due as a going concern.</p> <p>During the financial year, the Board requires the Chief Executive Officer and Chief Financial Officer to provide such statement on at least an annual basis.</p> <p>The Board confirmed that it has received these statements from the Chief Executive Officer and Chief Financial Officer</p>

# CORPORATE GOVERNANCE

<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>Does Not Comply</p>	<p>The external auditor is based in Hong Kong and they did not attend the 2017 annual general meeting held in Shenzhen, China. However they are prepared to answer any questions from the shareholders prior to the commencement of the annual general meeting. The Chief Financial Officer was in attendance in the meeting to answer any questions relating to the financial position of the company from the shareholders.</p> <p>The Company will invite the external auditor to attend its next annual general meeting and any future annual general meeting to answer questions from security holders relevant to the audit</p>
<p><b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b></p>		
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Complies</p>	<p>The Company has established a Continuous Disclosure Policy and Communications Strategy and the Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs.</p> <p>The policy is available at :</p> <p><a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p>
<p><b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b></p>		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>Complies</p>	<p>The Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs. The Company has established on its website where shareholders can find information such as financial statements and major development of the Company as well as all relevant corporate governance material . The relevant page shareholders can access those information is at:</p> <p><a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p>
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>Complies</p>	<p>Shareholders are encouraged to fully participate at the Annual General Meeting or other General Meeting of the Company to ensure effective two way communication.</p> <p>Shareholders are also able to direct any questions relating to Company's securities to the share registry, Computershare Investor Services Pty Limited.</p>
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>Complies</p>	<p>The communication strategy is contained in the Continuous Disclosure Policy and Communication Strategy and is designed to ensure that shareholders are informed of all relevant developments. Details of the information can be found on the Company's website under the corporate governance landing page :</p> <p><a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p>

# CORPORATE GOVERNANCE

<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>Complies</p>	<p>All shareholders have the right to access details of their holdings, provide email address contacts and make certain elections via the Company's share registry, Computershare Investor Services Pty Limited by accessing the web site <a href="http://www.computershare.com.au">www.computershare.com.au</a>. Shareholders have the right of option of receiving all or a selection of communication electronically.</p>
<p><b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISKS</b></p>		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>Partially Complies</p>	<p>The Board has established an Audit and Risk Management Committee</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which assists with ensuring the integrity and reliability of information prepared for use by the Board and the integrity of the Company's internal controls affecting the preparation and provision of that information in determining policies or for inclusion in the financial report.</p> <p>The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan which is available at :</p> <p><a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p> <p>The Audit and Risk Management Committee currently consists of two members. They are Ms Chenyao Zhou and Mr Chris Ryan who are both Independent non- Executive Director.</p> <p>The Committee is chaired by the independent Director , Mr Chris Ryan of the Company.</p> <p>The Board considers the current mix of the Committee and the fact that it is chaired by Mr Chris Ryan who is the not chair of the Board is appropriate for the Company given the current size of the Company and the Board, the role of the committee and the skillset of the relevant Directors that sit on the Committee.</p> <p>Details of the relevant qualifications and experience of the members of the committee is contained on pages 3-4 of the annual report.</p> <p>Details of the committee meeting during the year are contained on page 31 of the annual report.</p>

# CORPORATE GOVERNANCE

<p>Recommendation 7.2</p> <p>The board or a committee of a board should:</p> <p>(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place</p>	<p>Complies</p>	<p>The Audit and Risk Management Committee has reviewed the risk management programme which was developed by senior management and was approved by the Board.</p> <p>The Board receives regular reports from management on progress in addressing and managing risks.</p> <p>The Audit and Risk Management Committee will continue the process to review the risk management framework at least annually and will disclose such review accordingly.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes..</p>	<p>Partially Complies</p>	<p>The Board considers that the Company is not currently of a size to warrant an internal audit function.</p> <p>The Company has established other internal control functions to prevent operational and financial risks as discussed above which are monitored by the Board and Chief Financial Officer.</p> <p>This position will be reviewed at the appropriate stages of the Company's development.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Complies</p>	<p>The Company does not have any material exposure to economic, environmental and social sustainability risk. The material risks, if any, will be disclosed at the Directors' Report of the Annual Report</p>



# CORPORATE GOVERNANCE

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Partially Complies</p>	<p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter contained in the Corporate Governance Plan which can be available at:</p> <p><a href="http://www.ttg.hk/en_us/contact_us/investor_relation">http://www.ttg.hk/en_us/contact_us/investor_relation</a></p> <p>The full Board fulfills the function of the Committee with the members of four, namely, Mr Qiang Xiong the executive Director, Mr Louie Chow, executive Director, Ms Chenyao Zhou non-executive Director and Mr Chris Ryan, non-executive Director. Of these members, half of the committee are independent directors .</p> <p>The Committee is chaired by Mr Chris Ryan, an independent non-executive Director.</p> <p>Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the ASX principles and recommendations with respect to the majority of members being independent, to be materially detrimental to the Company.</p> <p>Details of the committee meeting throughout the period are contained on page 31 of the annual report.</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Complies</p>	<p>Under the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is responsible for determining, reviewing and making recommendations to the Board on the total level of remuneration of non-executive Directors and for individual fees for non-executive Directors and the Chair including any additional fees payable for membership of Board Committees, the total remuneration package for the CEO, executive Director, Company Secretary and the Chief Financial Officer.</p>

# CORPORATE GOVERNANCE

<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Does Not Comply</p>	<p>The Company has established an equity-based remuneration scheme which provides eligible employees and advisors with an opportunity to acquire an ownership interest or exposure to an ownership interest in the Company. The issue of any securities according to the scheme is governed by the Incentive Plan Rules .</p> <p>Currently the Company don't have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme.</p> <p>However, the nomination and remuneration committee is responsible in monitoring board members and senior executives to ensure no transactions in associated products are entered into which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.</p>
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# CORPORATE GOVERNANCE

## Meetings Attendance Record

	Board	Audit Committee	Remuneration Committee
Number of meetings held for the period	[4]	[4]	[1]
<u>Executive Directors:</u>			
XIONG Qiang	[4]	[4]	[1]
CHOW Ki Shui Louie	[4]	[4]	[1]
KWOK Kin Kwong Gary (resigned on 5 December 2017)	[2]	[2]	[2]
<u>Non-executive Directors:</u>			
RYAN, Christopher John	[4]	[4]	[1]
Zhou Chen Yao Zoe (appointed on 8 August 2017)	[4]	N/A	[1]
CAI, Wensheng (resigned on 8 August 2017)	[1]	[1]	N/A







**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
FINTECH CHAIN LIMITED  
(FORMERLY KNOWN AS "TTG FINTECH LIMITED")  
(Incorporated in Hong Kong with limited liability)**

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**OPINION**

We have audited the consolidated financial statements of FinTech Chain Limited (formerly known as "TTG Fintech Limited") ("the Company") and its subsidiaries (the "Group") set out on pages 38 to 106, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a net loss attributable to owners of the Company of RMB22,831,558 and net cash outflows from operating activities of RMB16,175,849 for the year ended 31 March 2018 and the Group had net current liabilities of RMB9,830,791 and net debt of RMB26,806,006 as at 31 March 2018 as disclosed in note 28 to the financial statements. These conditions, along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to generate sufficient cash flows from future operations to enable it to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future. Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
FINTECH CHAIN LIMITED  
(FORMERLY KNOWN AS "TTG FINTECH LIMITED")**  
(Incorporated in Hong Kong with limited liability)

(Continued)

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matter to be communicated in our report.

***Valuation of convertible bonds and embedded derivatives***

**The Key Audit Matter**

During the year ended 31 March 2018, the Group issued new convertible bonds with an aggregate principal amount of RMB24,765,987.

The valuation of fair values of the convertible bonds and embedded derivatives includes significant unobservable inputs and significant management estimates was determined by the directors of the Company based on the valuation by an independent valuer. The fair value of the embedded derivatives of the convertible bonds was determined using the binomial valuation model.

The accounting policies, disclosure of convertible bonds and accounting estimates and judgements are included in notes 2(I), 20 and 30(a)(iii) to the financial statements, respectively.

**How the matter was addressed in our audit**

Our audit procedures in relation to the valuation of the convertible bonds and embedded derivatives included:

- obtaining an understanding of the management process for determining fair value of the convertible bonds and embedded derivatives;
- evaluating competence, capabilities and objectivity of the independent external valuer;
- assessing whether the valuation methodology and the key assumptions used by the management and external valuer to estimate the fair values of convertible bonds and embedded derivatives are appropriate;
- comparing input data to supporting evidences, such as market indicators and considering the reasonableness of the data adopted.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
FINTECH CHAIN LIMITED  
(FORMERLY KNOWN AS "TTG FINTECH LIMITED")**  
(Incorporated in Hong Kong with limited liability)

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(Continued)

**Information other than the consolidated financial statements and auditor's report thereon**

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other contents for Chairman's Statement, the Profile of the Board of Directors, Statement by Directors, Corporate Governance, Additional Australian Stock Exchange ("ASX") information for CHESS Depositary Interests ("CDI") holders and Corporate directory to be included in the 2018 Annual Report of the Group, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other contents including Chairman's Statement, the Profile of the Board of Directors, Statement by Directors, Corporate Governance, Additional ASX information for CDI holders and Corporate directory to be included in the 2018 Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

**Responsibilities of the directors and audit committee for the consolidated financial statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
FINTECH CHAIN LIMITED  
(FORMERLY KNOWN AS "TTG FINTECH LIMITED")**  
(Incorporated in Hong Kong with limited liability)

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(Continued)

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
FINTECH CHAIN LIMITED  
(FORMERLY KNOWN AS "TTG FINTECH LIMITED")**  
(Incorporated in Hong Kong with limited liability)

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(Continued)

**Auditor's responsibilities for the audit of the consolidated financial statements (Continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Chan Kwan Ying.

Crowe (HK) CPA Limited  
Certified Public Accountants  
Hong Kong, 29 June 2018

Chan Kwan Ying  
Practising Certificate Number P05065

**FINTECH CHAIN LIMITED**  
**(FORMERLY KNOWN AS “TTG FINTECH LIMITED”)**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	<u>Note</u>	<u>2018</u> RMB	<u>2017</u> RMB
<b>Revenue</b>	4	10,029,507	6,149,719
<b>Cost of sales and services rendered</b>		(12,075,314)	(4,828,945)
<b>Other income and gain, net</b>	5	2,228,057	472,765
Selling expenses		(4,160,303)	(5,630,354)
General and administrative expenses		(17,432,064)	(18,594,448)
Unrealised gain on change of fair value of embedded derivatives of convertible bonds	20	2,126,242	2,202,194
Share of losses of associates		(1,309,645)	(825,756)
Finance costs	6(a)	<u>(2,590,476)</u>	<u>(1,798,542)</u>
<b>Loss before taxation</b>	6	(23,183,996)	(22,853,367)
<b>Income tax</b>	7	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		(23,183,996)	(22,853,367)
<b>Other comprehensive income for the year, net of nil tax</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the year</b>		<u>(23,183,996)</u>	<u>(22,853,367)</u>
<b>Loss and total comprehensive loss for the year attributable to:</b>			
Owners of the Company		(22,831,558)	(22,578,976)
Non-controlling interests		<u>(352,438)</u>	<u>(274,391)</u>
		<u>(23,183,996)</u>	<u>(22,853,367)</u>
<b>Loss per share (RMB)</b>	10		
Basic		<u>(0.0356)</u>	<u>(0.0354)</u>
Diluted		<u>(0.0356)</u>	<u>(0.0354)</u>

The notes on pages 42 to 106 form an integral part of these financial statements.

**FINTECH CHAIN LIMITED**  
**(FORMERLY KNOWN AS “TTG FINTECH LIMITED”)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

	<u>Note</u>	<u>2018</u> RMB	<u>2017</u> RMB
<b>Non-current assets</b>			
Property, plant and equipment	12	5,902,185	4,709,474
Intangible assets	13	608,077	746,932
Investment in associates	14	427,015	1,733,241
Prepayment, deposits and other receivables	17	896,128	477,116
		<u>7,833,405</u>	<u>7,666,763</u>
<b>Current assets</b>			
Inventories	16	31,827	1,041,836
Trade and other receivables	17	6,595,547	2,245,790
Cash and cash equivalents	18	1,598,644	2,534,290
		<u>8,226,018</u>	<u>5,821,916</u>
<b>Current liabilities</b>			
Trade and other payables	19	17,449,576	11,181,905
Convertible bonds	20	487,233	13,444,196
Deferred government grants	21	120,000	400,000
		<u>18,056,809</u>	<u>25,026,101</u>
<b>Net current liabilities</b>		<u>(9,830,791)</u>	<u>(19,204,185)</u>
<b>Total assets less current liabilities</b>		<u>(1,997,386)</u>	<u>(11,537,422)</u>
<b>Non-current liabilities</b>			
Convertible bonds	20	27,917,417	2,529,545
Other liabilities	22	344,509	396,667
		<u>28,261,926</u>	<u>2,926,212</u>
<b>NET LIABILITIES</b>		<u>(30,259,312)</u>	<u>(14,463,634)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	24	78,734,856	72,743,496
Reserves	26	(108,025,604)	(86,591,004)
<b>Equity attributable to owners of the Company</b>		<u>(29,290,748)</u>	<u>(13,847,508)</u>
<b>Non-controlling interests</b>		<u>(968,564)</u>	<u>(616,126)</u>
<b>TOTAL DEFICIT</b>		<u>(30,259,312)</u>	<u>(14,463,634)</u>

Approved and authorised for issue by the board of directors on 29 June 2018.



Xiong Qiang  
Director



Chow Ki Shui Louie  
Director

The notes on pages 42 to 106 form an integral part of these financial statements.

**FINTECH CHAIN LIMITED**  
**(FORMERLY KNOWN AS “TTG FINTECH LIMITED”)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2018**

Note	Attributable to owners of the Company				Non-controlling interests RMB	Total deficit RMB
	Share capital RMB (Note 24)	Share option reserve RMB (Note 26)	Accumulated losses RMB	Sub-total RMB		
At 1 April 2016	72,743,496	1,267,877	(66,997,687)	(65,729,810)	(341,735)	6,671,951
Loss for the year	-	-	(22,578,976)	(22,578,976)	(274,391)	(22,853,367)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	(22,578,976)	(22,578,976)	(274,391)	(22,853,367)
Equity-settled share-based transaction	25	-	1,640,634	-	-	1,640,634
Issuance of share options	20(a)	-	77,148	-	-	77,148
		-	1,717,782	-	-	1,717,782
At 31 March 2017 and 1 April 2017	72,743,496	2,985,659	(89,576,663)	(86,591,004)	(616,126)	(14,463,634)
Loss for the year	-	-	(22,831,558)	(22,831,558)	(352,438)	(23,183,996)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	(22,831,558)	(22,831,558)	(352,438)	(23,183,996)
Conversion of convertible bonds to ordinary shares	24	5,991,360	-	-	-	5,991,360
Equity-settled share-based transaction	25	-	1,274,703	-	-	1,274,703
Issuance of share options	20(a)	-	122,255	-	-	122,255
		5,991,360	1,396,958	-	-	7,388,318
At 31 March 2018	78,734,856	4,382,617	(112,408,221)	(108,025,604)	(968,564)	(30,259,312)

The notes on pages 42 to 106 form an integral part of these financial statements.

**FINTECH CHAIN LIMITED**  
**(FORMERLY KNOWN AS “TTG FINTECH LIMITED”)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	<u>Note</u>	<u>2018</u> <u>RMB</u>	<u>2017</u> <u>RMB</u>
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		(23,183,996)	(22,853,367)
Adjustments for:			
Depreciation	12	2,769,415	1,345,745
Amortisation of intangible assets	13	365,351	236,230
Interest income	5	(6,770)	(3,899)
Over-provision of other payables	5	(133,540)	-
Write-off of advance from a customer	5	(111,247)	-
Loss on disposal of property, plant and equipment	6(b)	68,011	674,878
Loss on write-off of property, plant and equipment	6(b)	12,601	-
Share of losses of associates		1,309,645	825,756
Impairment loss on advance to suppliers	6(b)	-	474,000
Impairment loss on other receivable	6(b)	-	44,234
Impairment loss on prepayments and deposits	6(b)	-	200,000
Write-down of inventories	16	1,122,691	-
Gain on early redemption of convertible bonds	5	(67,843)	-
Equity-settled share-based payment expenses		1,274,703	1,640,634
Finance costs	6(a)	2,590,476	1,798,542
Unrealised gain on change of fair value of embedded derivatives of convertible bonds	20	(2,126,242)	(2,202,194)
Recognition of government grant	21	(100,000)	(108,033)
Net foreign exchange (gain)/loss		(1,364,466)	24,309
		(17,581,211)	(17,903,165)
<b>CHANGES IN WORKING CAPITAL</b>			
Increase in inventories		(106,169)	(412,924)
(Increase)/decrease in trade and other receivables		(4,768,769)	754,436
Decrease in other liabilities		(52,158)	(7,022)
Increase in trade and other payables		6,512,458	4,238,428
(Decrease)/increase in deferred government grants		(180,000)	180,000
<b>CASH USED IN OPERATIONS</b>		(16,175,849)	(13,150,247)
Tax paid		-	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		(16,175,849)	(13,150,247)
<b>INVESTING ACTIVITIES</b>			
Interest received	5	6,770	3,899
Payment for investment in an associate		(3,419)	-
Proceeds from disposal of property, plant and equipment		29,010	46,111
Payments for purchase of property, plant and equipment	12	(4,078,261)	(717,097)
Payments for purchase of intangible assets	13	(226,496)	(726,752)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(4,272,396)	(1,393,839)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of convertible bonds		20,438,815	9,932,541
Consideration received	19(c)	-	1,996,070
Redemption of convertible bond	20	(917,842)	-
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		19,520,973	11,928,611
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(927,272)	(2,615,475)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		2,534,290	5,046,290
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		(8,374)	103,475
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
Cash and bank balances	18	1,598,644	2,534,290

The notes on pages 42 to 106 form an integral part of these financial statements.

**FINTECH CHAIN LIMITED  
(FORMERLY KNOWN AS “TTG FINTECH LIMITED”)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**1. GENERAL INFORMATION**

FinTech Chain Limited (formerly known as “TTG Fintech 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 a 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. Its subsidiaries are principally engaged in provision of system development services and information technology services, sale of point-of-sale machines, point-of-sale machines services and licensing for the sale and distribution of an internally generated smart cloud-supported point-of-sale system “Tlinx” in the People’s Republic of China (the “PRC”).

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board “IASB”. As Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. These financial statements also comply with the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively as the “Group”) is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB.

Note 3 provides information on any changes in accounting policies resulting from the initial application of those developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Going concern**

The Group incurred a loss attributable to owners of the Company of RMB22,831,558 (2017: RMB22,578,976) and net cash outflows from operating activities of RMB16,175,849 (2017: RMB13,150,247) for the year ended 31 March 2018 and the Group had net current liabilities of RMB9,830,791 (2017: RMB19,204,185) and net debt of RMB26,806,006 (2017: RMB13,439,451) (note 28) as at 31 March 2018. These conditions indicate the existence of a material uncertainty which may casts significant doubt about the ability of the Group to continue as a going concern.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to generate sufficient financial resources from future operations to cover the Group's operating costs and to meet its financing commitments as and when they fall due in the foreseeable future.

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

- On 24 April 2017, the Company entered into a convertible bond agreement with an independent third party investor for issuing of convertible bonds for HK\$15,000,000 (equivalent to RMB12,003,361) maturing on 28 April 2020.
- On 31 May 2017, the Company successfully negotiated with the holders of the overdue convertible bonds in aggregate principal amount of RMB6,000,000, which were overdue since 6 March 2017 as set out in the financial statements for the year ended 31 March 2017, and entered into two new convertible bonds and option subscription agreements pursuant to which the Company issued new convertible bonds with the aggregate principal amount of RMB6,000,000 and 27,080,982 share options as full replacement of the overdue old convertible bonds without any claims against the Company. The new convertible bonds will mature on 31 December 2019.
- On 16 November 2017, the Company entered into convertible bond agreements with various independently third parties for issuing of convertible bonds for approximately USD1,076,687 (equivalent to approximately RMB6,762,627) in aggregate. The new convertible bonds will mature on 15 November 2020.
- On 26 June 2018, the Company entered into memorandum of understanding in regard of the Group's blockchain technology services with an independent third party, whereas the Group received the whole amount of services of USD1,099,990 (net of service charges) (equivalent to RMB7,237,083) on 26 June 2018, which is non-refundable.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Going concern (Continued)

- On 31 January 2018, the Company entered into an agreement (the “2018 CB Agreement”) with an independent third party (the “Investor”) in regard of an issuance of zero-coupon convertible bonds which is conditional on, among other things, the issuance of such convertible bonds to be approved by the board of directors and shareholders of the Company. The convertible bonds will be matured on the third anniversary of the issue date, with conversion price of AUD0.2. Pursuant to the 2018 CB Agreement, the Investor shall pay the Company the proceeds equivalent to RMB5,000,000 on or before 30 June 2018. Should the conditions set forth in the 2018 CB Agreement failed, the proceeds of RMB5,000,000 shall be treated as an interest-free loan to the Company which will be matured on the third anniversary of the date of the loan received.

On 27 June 2018, the Investor, the Company and another independent third party (the “New Investor”) entered into a supplementary agreement that the New Investor took over the role of the Investor for the aforementioned agreement.

- The management have been implementing various strategies to broaden the customer base and revenue of the Group.

Based on the cash flow projections of the Group and 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 generate sufficient financial resources from future operation to cover the Group’s operating costs and to meet their financial liabilities as and when they fall due in the foreseeable future. Based on the directors’ cash flow projections of the Group, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

### c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2018 comprise the Company and its subsidiaries and the Group’s interests in associates.

These consolidated financial statements have been prepared under the historical cost convention, as modified by financial liabilities (including derivative instruments) at fair value through profit or loss, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the Company’s functional currency as the majority of the Group’s transactions are denominated in RMB.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Basis of preparation of the financial statements (Continued)**

The preparation of financial statements in conformity with IFRSs and HKFRSs, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs and HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 30.

**d) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Subsidiaries and non-controlling interests (Continued)**

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(i)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

**e) Associates**

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### e) Associates (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

### f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Computer equipment	20% to 50% per annum
Leasehold improvements	Over the shorter of the term of the lease or 20% per annum
Furniture and fixtures	20% per annum
Motor vehicles	20% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognised as an expense in the period in which it is incurred.

The Group classified the acquired trademarks as intangible assets in accordance with IAS 38 and HKAS 38 Intangible Assets. Trademarks acquired that have an indefinite useful life are stated at cost less any subsequent accumulated impairment losses.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Intangible assets (Continued)

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Computer software      3 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out below.

Trademarks acquired that have a finite useful life are carried at cost less amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of two years.

### h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *Operating lease charges*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Any difference between the straight-line rent amount and the amount payable under the lease is included in other liabilities in the consolidated statement of financial position. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Impairment of assets

#### i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Impairment of assets (Continued)

#### i) Impairment of receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

#### ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

#### - Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### - Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Impairment of assets (Continued)**

**ii) Impairment of other assets (Continued)**

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

**j) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a first-in first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**k) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses for bad and doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### l) Convertible bonds

Convertible bonds issued by the Company that contain both a liability and embedded derivatives are classified separately into these respective items on initial recognition. Conversion rights that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's shares are conversion right derivatives. At the date of issue of the convertible bonds, the liability and conversion and early redemption right derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion and early redemption right derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

If the bonds are converted, the respective conversion and early redemption right derivatives in the convertible bonds, together with the carrying value of the liability component at the time of conversion, are transferred to share capital as consideration for the shares issued.

### m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### o) Employee benefits

#### i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**o) Employee benefits (Continued)**

**ii) Share-based payments**

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

**iii) Termination benefits**

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

**p) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) Income tax (Continued)**

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) Income tax (Continued)

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### q) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### i) Provision of services

Revenue from the provision of system development services and information technology services, provision of services arising from point-of-sale machines, and promotion services income are recognised when its services are rendered by reference to the stage of completion.

#### ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r) Revenue recognition (Continued)**

**iii) Rental income**

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**iv) Licensing income**

Licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Revenue is after deduction of sale-related taxes.

**v) Government grants**

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants relating to property, plant and equipment are included in current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the related assets.

**vi) Sale of goods**

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

**s) Translation of foreign currency**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**t) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**u) Derivative financial instruments**

The Group has entered into transactions which will mature in one year, where fair value are determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as “day one gain or loss”, is not recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

The timing of recognition of deferred day one gain or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for deferred day one gain or loss. Subsequent changes in fair value are recognised immediately in the consolidated statement of profit or loss and other comprehensive income without reversal of deferred day one gain or loss.

**v) Related parties**

a) A person, or a close member of that person’s family, is related to the Group if that person:

- i) has control or joint control over the Group;
- ii) has significant influence over the Group; or
- iii) is a member of the key management personnel of the Group or the Group’s parent.

b) An entity is related to the Group if any of the following conditions applies:

- i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### v) Related parties (Continued)

b) An entity is related to the Group if any of the following conditions applies: (Continued)

- iii) both entities are joint ventures of the same third party.
- iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- vi) the entity is controlled or jointly controlled by a person identified in (a).
- vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the board of directors, being the chief operating decision maker, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production process, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### **3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) AND HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

The Group has applied the following amendments to IFRSs issued by IASB and HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to IAS 7/HKSA 7	Disclosure Initiative
Amendments to IAS 12/HKSA 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12/HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

#### **Amendments to IAS 7/HKAS 7 Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of each class of liabilities arising from financing activities is provided in note 18. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 18, the application of these amendments has had no impact on the Group’s consolidated financial statements.



**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) AND HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. These include the following which may be relevant to the Group.

IFRS 9 / HKFRS 9	Financial Instruments <sup>1</sup>
IFRS 15 / HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
IFRS 16 / HKFRS 16	Leases <sup>2</sup>
IFRIC 22/ HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23/ HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to IFRS 2 / HKFRS 2	Classification and Management of Share-Based Payment Transactions <sup>1</sup>
Amendments to IFRS 9 / HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to IFRS 10 / HKFRS 10 and IAS 28 / HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IFRS 28 / HKFRS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to IFRS 15 / HKFRS 15	Classification to IFRS 15 / HKFRS 15 <sup>1</sup>
Amendments to IASs / HKFRSs	Annual Improvements to IFRSs / HKFRSs 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

**IFRS 9 / HKFRS 9 Financial Instruments**

IFRS 9 / HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirement for financial assets.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) AND HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

**IFRS 9 / HKFRS 9 Financial Instruments (Continued)**

Key requirements of IFRS 9 / HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 / HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair values at subsequent accounting periods. In addition, under IFRS 9 / HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss (“FVTPL”), IFRS 9 / HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to a financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39 / HKAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 / HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 / HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) AND HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

**IFRS 9 / HKFRS 9 Financial Instruments (Continued)**

Based on the Group’s financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of IFRS 9 / HKFRS 9:

Classification and measurement:

- Trade and other receivable carried at amortised cost as disclosed in note 17; these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9 / HKFRS 9.
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 37 / HKAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 / HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of IFRS 9 / HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under IAS 39 / HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses and likely increase the deferred tax assets at 1 April 2018.

**IFRS 15 / HKFRS 15 Revenue from Contracts with Customers**

IFRS 15 / HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 / HKFRS 15 will supersede the current revenue recognition guidance including IAS 18 / HKAS 18 Revenue, IAS 11 / HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) AND HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

**IFRS 15 / HKFRS 15 Revenue from Contracts with Customers (Continued)**

The core principle of IFRS 15 / HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15/ HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15/ HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15 / HKFRS 15.

In 2016, the HKICPA issued Clarifications to IFRS 15/ HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company intend to use the modified approach of transition to IFRS 15 / HKFRS 15. Under the modified approach, the Group can apply the standard only from the date of initial application (i.e. 1 April 2018). The Group is not required to adjust prior year comparatives and do not need to consider contracts that have completed prior to the date of initial application. Broadly, the figures reported from the date of initial application will be the same as if the standard had always been applied, but figures for comparative periods will remain on the previous basis. The Group has done a preliminary assessment of the impact of IFRS 15 / HKFRS 15 and expects that application of the standard will have no significant impact, when applied, on the Group’s consolidated financial statements. However, the application of IFRS 15 / HKFRS 15 may result in more disclosures in the consolidated financial statements.

**IFRS 16 / HKFRS 16 Leases**

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

IFRS 16 / HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) AND HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

**IFRS 16 / HKFRS 16 Leases (Continued)**

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of IFRS 16 / HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

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

In contrast to lessee accounting, IFRS 16 / HKFRS 16 substantially carries forward the lessor accounting requirements IAS 17 / HKAS 17, and continues a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16/ HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$4,733,382 which are over 1 year as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 / HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16 / HKFRS 16.

In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

**IFRIC 23 / HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments**

IFRIC 23 / HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

**Amendments to IFRS 2 / HKFRS 2 Classification and Measurement of Share-based Payment Transactions**

The amendments clarify classification and measurement of cash-settled share-based payment under certain specific circumstances and share-based payments in which the Group is required by local tax law or regulation to withhold certain number of equity instruments for settlement of the employee's tax obligation. The directors do not anticipate that the application of Amendments to IFRS 2 / HKFRS 2 will have a material impact on the classification and measurement of the Group's share-based payment transactions.

4. REVENUE

Revenue represents the income from provision of system development services and information technology services, sale of point-of-sale machines, point-of-sale machines services and licensing income from sale and distribution of Tlinx. The amount of each significant category of revenue during the year is as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Provision of system development services	3,845,681	461,017
Provision of information technology services	3,392,387	797,461
Sale of point-of-sale machines	754,128	3,280,288
License fee	-	1,600,000
Point-of-sale machines services	2,037,311	10,953
	<u>10,029,507</u>	<u>6,149,719</u>

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**5. OTHER INCOME AND GAIN, NET**

	<u>2018</u> RMB	<u>2017</u> RMB
Interest income on bank deposits	<u>6,770</u>	<u>3,899</u>
Total interest income on financial assets not at fair value through profit or loss	6,770	3,899
Net exchange gain/(loss)	1,488,147	(48,602)
Sundry income	177,937	57,036
Government grants (note below and note 21)	242,573	203,833
Gain on early redemption of convertible bonds	67,843	-
Income from show rooms	-	256,599
Over-provision of other payables	133,540	-
Write-off advance from a customer	<u>111,247</u>	<u>-</u>
	<u><u>2,228,057</u></u>	<u><u>472,765</u></u>

**Note:**

During the year ended 31 March 2018, the Group recognised government grants of RMB100,000 (2017: RMB108,033) from the Science and Technology Innovation Committee of ShenZhen Municipality ( “深圳市科技創新委員會” ) in respect of funding support for the purpose of developing technology. In addition, the Group successfully obtained further grants of RMB117,200 (2017: RMB95,800) in aggregate from several government authorities in the PRC for the purpose of encouragement of intellectual properties. The other grant of RMB25,373 (2017: Nil) is to encourage the stability of staff force. There are no unfulfilled conditions or contingencies attached to these grants recognised in profit or loss.

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**6. LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging:

	<u>2018</u> RMB	<u>2017</u> RMB
<b>a) Finance costs</b>		
Interest expense on convertible bonds	<u>2,590,476</u>	<u>1,798,542</u>
<b>b) Other items</b>		
Auditor's remuneration		
- audit services	407,224	416,690
- other services	198,605	174,741
Cost of inventories (Note 16)	1,387,114	2,011,843
Cost of services rendered	10,688,200	2,817,102
Amortisation of intangible assets	365,351	236,230
Depreciation on property, plant and equipment	2,769,415	1,345,745
Operating lease charges in respect of properties		
- minimum lease payments	2,529,621	1,716,292
Loss on disposal of property, plant and equipment	68,011	674,878
Loss on write-off of property, plant and equipment	12,601	-
Impairment loss on other receivables (Note ii)	-	44,234
Impairment loss on prepayments and deposits (Note i)	-	200,000
Impairment loss on advance to a supplier (Note i)	-	474,000
Staff costs (including directors' emoluments)		
- Contribution to defined contribution retirement plan	517,873	476,035
- Equity-settled share option expense	458,236	613,152
- Salaries and allowances	13,637,076	12,616,620
	<u>14,613,185</u>	<u>13,705,807</u>

**Note**

- i) During the year ended 31 March 2016, the Group had ordered inventories with a supplier and paid a deposit of RMB200,000 and made advance payments of RMB600,000 to the supplier respectively. Pursuant to the purchase contract, the advance to the supplier was non-refundable if the Group could not fulfil the requested volume of purchase of inventories within one year. The deposit of RMB200,000 was refundable when the requested volume of purchase was met.

Since the Group was unable to fulfil the requested volume of purchase within one year, the directors of the Company considered that the deposit and the remaining balance of advance payments to the supplier of RMB200,000 and RMB474,000, respectively should be fully impaired for the year ended 31 March 2017.

- ii) Since the Group was unable to contact the debtor to recover the amounts, the directors of the Company considered that the other receivable should be fully impaired for the year ended 31 March 2017.



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**7. INCOME TAX**

No Hong Kong Profits Tax has been made in these consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong for the year (2017: Nil).

Except for Shenzhen Tao-taogu Information Technology Co., Ltd. (“STIT”), the other PRC subsidiaries are subject to PRC corporate income tax at 25%. Pursuant to a notice issued by the tax authority on 5 April 2012, STIT is exempted from PRC corporate income tax 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 for the PRC corporate income tax for Shenzhen Tao-taogu E-commerce Co., Limited (“STEC”) has been made in these consolidated financial statements as STEC has no assessable profits for the years ended 31 March 2017 and 2018. No provision for the PRC corporate income tax has been made in these consolidated financial statements for the other PRC subsidiaries as those subsidiaries sustained a loss during the year (2017: Nil).

Reconciliation between tax expenses and accounting loss at applicable tax rates is as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Loss before taxation	<u>(23,183,996)</u>	<u>(22,853,367)</u>
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	(5,485,465)	(5,429,567)
Tax effect of non-taxable income	(1,091,990)	(373,888)
Tax effect of non-deductible expenses	1,204,888	1,227,085
Tax effect of utilisation of previously unrecognised tax losses	-	(44,636)
Tax effect of unrecognised tax losses	4,557,727	4,227,428
Tax effect of temporary differences not recognised	<u>814,840</u>	<u>393,578</u>
Actual tax expense	<u>-</u>	<u>-</u>

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**8. DIRECTORS’ EMOLUMENTS**

Directors’ emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2018					
	Directors’ fees RMB	Salaries, allowance and benefits in kind RMB	Retirement scheme contributions RMB	Equity-settled share option expense RMB	Total RMB
<b>Executive directors</b>					
Xiong Qiang	-	437,131	4,800	-	441,931
Chow Ki Shui Louie	-	-	-	-	-
Kwok Kin Kwong Gary (resigned on 5 December 2017)	-	688,933	10,375	269,966	969,274
<b>Non-executive directors</b>					
Ryan, Christopher John	-	61,438	-	72,568	134,006
Cai Wen Sheng (resigned on 8 August 2017)	-	-	-	-	-
Zhou Chenyao (appointed on 8 August 2017)	-	-	-	-	-
	<u>-</u>	<u>1,187,502</u>	<u>15,175</u>	<u>342,534</u>	<u>1,545,211</u>
2017					
	Directors’ fees RMB	Salaries, allowance and benefits in kind RMB	Retirement scheme contributions RMB	Equity-settled share option expense RMB	Total RMB
<b>Executive directors</b>					
Xiong Qiang	-	697,996	18,764	-	716,760
Chow Ki Shui Louie	-	286,176	-	-	286,176
Kwok Kin Kwong Gary	-	1,040,640	13,008	516,051	1,569,699
Wu Lin Yan (resigned on 8 June 2017)	-	-	-	-	-
<b>Non-executive directors</b>					
Ryan, Christopher John	-	60,773	-	97,101	157,874
Cai Wen Sheng	-	60,773	-	-	60,773
Yang Yu Chuan (resigned on 17 April 2017)	-	-	-	-	-
Lan Jun (resigned on 29 April 2017)	-	-	-	-	-
	<u>-</u>	<u>2,146,358</u>	<u>31,772</u>	<u>613,152</u>	<u>2,791,282</u>

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**9. DIVIDENDS**

The directors do not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

**10. LOSS PER SHARE**

Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	<u>2018</u> RMB	<u>2017</u> RMB
Loss for the year attributable to owners of the Company	<u>22,831,558</u>	<u>22,578,976</u>
Weighted average number of ordinary shares	<u>640,705,190</u>	<u>637,747,400</u>

Diluted loss per share

The computation of diluted loss per share for the years ended 31 March 2018 and 2017 did not assume the conversion of the Company's outstanding convertible bonds as their exercise would result in a decrease in loss per share.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2018 and 2017 in respect of the share options in issue as they had no dilutive effect on the basic loss per share for the years ended 31 March 2018 and 2017.

**11. SEGMENT INFORMATION**

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

In a manner consistent with the way in which information is reported internally to the Company's board of directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, the Group's operating activities are attributable to a single operating segment as the revenue and loss are derived entirely from the provision of system development services and information technology services, sale of point-of-sale machines, point-of-sale machine services and licensing for the sale and distribution of an internally generated smart cloud-supported point-of-sale system “Tlinx” to the customers in the PRC. In addition, the principal assets employed by the Group are located in the PRC. Accordingly, no segment analysis and geographical information is presented other than the below entity-wide disclosures.

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**11. SEGMENT INFORMATION (Continued)**

**Information about major customers**

An analysis of revenue from customers contributing 10% or more of the Group's total revenue is as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Customer A	-	2,799,118
Customer B	3,834,966	-
Customer C	1,319,730	-
Customer D	1,194,040	-
Customer E	<u>1,074,401</u>	<u>-</u>

**12. PROPERTY, PLANT AND EQUIPMENT**

	<u>Computer Equipment</u> RMB	<u>Point of sales of machines</u> RMB	<u>Furniture and Fixtures</u> RMB	<u>Leasehold improvements</u> RMB	<u>Motor vehicle</u> RMB	<u>Total</u> RMB
<b>Cost</b>						
At 1 April 2016	3,950,619	-	722,039	1,657,162	51,886	6,381,706
Reclassified from inventories	8,073	1,047,014	-	-	-	1,055,087
Additions	77,985	1,349,067	11,545	-	-	1,438,597
Disposals	<u>-</u>	<u>-</u>	<u>(461,839)</u>	<u>(504,846)</u>	<u>-</u>	<u>(966,685)</u>
At 31 March 2017 and at 1 April 2017	4,036,677	2,396,081	271,745	1,152,316	51,886	7,908,705
Reclassified to inventories	-	(8,120)	-	-	-	(8,120)
Additions	110,340	3,957,167	10,754	-	-	4,078,261
Write-off	(1,870)	-	(15,419)	-	-	(17,289)
Disposals	<u>(1,800)</u>	<u>(64,983)</u>	<u>-</u>	<u>-</u>	<u>(51,886)</u>	<u>(118,669)</u>
At 31 March 2018	<u>4,143,347</u>	<u>6,280,145</u>	<u>267,080</u>	<u>1,152,316</u>	<u>-</u>	<u>11,842,888</u>
<b>Accumulated depreciation</b>						
At 1 April 2016	1,903,296	-	58,412	131,723	5,751	2,099,182
Charge for the year	687,126	229,932	100,439	318,390	9,858	1,345,745
Written back on disposals	<u>-</u>	<u>-</u>	<u>(115,131)</u>	<u>(130,565)</u>	<u>-</u>	<u>(245,696)</u>
At 31 March 2017 and at 1 April 2017	2,590,422	229,932	43,720	319,548	15,609	3,199,231
Reclassified to inventories	-	(1,607)	-	-	-	(1,607)
Charge for the year	499,024	2,027,862	7,137	230,463	4,929	2,769,415
Written back on write-off	(1,184)	-	(3,504)	-	-	(4,688)
Written back on disposals	<u>(570)</u>	<u>(540)</u>	<u>-</u>	<u>-</u>	<u>(20,538)</u>	<u>(21,648)</u>
At 31 March 2018	<u>3,087,692</u>	<u>2,255,647</u>	<u>47,353</u>	<u>550,011</u>	<u>-</u>	<u>5,940,703</u>
<b>Carrying amount</b>						
At 31 March 2018	<u>1,055,655</u>	<u>4,024,498</u>	<u>219,727</u>	<u>602,305</u>	<u>-</u>	<u>5,902,185</u>
At 31 March 2017	<u>1,446,255</u>	<u>2,166,149</u>	<u>228,025</u>	<u>832,768</u>	<u>36,277</u>	<u>4,709,474</u>

As at 31 March 2018, the Group leased out the point-of-sales machineries with carrying amount of RMB3,842,151 (2017: RMB1,378,935) under operating leases. The lease does not include contingent rentals.

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**13. INTANGIBLE ASSETS**

	Computer software RMB (note a)	Trademarks RMB (note b)	Total RMB
<b>Cost</b>			
At 1 April 2016	-	295,913	295,913
Reclassified from deposits	256,410	-	256,410
Additions	726,752	-	726,752
At 31 March 2017 and 1 April 2017	983,162	295,913	1,279,075
Additions	226,496	-	226,496
At 31 March 2018	1,209,658	295,913	1,505,571
<b>Accumulated amortisation and impairment loss</b>			
At 1 April 2016	-	295,913	295,913
Amortisation for the year	236,230	-	236,230
At 31 March 2017 and 1 April 2017	236,230	295,913	532,143
Amortisation for the year	365,351	-	365,351
At 31 March 2018	601,581	295,913	897,494
<b>Carrying amount</b>			
At 31 March 2018	608,077	-	608,077
At 31 March 2017	746,932	-	746,932

Note:

- The computer software has a finite useful life and is thereafter carried at cost less accumulated amortisation and impairment losses.
- The trademarks with cost of RMB200,000 are with an indefinite life. On initial recognition, the directors of the Company are of the opinion that the Group has the ability to use the trademarks continuously and the trademarks are expected to contribute to net cash inflows of existing business indefinitely. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life. Subsequent to the acquisition of trademarks, the directors changed their business strategy by focusing on new business development. The directors considered the recoverable amount of the trademarks was less than its carrying amount, therefore, the trademarks were fully impaired in prior year.

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**14. INVESTMENT IN ASSOCIATES**

	<u>2018</u> RMB	<u>2017</u> RMB
Share of net assets	<u>427,015</u>	<u>1,733,241</u>

The particulars of the principal associate of the Group, which is unlisted corporate entity, is as follows:

<u>Name of associate</u>	<u>Place of establishment and business</u>	<u>Form of business structure</u>	<u>Particulars of registered capital</u>	<u>Proportion of ownership interest held directly</u>		<u>Principal activities</u>
				<u>2018</u>	<u>2017</u>	
Shenzhen Intelligent Preferential Pay Company Limited* (“IPP”) (深圳市智惠付信息技術有限公司)	The PRC	Incorporated	RMB2,000,000	37.5%	37.5%	Provision of e-commerce, information technology consultancy services, electronic promotion services and electronic messaging information services.

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

Note:

- a) IPP operates in the PRC and is a strategic partner for the Group in developing the information technology services sector where IPP has an established customer base.

All of the associates of the Group are accounted for using the equity method in the consolidated financial statements.

During the year ended 31 March 2017, IPP entered into syndicated loan agreements under which IPP was granted a facility in the aggregate sum of RMB3,000,000 of which RMB2,500,000 were utilised as at 31 March 2017. The syndicate under the syndicated loan agreements are arranged by Wuhan Yifan 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 secured by an equity pledge over 10% of the Company’s interest in the registered capital of IPP.

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**14. INTERESTS IN ASSOCIATES (Continued)**

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs and HKFRSs.

	IPP	
	<u>2018</u> RMB	<u>2017</u> RMB
Non-current assets	5,494,830	6,545,452
Current assets	276,154	1,013,891
Current liabilities	(4,899,154)	(3,207,333)
Equity	<u>871,830</u>	<u>4,352,010</u>
Revenue	<u>2,036,331</u>	<u>2,652,862</u>
Loss for the year	(3,480,178)	(2,200,440)
Other comprehensive income	-	-
Total comprehensive loss	<u>(3,480,178)</u>	<u>(2,200,440)</u>

Reconciled to the Group's interest in the associate is as follows:

	IPP	
	<u>2018</u> RMB	<u>2017</u> RMB
Net assets of the associate	871,830	4,352,010
The Group's effective interest in the associate	37.5%	37.5%
The Group's share of net assets of the associate	<u>326,936</u>	<u>1,632,004</u>

Aggregate information of associates that are not individually material:

	<u>2018</u> RMB	<u>2017</u> RMB
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>100,079</u>	<u>101,237</u>
Aggregate amount of the Group's share of these associates		
Loss for the year	(142,371)	(591)
Other comprehensive income	-	-
Total comprehensive loss	<u>(142,371)</u>	<u>(591)</u>

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**15. SUBSIDIARIES**

Details of the principal subsidiaries as at 31 March 2018 are as follows:

<u>Name of subsidiary</u>	<u>Place of establishment and business</u>	<u>Principal activities</u>	<u>Particulars of issued and paid up registered capital</u>	<u>Proportion of ownership interest held by the Company</u>			
				<u>Directly</u> <u>2018</u>	<u>Indirectly</u> <u>2018</u>	<u>Directly</u> <u>2017</u>	<u>Indirectly</u> <u>2017</u>
Shenzhen Tao-taogu Information Technology Co., Ltd. * (深圳市淘淘谷信息技術有限公司) ("STIT")	The PRC	Provision of system development and information technology services	Paid up registered capital of HK\$66,600,000 (2017: HK\$47,000,000)	100%	-	100%	-
Shenzhen Tao-taogu E-commerce Co., Limited * (深圳市淘淘谷電子商務有限公司) ("STEC")	The PRC	Provision of E-commerce system development and information technology services	Paid up registered capital of RMB1,000,000 (2017: RMB1,000,000)	-	(Note (a))	-	(Note (a))
Shenzhen Tao-taogu Investment Co., Limited * (深圳市淘淘谷投資有限公司) ("ST Investment")	The PRC	Provision of investment management and consultancy services	Paid up registered capital of RMB1,000,000 (2017: RMB1,000,000)	-	(Note (b))	-	(Note (b))
Xiamen Tao-taogu Information Technology Co., Ltd. * (廈門市淘淘谷信息技術有限公司) ("XTIT")	The PRC	Provision of system development and information technology services	Paid up registered capital of RMB206,000 (2017: RMB206,000)	-	67%	-	67%
Jiangxi Tao-taogu E-commerce Co., Limited * (江西淘淘谷電子商務有限公司) ("JTEC")	The PRC	Investment holding	Paid up registered capital of RMB206,000 (2017: RMB206,000)	-	92%	-	92%
Neimenggu Taotaogu Information Technology Services Co., Limited * (內蒙古淘淘谷信息技術服務有限公司) ("NTIT")	The PRC	Provision of system development and information technology services	Paid up registered capital of RMB30,000 (2017: RMB30,000)	-	100%	-	100%

\* The English translation of the subsidiaries' name are for reference only. The official name of the subsidiaries are in Chinese.



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**15. SUBSIDIARIES (Continued)**

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the financial performance for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

- a) On 2 July 2013, STIT, a wholly-owned subsidiary of the Company, entered into an agreement (the “Agreement”) with Mr. Xiong Qiang, a director and a shareholder of the Company and Ms. Ling Fang, the wife of Xiong Qiang to obtain control in STEC, a company established in the PRC. The Group does not hold any ownership interests in STEC. However, based on the terms of the Agreement under which STEC was acquired, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct STEC’s activities that most significantly affect these returns.
- b) The Group does not hold any ownership interests in ST Investment. However, based on the terms of agreement under which ST Investment was established, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct ST Investment’s activities that most significantly affect these returns.
- c)
  - i) As at 31 March 2018, the registered capital of STIT was HK\$77,000,000 of which HK\$66,600,000 was paid up.
  - ii) As at 31 March 2018, the registered capital of STEC was RMB2,000,000 of which RMB1,000,000 was paid up.
  - iii) As at 31 March 2018, the registered capital of XTIT was RMB1,000,000 of which RMB206,000 was paid up.
  - iv) As at 31 March 2018, the registered capital of JTEC was RMB2,000,000 of which RMB200,000 was paid up.
  - v) As at 31 March 2018, the registered capital of NTIT was RMB100,000 of which RMB30,000 was paid up.

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**16. INVENTORIES**

	<u>2018</u> RMB	<u>2017</u> RMB
Inventories held for sale	<u>31,827</u>	<u>1,041,836</u>

An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Carrying amount of inventories sold	264,423	2,011,843
Write down of inventories recognised in cost of sales	<u>1,122,691</u>	<u>-</u>
	<u>1,387,114</u>	<u>2,011,843</u>

**17. TRADE AND OTHER RECEIVABLES**

	<u>Note</u>	<u>2018</u> RMB	<u>2017</u> RMB
Trade receivables	(a)	1,445,488	180,372
Other receivables		1,345,194	476,623
Amount due from associates (note 31(c))	(b)	1,937,029	139,830
Amount due from a related company (note 31(c))	(b)	46,999	52,032
Amount due from a director (note 31(c))	(b)	<u>19,303</u>	<u>-</u>
Loans and receivables		4,794,013	848,857
Prepayments, deposits and other receivables		1,688,390	1,059,663
Value added tax recoverable		<u>1,009,272</u>	<u>814,386</u>
		7,491,675	2,722,906
Less: Non-current portion			
- Prepayment, rental deposits and other receivables		<u>(896,128)</u>	<u>(477,116)</u>
		<u>6,595,547</u>	<u>2,245,790</u>

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**17. TRADE AND OTHER RECEIVABLES (Continued)**

Except for the non-current portion of prepayment, rental deposits and other receivables, all of the other trade and other receivables are expected to be recovered within one year or recognised as expense within one year.

Note:

- a) Trade receivables are due within 60 days from the date of billing. There are no trade receivables impaired as at 31 March 2018 and 2017.

Further details of the Group's credit policy are set out in note 29(a)(i).

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Neither past due nor impaired	1,444,650	159,534
Past due but not impaired		
Less than 1 month past due	-	-
1 to 3 months past due	-	20,838
More than 3 months but less than 1 year past due	-	-
More than 1 year past due	838	-
	<u>1,445,488</u>	<u>180,372</u>

Receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to one independent customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

- b) The amounts due from associates, director and related company are unsecured, interest free and repayable on demand. Further details are set out in note 31(c) to the consolidated financial statements.

**18. CASH AND CASH EQUIVALENTS**

- a) Included in the cash and cash equivalents of the Group as at 31 March 2018 was an amount of RMB1,500,862 (2017: RMB312,543) denominated in RMB which is not a freely convertible currency in the international money market. The remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC. The bank balances carry interest at market rates ranging from nil to 0.35% per annum (2017: from nil to 0.35% per annum).

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**18. CASH AND CASH EQUIVALENTS (Continued)**

b) Reconciliation of liabilities arising from financing activities

	<u>Convertible bonds</u> RMB
At 1 April 2017	15,973,741
Changes from financing cash flows:	
Proceeds from issuance of convertible bonds	20,438,815
Redemption of convertible bond	(917,842)
	19,520,973
Other changes:	
Derecognition of convertible bonds	(6,000,000)
Conversion of convertible bonds	(6,000,000)
Deferred transaction costs	(122,255)
Replacement of convertible bond	6,000,000
Exchange adjustments	(1,432,043)
Interest expenses	2,590,476
Unrealised gain on change in fair value of derivative component of convertible bonds	(2,126,242)
	(7,090,064)
At 31 March 2018	<u>28,404,650</u>

**19. TRADE AND OTHER PAYABLES**

	<u>Note</u>	<u>2018</u> RMB	<u>2017</u> RMB
Trade payables		128,375	32,990
Other payables and accruals		7,787,108	2,261,099
Deposits received		2,792,651	490,298
Payable for purchase of point of sales machines		-	721,500
Amount due to a related company	(b)	80,000	-
Amounts due to directors (note 31(c))	(b)	<u>1,465,227</u>	<u>3,130,260</u>
Financial liabilities measured at amortised cost		12,253,361	6,636,147
Advance from customers		5,049,293	2,507,438
Deposit for the proposed disposal of intangible assets	(c)	-	1,996,070
Business tax and other levies payables		94,769	35,223
Other liabilities (note 22)		<u>52,153</u>	<u>7,027</u>
		<u>17,449,576</u>	<u>11,181,905</u>

Note:

- a) All the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.
- b) The amounts due are unsecured, interest free and repayable on demand.

**19. TRADE AND OTHER PAYABLES (Continued)**

Note: (Continued)

- c) On 30 March 2017, the Company entered into an memorandum of understanding (the “MOU”) with an independent third party (the “Buyer”) pursuant to which the Group agreed to sell and the Buyer agreed to purchase all the intellectual property rights of the Group (the “Asset”) for a total consideration of US\$1,453,000 (equivalent to RMB10,001,000). A first payment of US\$290,000 (equivalent to RMB1,996,070) has been received and classified as deposit for the proposed disposal of intangible assets under current liabilities. The second payment of US\$435,000 (equivalent to RMB2,994,105) which shall be paid on or before 7 April 2017 has been received after the end of the reporting period. The balance of US\$728,000 (equivalent to RMB5,010,825) shall be paid upon signing of the Asset transfer agreement. Under the MOU, upon signing of the Asset transfer agreement, the Buyer shall enter into an agreement in which the Buyer shall grant the Group the right of use of the Asset for a period of three years at a license fee of US\$24,200 (equivalent to RMB166,569) per month payable at the end of the three-year period. In addition, the Group granted the Buyer a right to convert the amount of US\$1,453,000 and the license fee payable into the share capital of the Company at AUD0.2 per share. Upon the Buyer’s exercise of the conversion right, the Group has the right to demand the Buyer to return the Asset to the Group without any consideration. Up to the date of approval of 2017 annual report, the Company has not signing of any Asset transfer agreement.

During the year ended 31 March 2018, the Group mutually agreed with the Buyer to cancel the MOU. The fund amounted US\$725,000 (equivalent to RMB4,507,610) shall be refunded to the Buyer, and such amount was reallocated to other payable upon the cancellation of the agreement.

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**20. CONVERTIBLE BONDS**

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

The movements in the components of the convertible bonds during the years ended 31 March 2018 and 2017 are set out below:

	Liability component RMB	Derivative component			Total RMB
		Gross RMB	Deferred day one gain RMB	Net RMB	
At 1 April 2016	5,097,986	544,773	797,291	1,342,064	6,440,050
Issuance of convertible bonds	7,424,289	228,398	2,279,854	2,508,252	9,932,541
Deferred transaction costs (note)	-	-	(77,148)	(77,148)	(77,148)
Amortisation of deferred day one gain in profit or loss	-	-	(1,611,034)	(1,611,034)	(1,611,034)
Change in fair value of embedded derivative	-	(591,160)	-	(591,160)	(591,160)
	-	(591,160)	(1,611,034)	(2,202,194)	(2,202,194)
Exchange movement	81,950	-	-	-	81,950
Interest expenses	1,798,542	-	-	-	1,798,542
At 31 March 2017	14,402,767	182,011	1,388,963	1,570,974	15,973,741
At 1 April 2017	14,402,767	182,011	1,388,963	1,570,974	15,973,741
Issuance of convertible bonds	18,278,730	933,877	7,226,208	8,160,085	26,438,815
Redemption of convertible bonds	(734,844)	(131,563)	(51,435)	(182,998)	(917,842)
Derecognition upon expiry of convertible bonds	(6,000,000)	-	-	-	(6,000,000)
Deferred transaction costs (note)	-	-	(122,255)	(122,255)	(122,255)
Conversion to ordinary shares upon maturity	(6,000,000)	-	-	-	(6,000,000)
Amortisation of deferred day one gain in profit or loss	-	-	(3,056,191)	(3,056,191)	(3,056,191)
Change in fair value of embedded derivatives	-	929,949	-	929,949	929,949
	-	929,949	(3,056,191)	(2,126,242)	(2,126,242)
Exchange movement	(1,432,043)	-	-	-	(1,432,043)
Interest expenses	2,590,476	-	-	-	2,590,476
At 31 March 2018	21,105,086	1,914,274	5,385,290	7,299,564	28,404,650
Total (gain)/loss for the year included in profit or loss for liabilities held at the end of the reporting period					
- Year ended 31 March 2018	-	929,949	(3,056,191)	(2,126,242)	(2,126,242)
- Year ended 31 March 2017	-	(591,160)	(1,611,034)	(2,202,194)	(2,202,194)

## 20. CONVERTIBLE BONDS (Continued)

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

Note:

#### For convertible bond issued on 9 December 2016

The deferred transaction cost represents the fair value of 11,500,000 options issued to the holder of a convertible bond in connection with issuance of the convertible bond on 9 December 2016. The option is exercisable at any time on and from the date of grant, i.e., 9 December 2016, until the expiry date of 31 December 2019. The exercise price of the share options is AUD0.2 per share with the remaining contracting life of 2.75 years. The fair value of the share options was measured based on binomial model at the date at grant. Share price of AUD 0.074, exercise price of AUD 0.2, volatility of 32%, option life of 3.1 years, dividend yield of 0% and risk free rate of 1.91% were used in the valuation.

#### For two convertible bonds issued on 31 May 2017

The deferred transaction cost represents the fair value of 27,080,982 options issued to the holders of convertible bonds in connection with issuance of convertible bonds on 31 May 2017. The options are exercisable at any time on and from the date of grant, i.e. 31 May 2017, until the expiry date of 31 December 2019. The exercise price of the share options is AUD0.2 per share with the remaining contracting life of 1.8 years. The fair value of the share options was measured based on binomial model at the date at grant. Share price of AUD0.06, exercise price of AUD0.2, volatility of 40%, option life of 2.6 years, dividend yield of 0%, and risk free rate of 1.6% were used in the valuation.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), 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.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

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**20. CONVERTIBLE BONDS (Continued)**

**b) Major terms of convertible bonds**

	<u>Issue date</u>	<u>Date of maturity</u>	<u>Principal amount</u>	<u>Effective interest rate of liability component</u>	<u>Conversion price per share</u> AUD	<u>2018</u> RMB	<u>2017</u> RMB
<b>Representing:</b>							
<b>Current portion</b>							
- Convertible bond 1 (“CB1”)	7/3/2016	6/3/2017	RMB3,000,000	19.24%	0.20	-	3,000,000
- Convertible bond 2 (“CB2”)	7/3/2016	6/3/2017	RMB3,000,000	19.24%	0.20	-	3,000,000
- Convertible bond 3 (“CB3”)	24/6/2016	23/6/2018	HK\$1,000,000	19.20%	0.20	-	902,852
- Convertible bond 4 (“CB4”)	24/6/2016	23/6/2018	HK\$600,000	19.20%	0.20	487,233	541,711
- Convertible bond 5 (“CB5”)	5/8/2016	4/8/2018	RMB2,000,000	21.27%	0.25	-	1,999,860
- Convertible bond 6 (“CB6”)	5/8/2016	4/8/2017	RMB2,000,000	21.27%	0.25	-	1,999,860
- Convertible bond 7(a) (“CB7a”)	5/8/2016	4/8/2017	RMB1,250,000	21.27%	0.25	-	1,249,913
- Convertible bond 7(b) (“CB7b”)	1/11/2016	4/8/2017	RMB750,000	23.09%	0.25	-	750,000
<b>Non-current portion</b>						487,233	13,444,196
- Convertible bond 8 (“CB8”)	9/12/2016	31/12/2019	AUD500,000	19.33%	0.20	2,406,425	2,529,545
- Convertible bond 9 (“CB9”)	28/4/2017	28/4/2020	HK\$15,000,000	13.72%	0.20	12,513,121	-
- Convertible bond 10 (“CB10”)	31/5/2017	31/12/2019	RMB3,000,000	12.28%	0.20	3,051,751	-
- Convertible bond 11 (“CB11”)	31/5/2017	31/12/2019	RMB3,000,000	12.28%	0.20	3,051,751	-
- Convertible bond 12 (“CB12”)	16/11/2017	15/11/2020	USD500,000	14.06%	0.20	3,201,557	-
- Convertible bond 13 (“CB13”)	16/11/2017	15/11/2020	USD376,687	14.06%	0.20	2,412,189	-
- Convertible bond 14 (“CB14”)	16/11/2017	15/11/2020	USD200,000	14.06%	0.20	1,280,623	-
						<u>27,917,417</u>	<u>2,529,545</u>
						<u>28,404,650</u>	<u>15,973,741</u>

The convertible bonds 1 and 2 had been overdue as at 31 March 2017 as no repayment of convertible bonds were made as at 6 March 2017 upon maturity. On 31 May 2017, the Company and the holders of convertible bonds 1 and 2 entered into a new convertible bond and option subscription agreements pursuant to which the Company issued new convertible bonds with face value of RMB6,000,000 and 27,080,982 share options to replace the overdue convertible bonds. The new convertible bonds will mature on 31 December 2019. The holders of convertible bonds 3 and 4 are entitled to early redemption of the convertible bonds at 100% of the principal amount at any time between the first anniversary date of the issuance of the convertible bonds and 30 days before their maturity dates.

According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of the convertible bonds at 31 March 2018 amounted to RMB20,339,256 (2017: RMB14,760,925), which is calculated using cash flows discounted at rates of 15.98% to 16.03% (2017: 13.71% to 14.03%). Such rates were adopted with reference to the option-adjusted spreads of corporate bonds with similar credit rating and in similar sector, plus country risk premium and specific risk premium. The liability component of convertible bonds was within level 3 of the fair value hierarchy.



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**20. CONVERTIBLE BONDS (Continued)**

**b) Major terms of convertible bonds (Continued)**

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.

According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of the convertible bonds at the date of issuance amounted to RMB18,278,730 (2017: RMB7,424,289). The carrying value of derivative component recognised 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 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:

	Year ended 31 March 2018		
	At issue date		
	<u>CB9</u>	<u>CB 10 and 11</u>	<u>CB12, 13 and 14</u>
Share price	AUD0.06	AUD0.06	AUD0.125
Conversion price (per share)	AUD0.20	AUD0.20	AUD0.20
Risk free interest rate	1.80%	1.60%	1.94%
Time to maturity	3 years	2.6 years	3 years
Expected volatility	45%	40%	30%
Expected dividend yield	<u>0%</u>	<u>0%</u>	<u>0%</u>

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**20. 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: (Continued)

	Year ended 31 March 2018				
	At redemption				
	CB 3				
Share price	AUD0.095				
Conversion price (per share)	AUD0.20				
Risk free interest rate	1.70%				
Time to maturity	0.8 years				
Expected volatility	27%				
Expected dividend yield	0%				

  

	At 31 March 2018				
	CB 4	CB 8	CB 9	CB 10 and 11	CB 12, 13 and 14
Share price	AUD0.135	AUD0.135	AUD0.135	AUD0.135	AUD0.135
Conversion price (per share)	AUD0.20	AUD0.20	AUD0.20	AUD0.20	AUD0.20
Risk free interest rate	2.03%	1.99%	2.02%	1.99%	2.04%
Time to maturity	0.2 years	1.8 year	2.1 years	1.8 years	2.6 years
Expected volatility	35%	28%	28%	28%	30%
Expected dividend yield	0%	0%	0%	0%	0%

  

	Year ended 31 March 2017			
	At issue date			
	CB 3 and 4	CB 5, 6 and 7(a)	CB 7(b)	CB 8
Share price	AUD0.095	AUD0.09	AUD0.078	AUD0.074
Conversion price (per share)	AUD0.20	AUD0.25	AUD0.25	AUD0.20
Risk free interest rate	1.54%	1.49%	1.63%	1.91%
Time to maturity	2 years	1 year	0.8 year	3.1 years
Expected volatility	32%	34%	30%	32%
Expected dividend yield	0%	0%	0%	0%

  

	At 31 March 2017			
	CB 3 and 4	CB 5,6 and 7(a)	CB 7(b)	CB 8
Share price	AUD0.073	AUD0.073	AUD0.073	AUD0.073
Conversion price (per share)	AUD0.20	AUD0.25	AUD0.25	AUD0.20
Risk free interest rate	1.60%	1.55%	1.55%	1.87%
Time to maturity	1.2 years	0.3 year	0.3 year	2.8 years
Expected volatility	30%	23%	23%	31%
Expected dividend yield	0%	0%	0%	0%

  

	Year ended 31 March 2016	
	Convertible bonds 1 and 2	
	Issue date of 7 March 2016	At 31 March 2016
Share price	AUD0.12	AUD0.165
Conversion price (per share)	AUD0.20	AUD0.20
Risk free interest rate	1.97%	1.93%
Time to maturity	1 Year	0.9 Year
Expected volatility	35%	35%
Expected dividend yield	0%	0%

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**20. CONVERTIBLE BONDS (Continued)**

**c) Conversion at the option of the holders (Continued)**

The loss on change in fair value of embedded derivatives of the convertible bonds for the year ended 31 March 2018 of RMB929,949 (2017: gain of RMB591,160) and amortisation of deferred day one gain of RMB3,056,191 (2017: RMB1,611,034) were recognised as “Unrealised gain on change of fair value of embedded derivatives of convertible bonds” in the consolidated statement of profit or loss and other comprehensive income. The related interest expense of the liability component of the convertible bonds for the year ended 31 March 2018 amounted to RMB2,590,476 (2017: RMB1,798,542), which was calculated using the effective interest method.

**21. DEFERRED GOVERNMENT GRANTS**

The deferred government grants represented the subsidies granted by the relevant government authorities in the PRC to the Group.

	<u>2018</u> RMB	<u>2017</u> RMB
At 1 April	400,000	328,033
(Refunded)/received during the year	(180,000)	180,000
Released to profit or loss (note 5)	<u>(100,000)</u>	<u>(108,033)</u>
At 31 March	<u>120,000</u>	<u>400,000</u>

The Group successfully obtained funding support from the Science and Technology Innovation Committee of ShenZhen Municipality (“深圳市科技創新委員會”). The purpose of the funding is to encourage innovation and development of technology subject to certain criteria to be fulfilled for these deferred government grants.

**22. OTHER LIABILITIES**

The amounts represented the non-current portion of accrued rental expenses.

**23. DEFERRED TAX**

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB74,242,755 (2017: RMB56,971,181) as it is not considered probable that future taxable profits will be available against which the tax losses can be utilised in the relevant tax jurisdiction. The tax losses may be carried forward for five years for PRC corporate income tax purpose.

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**23. DEFERRED TAX (Continued)**

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. The Group is liable to withholding taxes on dividend distributed by its subsidiaries established in the PRC with the applicable tax rate of 10%. No provision for deferred tax has been made in this aspect as the subsidiaries sustained tax loss for the years.

**24. SHARE CAPITAL**

	Number of ordinary shares	HK\$	RMB equivalent
<b>Ordinary shares, issued and fully paid:</b>			
At 1 April 2016, 31 March 2017 and 1 April 2017	637,747,400	89,795,205	72,743,496
Conversion of convertible bonds (note i)	<u>4,498,305</u>	<u>6,965,848</u>	<u>5,991,360</u>
At 31 March 2018	<u>642,245,705</u>	<u>96,761,053</u>	<u>78,734,856</u>

Note i) On 4 August 2017, the Company's convertible bonds with principal value of RMB6,000,000 were converted into 4,498,305 ordinary shares of the Company at the conversion price of AUD0.25 (equivalent to RMB1.33) per share (Note 20).

ii) In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

iii) 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.

**25. SHARE OPTION SCHEME**

During the year ended 31 March 2016, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the Share Option 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. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

**25. SHARE OPTION SCHEME (Continued)**

On 12 August 2015, the Company has granted 9,770,000 and 2,000,000 share options to certain consultants and other qualified participants at the exercise price of AUD0.8 and AUD0.1 per option share (“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 option 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 years ended 31 March 2017 and 2018.

On 23 September 2015, the Company has granted 7,577,474 share options to 2 directors at the exercise price of AUD0.8 per option share (“September 2015 Option”). The fair value of the option 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 has granted 20,000,000 share options to a consultant at the exercise price of AUD0.3 per option share (“October 2016 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 option determined at the date of grant using the binomial option pricing model were AUD2,635 (equivalent to RMB12,295). The consultant has rendered services to the Group during the years ended 31 March 2017 and 2018.

On 17 January 2018, the Company has granted 6,000,000 share options to a consultant at the exercise price of AUD0.3 per option share (“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 option determined of the date of grant using the binominal option pricing model were AUD6,080 (equivalent to RMB30,772). This consultant has rendered services to the Group during the year ended 31 March 2018.

The fair value of the share options granted during the year ended 31 March 2018 was RMB30,772 (2017: RMB12,295). During the year ended 31 March 2018, the Group recognised total expenses of RMB1,274,703 (2017: RMB1,640,634) as a share option expense.

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**25. SHARE OPTION SCHEME (Continued)**

i) The terms and conditions of the grants are as follows:

<u>Category of eligible persons</u>	<u>No. of share options granted</u>	<u>Date of grant</u>	<u>Vesting conditions</u>	<u>Period during which share options are exercisable</u>	<u>Exercise price per share</u>	<u>Exercise period of options</u>
Consultants and other qualified participants (Group A)	9,770,000	12 August 2015	From 1 July 2016 to 30 June 2018 (10%) 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%)	1 July 2016 to 30 June 2022	AUD0.8	6 years
Consultants and other qualified participants (Group B)	2,000,000	12 August 2015	From 1 July 2016 to 30 June 2017 (10%) 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%)	1 July 2016 to 30 June 2022	AUD1.0	6 years
Directors	7,577,474	23 September 2015	From 1 July 2016 to 30 June 2017 (10%) From 1 July 2018 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%)	1 July 2016 to 30 June 2022	AUD0.8	6 years

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**25. SHARE OPTION SCHEME (Continued)**

i) The terms and conditions of the grants 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	Exercise period of options
Consultant	20,000,000	1 October 2016	From 1 October 2016 to 30 September 2017 (30%)  From 1 October 2017 to 30 September 2018 (35%)  From 1 October 2018 to 30 September 2019 (35%)	1 October 2016 to 30 September 2019	AUD0.3	1 year
Consultant	6,000,000	17 January 2018	From 17 January 2018 to 31 January 2021 (100%)	17 January 2018 to 31 January 2021	AUD0.3	3 years

ii) The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price		Number of option	
	<u>2018</u> AUD	<u>2017</u> AUD	<u>2018</u>	<u>2017</u>
Outstanding at the beginning of the year	0.556	0.821	39,347,474	19,347,474
Granted during the year	0.300	0.300	6,000,000	20,000,000
Outstanding at the end of the year	0.522	0.556	45,347,474	39,347,474
Exercisable at the end of the year	0.427	0.459	7,934,747	3,993,995

The options have a contractual option terms ranged from 1 year to 6.88 years. The options outstanding at 31 March 2018 had exercise prices of AUD0.3 to AUD1.0 and a weighted average remaining contractual lives of 5.37 years.

iii) Fair value of share options and assumptions:

	<u>August 2015 Option</u> <u>Group A</u>	<u>September</u> <u>2015 Option</u>	<u>October</u> <u>2016 Option</u>	<u>January</u> <u>2018 Option</u>	
Fair value per share option (AUD)	0.063	0.054	0.055	0-0.0003	0.001
Grant date share price (AUD)	0.2	0.2	0.2	0.08	0.105
Exercise price (AUD)	0.8	1.0	0.8	0.3	0.3
Expected volatility (note)	61.239%	61.239%	57.986%	32%-33%	30%
Expected life (Years)	6.883	6.883	6.768	1-3	3.01
Expected dividend yield (%)	0	0	0	0	0
Risk-free rate of interest (%)	2.353	2.353	2.363	1.64-1.66	2.17

**25. SHARE OPTION SCHEME** (Continued)

iii) Fair value of share options and assumptions: (Continued)

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 effects 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 value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

**26. RESERVES**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

The share option reserve relates to share options granted to directors, employees, consultants and other qualified participants under the Company's share option scheme. Further information about share option is set out in note 25.



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27. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

a) Statement of financial position of the Company

	2018 RMB	2017 RMB
<b>Non-current assets</b>		
Interests in subsidiaries	39,547,200	20,387,059
Investment in an associate	3,419	-
	<u>39,550,619</u>	<u>20,387,059</u>
<b>Current assets</b>		
Other receivables	3,096,272	1,526,737
Cash and cash equivalents	84,224	2,206,801
	<u>3,180,496</u>	<u>3,733,538</u>
<b>Current liabilities</b>		
Other payables	6,397,441	3,958,864
Convertible bonds	487,233	13,444,196
	<u>6,884,674</u>	<u>17,403,060</u>
<b>Net current liabilities</b>	<u>(3,704,178)</u>	<u>(13,669,522)</u>
<b>Total assets less current liabilities</b>	<u>35,846,441</u>	<u>6,717,537</u>
<b>Non-current liabilities</b>		
Convertible bonds	<u>27,917,417</u>	<u>2,529,545</u>
<b>NET ASSETS</b>	<u>7,929,024</u>	<u>4,187,992</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	78,734,856	72,743,496
Reserves	<u>(70,805,832)</u>	<u>(68,555,504)</u>
<b>TOTAL EQUITY</b>	<u>7,929,024</u>	<u>4,187,992</u>

Approved and authorised for issue by the board of directors on 29 June 2018.



Xiong Qiang  
Director



Chow Ki Shui Louie  
Director

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**27. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY**  
(Continued)

**b) Movement of reserves of the Company**

The change in the reserves of the Company during the years ended 31 March 2018 and 2017 are as follows:

	Share option reserve RMB	Accumulated losses RMB	Total RMB
At 1 April 2016	1,267,877	(68,212,948)	(66,945,071)
Loss for the year	-	(3,328,215)	(3,328,215)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(3,328,215)	(3,328,215)
Equity-settled share-based transaction	1,640,634	-	1,640,634
Issuance of share options	77,148	-	77,148
At 31 March 2017 and 1 April 2017	2,985,659	(71,541,163)	(68,555,504)
Loss for the year	-	(3,647,286)	(3,647,286)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(3,647,286)	(3,647,286)
Issuance of share options	122,255	-	122,255
Equity-settled share-based transaction	1,274,703	-	1,274,703
At 31 March 2018	4,382,617	(75,188,449)	(70,805,832)

**28. CAPITAL MANAGEMENT**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt as it sees fit and appropriate.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as zero coupon convertible bonds less cash and cash equivalents. Total adjusted capital is calculated as total equity/deficit as shown in the consolidated statement of financial position plus net debt.

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**28. CAPITAL MANAGEMENT (Continued)**

During the years ended 31 March 2018 and 2017, the Group's strategy was to maintain the gearing ratio as low as feasible.

	<u>2018</u> RMB	<u>2017</u> RMB
Convertible bonds	28,404,650	15,973,741
Total debt	28,404,650	15,973,741
Less: Cash and cash equivalents	<u>(1,598,644)</u>	<u>(2,534,290)</u>
Net debt	26,806,006	13,439,451
Total deficit	<u>(30,259,312)</u>	<u>(14,463,634)</u>
Total adjusted capital	<u>(3,453,306)</u>	<u>(1,024,183)</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

**29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

**a) Financial risk factors**

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, cash flow and fair value interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**i) Credit risk**

The Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to this credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current liability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operate. Trade receivables are normally due within 60 days from date of billing. Normally, the Group does not obtain collateral from debtors.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Financial risk factors (Continued)

#### i) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the end of the reporting period, the Group has concentration of credit risk as 99% (2017: 95%) of total trade related receivables was due from the Group's largest trade debtor.

Amounts due from associates and related companies are regularly reviewed and settled unless the amounts are specifically intended to be long-term in nature.

In respect of cash at banks, the credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

#### ii) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement.

To manage the liquidity risk, the Group held cash and cash equivalents amounted to RMB1,598,644 (2017: RMB2,534,290) as at 31 March 2018.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances, as the impact of discounting is not significant.

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**29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

**a) Financial risk factors (Continued)**

**ii) Liquidity risk (Continued)**

	2018			
	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 2 years but less than 5 years RMB
Trade and other payables	12,253,361	12,253,361	12,253,361	-
Convertible bonds	21,105,086	21,105,086	462,336	20,642,750
	<u>33,358,447</u>	<u>33,358,447</u>	<u>12,715,697</u>	<u>20,642,750</u>
	2017			
	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 2 years but less than 5 years RMB
Trade and other payables	6,636,147	6,636,147	6,636,147	-
Convertible bonds	14,402,767	14,402,767	12,778,124	1,624,643
	<u>21,038,914</u>	<u>21,038,914</u>	<u>19,414,271</u>	<u>1,624,643</u>

**iii) Currency risk**

The Group is exposed to currency risk primarily through trade and other receivables, other payables, cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars (“HK\$”), United States Dollars (“US\$”) and Australia Dollars (“AUD”).

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**29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

**a) Financial risk factors (Continued)**

**iii) Currency risk (Continued)**

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

Exposure to foreign currencies (expressed in RMB)

	2018		
	AUD	US\$	HK\$
Other receivables	46,998	-	120,030
Cash and cash equivalents	18,822	22,709	56,167
Other payables	(140,369)	(4,892,106)	(1,066,775)
Convertible bonds	<u>(2,406,425)</u>	<u>(6,894,368)</u>	<u>(13,000,354)</u>
Overall net exposure	<u>(2,480,974)</u>	<u>(11,763,765)</u>	<u>(13,890,932)</u>
	2017		
	AUD	US\$	HK\$
Trade and other receivables	52,061	-	-
Cash and cash equivalents	15,998	2,165,891	39,858
Other payables	(278,215)	(425,675)	-
Convertible bonds	<u>(2,529,545)</u>	<u>-</u>	<u>(1,444,563)</u>
Overall net exposure	<u>(2,739,701)</u>	<u>1,740,216</u>	<u>(1,404,705)</u>

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Financial risk factors (Continued)

#### iii) Currency risk (Continued)

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK\$, US\$ and AUD against the functional currency of the relevant group entities. 5% is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss and increase in equity where relevant currencies strengthen 5% against the functional currency of the relevant group entities. For a 5% weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the financial performance and equity and the balances below would be negative.

	2018		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax RMB	Effect on equity* RMB
AUD	5% (5%)	(124,049) 124,049	(124,049) 124,049
US\$	5% (5%)	(588,188) 588,188	(588,188) 588,188
HK\$	5% (5%)	(694,547) 694,547	(694,547) 694,547

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Financial risk factors (Continued)

#### iii) Currency risk (Continued)

Sensitivity analysis (Continued)

	2017		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax RMB	Effect on equity* RMB
AUD	5% (5%)	(136,985) 136,985	(136,985) 136,985
US\$	5% (5%)	87,011 (87,011)	87,011 (87,011)
HK\$	5% (5%)	(70,235) 70,235	(70,235) 70,235

\* Including accumulated losses

#### iv) Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's variable interest generating bank balances. The Group's interest rate risk also arises from its convertible bonds. The zero coupon rate convertible bonds expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures.

#### v) Price risk

The Group is exposed to price risk in fair value of conversion rights of the convertible bonds. A rise of the stock price will be accompanied by an increase in the fair value of the conversion rights which will increase the unrealised loss on the change of fair value of embedded derivatives of the convertible bonds as well as the liability of the Group. For details of the convertible bonds, refer to note 20 to the consolidated financial statements.

The market price of the Company's shares was AUD0.135 (2017: AUD0.073) as at 31 March 2018, if the market price of the Company's shares had been 10% higher/lower than that at 31 March 2018, the fair value of the embedded derivatives of the convertible bonds and loss after tax and accumulated losses would have increased/decreased by RMB932,974 (2017: RMB11,812) and RMB707,423 (2017: RMB9,761) respectively.



## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### b) Fair values estimation

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's liabilities that are measured at fair value at 31 March 2018 and 2017.

	2018			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Recurring fair value measurements:				
Embedded derivative of convertible bonds	-	-	7,299,564	7,299,564
	2017			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Recurring fair value measurements:				
Embedded derivative of convertible bonds	-	-	1,570,974	1,570,974

During the years ended 31 March 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of embedded derivatives of the convertible bonds was valued by estimating the values of the whole bonds with and without the embedded derivatives. Refer to note 20 for details of convertible bonds and significant unobservable inputs.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### b) Fair values estimation (Continued)

The increase/decrease in the fair value of embedded derivatives of convertible bonds will increase/decrease the Group's post-tax loss for the year as well as the Group's total liabilities and equity/deficit as at 31 March 2018. The significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility rate.

If the volatility rate had been 10% higher/lower than management's estimates at 31 March 2018, it would have increased/decreased the fair value of embedded derivatives of the convertible bonds by RMB1,162,905 (2017: RMB44,208) and RMB1,087,175 (2017: RMB19,994) respectively.

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The chief financial officer works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to audit committee semi-annually to explain the cause of fluctuations in the fair value of the liabilities.

## 30. ACCOUNTING ESTIMATES AND JUDGEMENTS

### a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, as discussed below.

#### i) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge in future periods. Carrying amount of property, plant and equipment as at 31 March 2018 was RMB5,902,185 (2017: RMB4,709,474).

**30. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

**a) Key sources of estimation uncertainty (Continued)**

**ii) Impairment of receivables**

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, impairment allowance may be required. Carrying amount of financial assets included in trade and other receivables as at 31 March 2018 was RMB4,794,033 (2017: RMB848,857).

**iii) Fair values of convertible bonds and embedded derivatives**

The fair values of the convertible bonds and embedded derivatives are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Carrying amount of convertible bonds and embedded derivatives at 31 March 2018 was RMB28,404,650 (2017: RMB15,973,741). Details of the assumptions used in determining the fair values of the convertible bonds and the embedded derivatives are set out in note 20 to financial statements.

**b) Critical accounting judgements in applying the Company’s accounting policies**

In determining the carrying amounts of assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The Group’s estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group’s accounting policies.

*Going concern*

As mentioned in note 2(b) to the consolidated financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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**31. MATERIAL RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions during the year.

**a) Transactions with key management personnel**

All members of key management personnel are the directors of the Company. The emoluments paid to them during the year were disclosed in note 8 to the consolidated financial statements:

	<u>2018</u> RMB	<u>2017</u> RMB
Short-term employee benefits	1,187,502	2,146,358
Equity compensation benefits	342,534	613,152
Post-employment benefits	15,175	31,772
	<u>1,545,211</u>	<u>2,791,282</u>

**b) Transactions with other related parties**

During the year, the Group entered into the following material transactions with other related parties:

<u>Name of related party</u>	<u>Nature of transaction</u>	<u>Note</u>	<u>2018</u> RMB	<u>2017</u> RMB
Shenzhen Intelligent Preferential Pay Company Limited * (“IPP”) (深圳市智慧付信息技術有限公司)	Technical services fee expenses	i	293,904	174,838
	Purchase of goods	i	-	72,821
	Purchase of computer software	i,c(iv)	188,034	983,162
Mr. Xiong Qiang	Issue of convertible bond 7(a) and (b)	ii	-	2,000,000
	Interest on convertible bond 7(a) and (b)		126,363	204,162
	Conversion to shares (Note 20)	ii	2,000,000	-
Mr. Chow Ki Shui Louie	Issue of convertible bond 5	ii	-	2,000,000
	Interest on convertible bond 5		120,794	229,124
	Conversion to shares (Note 20)	ii	2,000,000	-
Mr. Cai Wen Sheng	Issue of convertible bond 6	ii	-	2,000,000
	Interest on convertible bond 6		120,794	229,124
	Conversion to shares (Note 20)	ii	<u>2,000,000</u>	<u>-</u>

\* The English translation of the companies’ names are for reference only. The official names of these companies are in Chinese.

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**31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

**b) Transactions with other related parties (Continued)**

Note:

- i) IPP is an associate company of the Group.
- ii) On 5 August 2016, the Company entered into agreements with Mr. Xiong Qiang, the executive director, Chairman and CEO, Mr. Chow Ki Shui Louie, the executive director and deputy chairman and Mr. Cai Wen Sheng, the non-executive director of the Company for issue of convertible bonds totaling RMB6,000,000. All of these convertible bonds were fully converted during the year ended 31 March 2018. Details of the convertible bonds are disclosed in note 20 to the financial statements.

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

<u>Name of related party</u>	<u>Not</u> <u>e</u>	<u>2018</u> <u>RMB</u>	<u>2017</u> <u>RMB</u>
Amounts due to/(from) directors	(i)		
- Chow Ki Shui Louie		1,465,227	1,322,566
- Xiong Qiang	(iib)	(19,303)	873,024
- Kwok Kin Kwong Gary (resigned on 5 December 2017)		-	656,455
- Ryan, Christopher John		-	122,813
- Cai Wen Sheng (resigned on 8 August 2017)		-	155,402
		<u>1,445,924</u>	<u>3,130,260</u>
Amount due from/(to) related companies			
- Investorlink Securities Limited	(iia)	46,699	52,032
- Shenzhen Bozhong Communication Technology Company Limited* (深圳市伯仲通信技术有限公司)	(v)	<u>(80,000)</u>	<u>368,000</u>
Amount due from associates			
- IPP	(iv)	339,830	139,830
- TTG Fintech Service Limited	(iii)	<u>1,597,199</u>	<u>-</u>
		<u>1,937,029</u>	<u>139,830</u>
Convertible bond 5, held by Mr. Chow Ki Shui, Louie		<u>-</u>	<u>1,999,860</u>
Convertible bond 6, held by Mr. Cai Wen Sheng		<u>-</u>	<u>1,999,860</u>
Convertible bond 7(a) and 7(b), held by Mr. Xiong Qiang		<u>-</u>	<u>1,999,913</u>

\* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese.

**31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

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

Notes:

- i) The amounts due to directors are unsecured, interest free and repayable on demand.
- ii) The amounts were unsecured, interest free and repayable on demand.
  - a) Mr. Christopher Ryan, a director of the Company, is also the director of Investorlink Securities Limited. The maximum outstanding balance is RMB52,032 (2017: RMB201,509) during the year ended 31 March 2018. The debit balance due from him as at 1 April 2016 was RMB34,109.
  - b) The amount due to/(from) Xiong Qiang, director of the Company. The maximum debit outstanding balance is RMB19,303 (2017: Nil) during the year ended 31 March 2018. There was nil balance with him as at 1 April 2016.
- iii) The amounts were unsecured, interest free and repayable on demand.
- iv) In March 2016, STIT entered into an agreement for purchase of computer software from IPP for a consideration of RMB800,000 (including VAT). A deposit of RMB300,000 was paid and the balance of RMB500,000 was classified as capital commitments.

During the year ended 31 March 2017, the Group paid the remaining balances of RMB500,000. In addition, STIT entered into two agreements with IPP to purchase two other computer software, for a total consideration of RMB350,300 (including VAT).

Further to the year ended 31 March 2018, STIT purchased a computer software amounted at RMB188,034 (excluding VAT).

- v) The amount due from a related company is included in other receivables. 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 is RMB80,000 (2017: RMB368,000) during the year ended 31 March 2018. At 31 March 2018, there was no provision made against the amount due.

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**32. COMMITMENTS**

**a) Capital commitments**

The Group had the following capital commitments at the end of the year:

	<u>2018</u> RMB	<u>2017</u> RMB
Contracted, but not provided for		
- Capital contribution to other investments	4,450,000	2,000,000
	<u>4,450,000</u>	<u>2,000,000</u>

**b) Operating lease commitments**

The Group as lessee

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

	<u>2018</u> RMB	<u>2017</u> RMB
Within 1 year	2,870,050	851,512
After 1 year but within 5 years	4,733,382	391,696
	<u>7,603,432</u>	<u>1,243,208</u>

The lease typically run for an initial period of 1 to 4 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

**33. EVENTS AFTER THE REPORTING PERIOD**

On 31 January 2018, the Company entered into an agreement (the “2018 CB Agreement”) with an independent third party (the “Investor”) in regard of an issuance of zero-coupon convertible bonds which is conditional on, among other things, the issuance of such convertible bonds to be approved by the board of directors and shareholders of the Company. The convertible bonds will be matured on the third anniversary of the issue date, with conversion price of AUD0.2. Pursuant to the 2018 CB Agreement, the Investor shall pay the Company the proceeds equivalent to RMB5,000,000 on or before 30 June 2018. Shall the conditions set forth in the 2018 CB Agreement failed, the proceeds of RMB5,000,000 shall be treated as an interest-free loan to the Company which will be matured on the third anniversary of the date of the loan received.

On 27 June 2018, the Investor, the Company and another independent third party (the “New Investor”) entered into a supplementary agreement that the New Investor took over the role of the Investor for the aforementioned agreement.

**34. ULTIMATE CONTROLLING PARTY**

At 31 March 2018, the directors of the Company consider that the ultimate controlling party of the Company to be Mr. Xiong Qiang.

# ADDITIONAL ASX INFORMATION FOR CDI HOLDERS

## Issued capital

As at 4 July 2018, the Company had 642,245,702 ordinary fully paid shares on issue, of which 642,245,702 shares have been converted to CHESS Depositary Interests (CDI's) and were traded on the ASX. There is no shares/CDI's that are currently under trading restrictions.

There is no on-market buy back currently in place.

## Substantial shareholders

At 4 July 2018, CDN Nominees Pty Ltd held 642,245,702 ordinary shares on behalf of different CDI holders. The substantial CDI holders of the Company include:

Name	Number of shares	% of total issued shares
Xiong Qiang & Associates	212,200,000	35.00%
Chow Ki Shui & Associates	108,250,000	16.97%
Baolink Capital Limited	76,287,500	11.96%

## Distribution of Shareholders/CDI holders

There were 1,136 CDI holders at 4 July 2018. Each CDI holder is entitled to one vote for each security held.

Range	Total holders	Units	% of Issued Capital
1 - 1,000	27	11,031	0.00
1,001 – 5,000	376	1,401,979	0.22
5,001 – 10,000	242	1,951,389	0.30
10,001 – 100,000	372	12,361,868	1.92
Over 100,000	119	626,519,435	97.55
<b>Totals</b>	<b>1,136</b>	<b>642,245,702</b>	<b>100.00</b>

There are 342 CDI holders who hold less than a marketable parcel. The top 20 shareholders hold 92.45% of the Company's share capital.

## Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members.



# ADDITIONAL ASX INFORMATION FOR CDI HOLDERS

## Top twenty CDI holders as at 4 July 2018

Rank	Name	Units	% of Units
1.	QIANG XIONG	213,699,434	33.27
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	137,971,700	21.48
3.	KI SHUI LOUIE CHOW	79,249,434	12.34
4.	J P MORGAN NOMINEES AUSTRALIA LIMITED	49,868,254	7.76
5.	HOI PING HAPPY CHEUNG	30,500,000	4.75
6.	MIN LAO	27,770,835	4.32
7.	LING FANG	10,000,000	1.56
8.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,423,632	1.31
9.	STRADBROKE PLAZA PTY LTD <RYAN RETIREMENT FUND A/C>	6,031,000	0.94
10.	YANGUI XIONG	5,000,000	0.78
11.	CITICORP NOMINEES PTY LIMITED	3,709,320	0.58
12.	MR KIN KWONG GARY KWOK	3,499,999	0.54
13.	HUEI LING GRACE CHEN	3,333,800	0.52
14.	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	2,821,851	0.44
15.	MR FEN CHEN	2,500,000	0.39
16.	R J SHERLOCK FINANCIAL SERVICES PTY LIMITED <R J SHERLOCK PROV FUND A/C>	2,470,310	0.38
17.	MR LINYAN WU	2,264,026	0.35
18.	MR KA YUNG CHAN	1,666,800	0.26
19.	MS JIAN YANG	1,500,000	0.23
20.	WEN SHENG CAI	1,499,435	0.23

# ADDITIONAL ASX INFORMATION FOR CDI HOLDERS

## Use of Cash Consistent with Business Objectives

Fintech Chain Limited confirms that it has used cash and other assets readily convertible to cash that it held at time of admission, in a way consistent with its business objectives.

## Fintech Chain Limited's Place of Incorporation

As FTC is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Financial Services and the Treasury Bureau. FTC is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 in Australia. The following information is provided as required to be provided to ASX on an annual basis to disclose the limitations on acquisition on securities.

## Takeovers

The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

- acquire 30% or more of the voting rights of a company; or
- hold not less than 30% but more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period,

then a general offer must be made to all other shareholders of the company.

## Compulsory Acquisition

Schedule 13 of the Hong Kong Companies Ordinance sets out the right to buy out minority shareholders. If within four months of making an offer to buy shares, a company has acquired 90% in value of the shares, the acquiring company may give notice to the remaining shareholders that it desires to acquire their shares. Provided that notice is given within five months of the original offer, the acquiring company is entitled and bound to acquire those shares on the same terms as the offer.

## Substantial holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively "Corporate Insiders") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation

# CORPORATE DIRECTORY

## Fintech Chain Limited

ARBN: 158 702 400

### Principal place of business in the PRC

Level 12, Block 2, Xunmei Tech Plaza  
No.8 Keyuan Blvd, Nanshan District  
Shenzhen 518000, PRC

### Representative office in Australia

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

### Registered office, principal share registrar and transfer office

1806, Park-In Commercial Centre  
56 Dundas Street  
Kowloon, Hong Kong

### Australia branch share registrar and transfer office

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

### Board of Directors

XIONG Qiang (Chairman & Chief Executive Officer)  
CHOW Ki Shui Louie (Deputy Chairman & Deputy Chief Executive Officer)  
Christopher John Ryan  
ZHOU Chenyao

### Company Secretaries

TAM Kin Bor

### Audit committee

RYAN Christopher John (Chairman)  
ZHOU Chenyao

### Remuneration and nomination committee

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

### Auditor

Crowe Horwath (HK) CPA Limited

### Website

[www.ttg.hk](http://www.ttg.hk)