

# Oriental Payment Group Holdings Limited

## 東方支付集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8613

## SHARE OFFER



Sponsor

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

 首盛資本集團  
Alpha Financial Group

# IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

## ORIENTAL PAYMENT GROUP HOLDINGS LIMITED 東方支付集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 250,000,000 Shares (subject to the Offer Size Adjustment Option)  
Number of Public Offer Shares : 25,000,000 Shares (subject to reallocation)  
Number of Placing Shares : 225,000,000 Shares including 20,000,000 Reserved Shares under the Preferential Offer (subject to reallocation and the Offer Size Adjustment Option)  
Offer Price : Not more than HK\$0.30 per Offer Share and expected to be not less than HK\$0.22 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)  
Nominal Value : HK\$0.01 per Share  
Stock Code : 8613

Sponsor

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

 首盛資本集團  
Alpha Financial Group

Joint Bookrunners and Joint Lead Managers

  
Securities (HK) Ltd

 潮商證券有限公司  
ChaoShang Securities Limited

Co-managers

  
高鈺証券

 Pacific  
Foundation

 富強證券  
FORTUNE (HK) SECURITIES

 凱匯資本證券有限公司  
CORE CAPITAL SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified under the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around Monday, 8 October 2018, and in any event, not later than 12:00 noon on Thursday, 11 October 2018. The Offer Price will be not more than HK\$0.30 per Offer Share and is currently expected to be not less than HK\$0.22 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.30 per Offer Share, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.30 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may extend or reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.ocg.com.hk](http://www.ocg.com.hk) as soon as practicable but in any event, not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Thursday, 11 October 2018, the Share Offer will not proceed and will lapse.

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.**

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Underwriters) has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in our Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting – Public Offer underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

No information on any website forms part of this prospectus.

27 September 2018

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## CHARACTERISTICS OF GEM

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

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

*The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.*

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## EXPECTED TIMETABLE *(Note 1)*

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*We will issue an announcement in Hong Kong to be published on our website at [www.ocg.com.hk](http://www.ocg.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) if there is any change in the following expected timetable of the Public Offer and Preferential Offer.*

**2018** *(Note 1)*

Despatch of **BLUE** Application Forms to

Qualifying China Smartpay Shareholders . . . . . on Thursday, 27 September

Public Offer and Preferential Offer commence and **WHITE**

and **YELLOW** Application Forms available from . . . . . 9:00 a.m.  
on Thursday, 27 September

Application lists of the Public Offer and Preferential Offer

open *(Note 2)* . . . . . 11:45 a.m.  
on Wednesday, 3 October

Latest time to give **electronic application instructions** to

HKSCC *(Note 3)* . . . . . 12:00 noon  
on Wednesday, 3 October

Latest time to lodge **WHITE, YELLOW** and **BLUE**

Application Forms . . . . . 12:00 noon  
on Wednesday, 3 October

Application lists of the Public Offer and Preferential Offer

close *(Note 2)* . . . . . 12:00 noon  
on Wednesday, 3 October

Expected Price Determination Date on or around *(Note 4)* . . . . . Monday, 8 October

Announcement of:

- (a) the final Offer Price;
- (b) the indication of the levels of interest in the Placing;
- (c) the level of applications in the Public Offer and Preferential Offer; and
- (d) the basis of allocation of the Public Offer Shares and the Reserved Shares,

to be published on our website at [www.ocg.com.hk](http://www.ocg.com.hk) and  
the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) on . . . . . Monday, 15 October

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## EXPECTED TIMETABLE *(Note 1)*

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2018 *(Note 1)*

Announcement of results of allocations in the Public Offer and Preferential Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at [www.ocg.com.hk](http://www.ocg.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details, please refer to the section headed "How to Apply for Public Offer Shares and Reserved Shares – 10. Publication of results" in this prospectus) from . . . . . Monday, 15 October

Results of allocations in the Public Offer and Preferential Offer will be available at [www.unioniporesults.com.hk](http://www.unioniporesults.com.hk) with a "search by ID" function from . . . . . Monday, 15 October

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer and Preferential Offer on *(Notes 6 & 7)* . . . . . Monday, 15 October

Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer and Preferential Offer on *(Notes 5 & 6)* . . . . . Monday, 15 October

Dealings in the Shares on GEM expected to commence at . . . . . 9:00 a.m.  
Tuesday, 16 October

*Notes:*

1. All times and dates refer to Hong Kong local time and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and of our Company at [www.ocg.com.hk](http://www.ocg.com.hk).
2. If there is a "black" rainstorm warning and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 3 October 2018, the application lists will not open or close on that day. For further details, please refer to the section headed "How to Apply for Public Offer Shares and Reserved Shares – 9. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Wednesday, 3 October 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares and Reserved Shares – A. Applications for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
4. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around, Monday, 8 October 2018, and in any event not later than 12:00 noon on Thursday, 11 October

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## EXPECTED TIMETABLE *(Note 1)*

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2018. If, for any reason, the Offer Price is not agreed on or before 12:00 noon on Thursday, 11 October 2018 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.

- Share certificates for the Offer Shares are expected to be issued on Monday, 15 October 2018 but will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of the share certificates or the share certificates becoming valid do so at their own risk.
- Applicants who have applied for 1,000,000 or more Public Offer Shares or Reserved Shares on **WHITE** or **BLUE** Application Forms (as the case may be) and have provided all information required by the Application Form may collect refund cheques (where relevant) and/or share certificates (where relevant) in person from our Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 15 October 2018 or such other date as notified by our Company as the date of despatch/collection of share certificates and refund cheques.

Applicants being individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from their corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** and **BLUE** Application Form applicants.

Applicants who have applied for less than 1,000,000 Public Offer Shares or Reserved Shares, share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Public Offer Shares and Reserved Shares – 13. Despatch/collection of share certificates and refund monies" in this prospectus.

- Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and Preferential Offer and in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.30 per Offer Share. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

For details of the structure of the Share Offer (including its conditions) and the procedures for applications for Public Offer Shares and Reserved Shares, please refer to the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares and Reserved Shares" in this prospectus.

If the Share Offer does not become unconditional or is terminated in accordance with its terms, the Share Offer will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

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## EXPECTED TIMETABLE *(Note 1)*

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The **BLUE** Application Forms have been despatched to all Qualifying China Smartpay Shareholders. In addition, Qualifying China Smartpay Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under China Smartpay's corporate communications policy.

If a Qualifying China Smartpay Shareholder has elected to receive corporate communications from China Smartpay in printed form under China Smartpay's corporate communications policy or has not been asked to elect the means of receiving China Smartpay's corporate communications, a printed copy of this prospectus (in both English and Chinese versions) will be despatched to such Qualifying China Smartpay Shareholder.

If a Qualifying China Smartpay Shareholder has (a) elected to receive an electronic version of corporate communications; or (b) is deemed to have consented to receiving the electronic version of corporate communications from China Smartpay, an electronic version of this prospectus which is identical to the printed prospectus can be accessed and downloaded from the websites of our Company at [www.ocg.com.hk](http://www.ocg.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the section entitled "HKEXnews > Listed Company Information > Latest Listed Company Information".

A Qualifying China Smartpay Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to our Hong Kong Branch Share Registrar, Union Registrars Limited or by email to our Hong Kong Branch Share Registrar, Union Registrars Limited at [ocg@unionregistrars.com.hk](mailto:ocg@unionregistrars.com.hk). Union Registrars Limited will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying China Smartpay Shareholder, free of charge, although such Qualifying China Smartpay Shareholder may not receive that printed copy of this prospectus before the close of the Public Offer and Preferential Offer.

Qualifying China Smartpay Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the Public Offer Underwriters as set out in the section headed "How to Apply for Public Offer Shares and Reserved Shares" in this prospectus. Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying China Smartpay Shareholders as specified in this prospectus.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Public Offer and the Preferential Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares and the Reserved Shares offered by this prospectus pursuant to the Public Offer and the Preferential Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong (save for the Preferential Offer made to the Qualifying China Smartpay Shareholders). The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer. The contents on our Company's website at [www.ocg.com.hk](http://www.ocg.com.hk) do not form part in this prospectus.*

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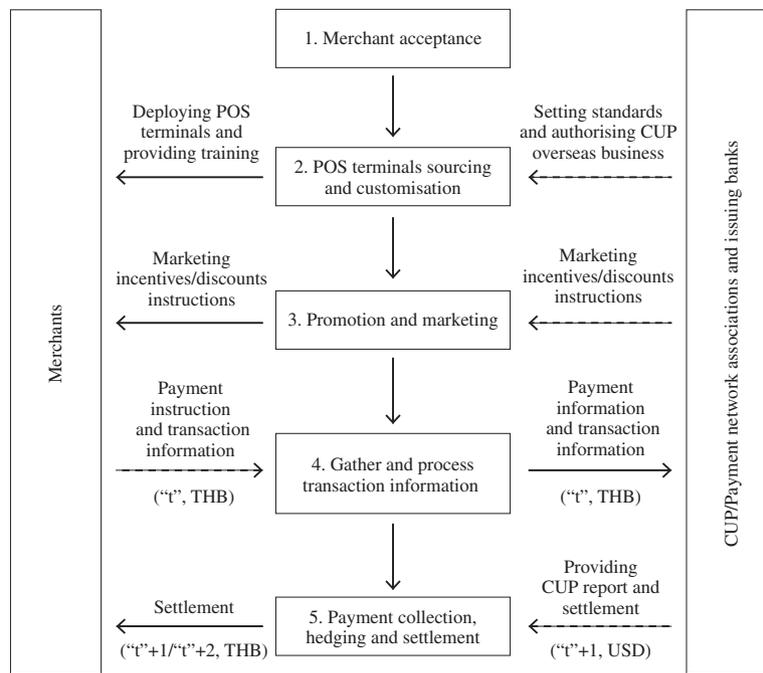
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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.*

### OVERVIEW

#### Our Business Model



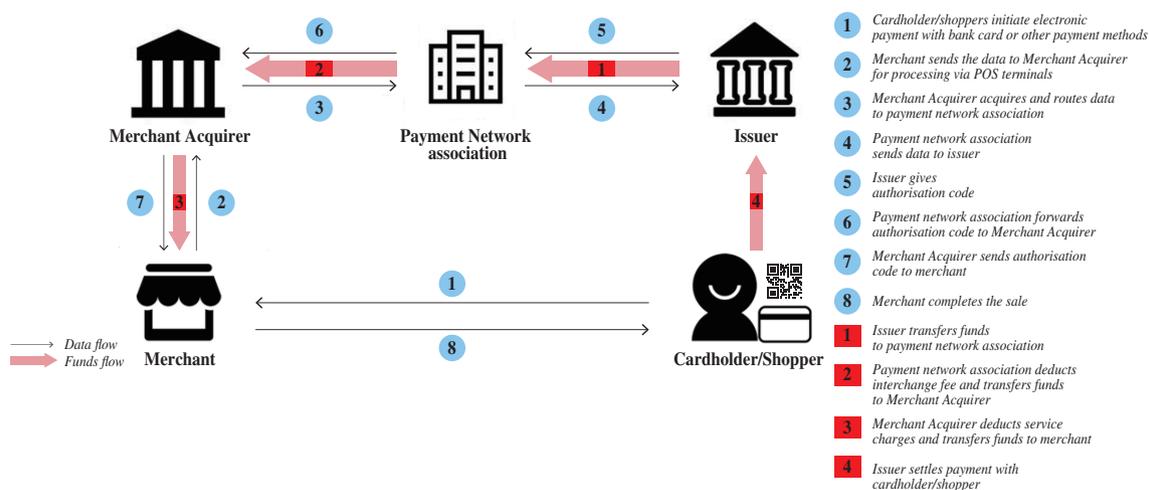
*Note:* “t” refers to the business day in the PRC, which is subject to the regulations of the PRC and the publication of PRC State Council.

We are an established Merchant Acquirer in providing a suite of comprehensive payment processing services to merchants of all sizes frequently visited by Chinese tourists in Thailand. Since the commencement of our business in 2004, our Group has been adopting and deploying financial technology into our merchant acquiring business model; that is, we enable our merchants in Thailand to accept various cross-border electronic payment methods, including credit cards, debit cards, QR Codes, NFC and other alternative payment technologies, adopted by shoppers via our POS terminals to acquire and route the respective payment instructions to issuing banks for authentication. Upon approval, the payment transactions with the merchants would then be processed. According to the CIC Report, our Group was among the first three CUP Merchant Acquirers to provide payment processing services in Thailand and ranked first in Thailand’s CUP merchant acquiring business in terms of transaction value, having captured a market share of 24.9% in 2017. We position ourselves as a bridge to link and collaborate among our partner payment network associations, our merchants and shoppers.

The listing of our Group is a spin-off from China Smartpay Group and there is a clear delineation of businesses between our Group and the Remaining China Smartpay Group since the respective businesses are fundamentally distinct in nature and focus on different geographical locations. The Remaining China Smartpay Group principally engages in prepaid cards and internet payment business, prestige benefits business and internet micro-credit business in China, while our Group principally engages in the merchant acquiring business in Thailand and is further expanding our business to Cambodia.

## SUMMARY

We offer high quality services that provide our merchants with rapid merchant acceptance, reliable and secure payment processing services and other support services. For each transaction, we are responsible to provide both front-end and back-end processing services to our merchants, whereby we route the transactions originated from our POS terminals at a merchant location for authorisation and ensure that each successful transaction is appropriately cleared and settled into our merchant's bank account accordingly. We charge our merchants based on a percentage of the value of each successful transaction, also known as the MDR, which contains an interchange fee from our partner payment network association and our service charges. Our Group will first receive the transaction value net of interchange fee in USD from the corresponding partner payment network association and proceed to settle with our merchants in THB after deducting our service charges. During the Track Record Period, our payment processing services was mainly carried out through partnership with CUP. Our Group has three sources of revenue derived from our merchant acquiring business, including (i) MDR income; (ii) foreign exchange rate discount income; and (iii) marketing service income. The diagram below sets forth a typical merchant acquiring business model with flow of funding:



## CUSTOMERS

For FY2016, FY2017, FY2018 and as at the Latest Practicable Date, we maintained a total of 693, 691, 1,019 and 1,112 active merchants, respectively. Our customer base primarily consists of (i) our merchants; (ii) CUP; and (iii) coupon promotion platform developer. We are of the view that maintaining stable and long-term business relationship with our customers creates economies of scale and cost-effectiveness on communication, distribution and compatibility.

During the Track Record Period, our aggregate revenue from our five largest customers, who were Independent Third Parties, represented approximately HK\$84.4 million, HK\$85.9 million and HK\$86.9 million of our total revenue, respectively, accounting for approximately 83.3%, 88.1% and 81.9% of our total revenue, respectively. Saved for CUP, all other major customers during the Track Record Period are merchants. We expect that these customers will remain as our major customers in the foreseeable future. During the Track Record Period, the total revenue attributable to our largest merchant, Merchant A, amounted to approximately HK\$28.2 million, HK\$47.7 million and HK\$51.3 million, respectively, representing approximately 27.8%, 49.0% and 48.4% of our total revenue, respectively. For details of our customers, please refer to the section headed "Business – Customers" in this prospectus.

### Zero-dollar tour incident

Since August 2016, Thai Police had taken actions to crack down on zero-dollar tours and there was a case filed by the Public Prosecutor with a Thai Criminal Court charging a number of business owners, including Merchant B, with racketeering, money laundering and violating tourism and tour guide laws. In general, according to the CIC Report, the Chinese tourist-focused merchants who are mainly operating in Bangkok saw a significant drop in transaction value after such incident, and being one of the factors that decreased our revenue

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## SUMMARY

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during the Track Record Period. For details, please refer to the sections headed “Business – Customers – Zero-dollar tour incident” and “Financial Information – Discussion and analysis of financial performance of our Group – Revenue” in this prospectus.

### **Our business partnership with and reliance on CUP**

During the Track Record Period, our revenue is principally generated from the transaction value from our merchant network via our POS terminals and is settled by CUP. Our revenue attributable to CUP accounted for approximately 23.5%, 23.3% and 22.7% of our total revenue for FY2016, FY2017 and FY2018, respectively. Our cost of services rendered attributable to CUP accounted for approximately 100%, 100% and 100% of our total cost of services rendered for FY2016, FY2017 and FY2018, respectively. Although our Group is *not the exclusive partner of CUP*, we consider that it is commercially beneficial for both CUP and us to maintain a close and long-term business partnership with each other, for the following reasons: (i) our niches over other CUP Merchant Acquirers; and (ii) difficulties faced by CUP in engaging another sizable Merchant Acquirer in Thailand in replace of our Group. Our Directors also believe that our reliance on CUP can be explained by the commercial rationales as follows: (i) the whole industry landscape is dominated by a few major players making it unlikely for Merchant Acquirers, such as our Group, to break off reliance on one or a few of these payment network associations; and (ii) our accumulated industry reputation and business network were derived from our capacities in the provision of CUP payment processing services. Our Directors considered our Group is capable of maintaining its revenue in the future despite our reliance as a result of the following considerations: (i) our operation is benefited from the sustainable business operation, strong market position and future prospect of CUP; and (ii) our stable merchant base was the results of our high quality services. For details, please refer to the section headed “Business – Our merchant acquiring business – Our business partnership with and reliance on CUP” in this prospectus.

### **Our business relationship with Merchant A**

Merchant A is the largest merchant of our Group during the Track Record Period. It is the leading travel retail group in Thailand, which operates nine retail outlets located at downtown areas and major airports in Thailand as well as an online platform selling both duty-free and non-duty-free items. During the Track Record Period, the revenue attributable to Merchant A amounted to approximately 27.8%, 49.0% and 48.4% of our total revenue, respectively. Although our Group is not the exclusive CUP Merchant Acquirer for Merchant A, our Group has maintained a long and stable business relationship with Merchant A for over 10 years. Our Directors believe that our Group can leverage on the business relationship between Merchant A and us to capture the transaction value from international travellers, in particular, the Chinese tourists who deploy CUP payment methods through merchant A’s extensive travel retail network across Thailand. For details, please refer to the section headed “Business – Customers – Our business relationship with Merchant A” in this prospectus.

### **Pricing strategy**

Our pricing is determined on a merchant-by-merchant basis. We adopted a cost-plus pricing model and when determining the appropriate mark-up, we take into account the merchants’ transaction value, risk level and a number of other factors, such as the business relationship with our merchants, the interchange fee charged by CUP (which mainly represents the network service fee to CUP with a standard range from 0.3% to 2.1% of the total transaction value on each successful transaction), the market price and the competition in the market. In general, for non-branded merchants and/or small and medium sized merchants with monthly transaction value not more than THB1 million, we charge a higher MDR range while for branded merchants and/or merchants with monthly transaction value more than THB1 million, a lower MDR range will be charged. During the Track Record Period, our Group generally charged a MDR ranging from 1.2% to 2.8% of the total transaction value on each successful transaction.

### **Seasonality**

Chinese tourists’ transaction value in Thailand is subject to seasonality factors of the tourism industry in Thailand and Chinese tourists’ travel habits. As such our Group experiences seasonal fluctuations in revenue from our merchant acquiring business in Thailand. Our Group

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## SUMMARY

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generally records higher sales revenue during holiday periods such as New Year's Day, Chinese New Year, the traditional Songkran festivals in Thailand, and schools summer holiday from July to August.

### SUPPLIERS

During the Track Record Period, our payment processing services was mainly carried out through our partnership with CUP. CUP is our payment network association and principal supplier. The largest supplier for each of FY2016, FY2017 and FY2018 is CUP, which is the same entity that provided transaction processing services to our Group. The cost of service rendered from CUP for each of FY2016, FY2017 and FY2018 amounted to approximately HK\$74.8 million, HK\$72.1 million, and HK\$75.7 million respectively, representing approximately 100%, 100% and 100% of our Group's cost of services rendered during the respective years.

### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have historically contributed to our success and will continue to contribute to our future growth:

- Our Group possessed a strategically developed merchant network in Thailand to capture the continuous growth of Chinese tourists travelling to Thailand.
- We have provided quality services, invested in advanced POS terminals and employed competitive pricing strategy, in order to cultivate on-going relationships with our major merchants and develop an established merchant network.
- We have established longstanding and complementary business partnership with CUP.
- We possessed an experienced management team with in-depth knowledge of the market in which we operate.

### BUSINESS STRATEGIES

We intend to pursue the following principle strategies:

- Strengthening our position as one of the leading CUP Merchant Acquirers in Thailand by way of (i) continuing to improve the availability and enhance functions of our stock of smart POS terminals as one of our competitive advantages to capture the on-going market demand as a result of technological development and the "Belt and Road" initiative; (ii) further developing our acquiring host system to support the UPOP and QR Code payment; (iii) strengthening and broadening our marketing initiatives; and (iv) expanding our scale of operation by recruiting new talents.
- Further penetrating into the existing markets and strategically expand into new regions by way of (i) deepening our market penetration in our existing markets by extending our Group's payment processing services to cover other payment network associations; and (ii) exploring and expanding into new markets by replicating our existing business model and partnership with CUP.

### COMPETITIVE LANDSCAPE

According to the CIC Report, currently there are approximately 100 Merchant Acquirers in total in Thailand. The CUP merchant acquiring business in Thailand is highly concentrated, with the top six players accounting for approximately 91.9% of the total transaction value in 2017. There were about ten major CUP Merchant Acquirers in Thailand in 2017 and we ranked first among them in terms of transaction value, with market share of approximately 24.9% in 2017. According to the CIC Report, Network A and Network W have developed rapidly by imposing very low MDR and offering various promotions since their emergence in 2016, making the competition between CUP and them fierce. With such competition, together with that from other CUP Merchant Acquirers, the market share of our Group in the merchant acquiring business in Thailand may be affected and decrease in the future. In view of the competition in the CUP

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## SUMMARY

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merchant acquiring business, we believe that our competitive strengths have contributed to the success of our Group and under the management of our experienced Directors and senior management, our Group is well-positioned to capture the growing demand for the CUP merchant acquiring business in Thailand.

### OUR SHAREHOLDING STRUCTURE

China Smartpay is a company incorporated in the Cayman Islands and the issued shares of which are listed on GEM (stock code: 8325). Prior to the Reorganisation, China Smartpay, through Charm Act, indirectly owned 70% interest in the share capital of OCG Thailand (BVI). Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and options that may be granted under the Share Option Scheme), China Smartpay, through Charm Act, owns 52.50% interest in the enlarged issued share capital of our Company and hence will, together with Charm Act, be our Controlling Shareholders upon Listing. Save as mentioned above, there is no other person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and options that may be granted under the Share Option Scheme), be directly or indirectly interested in more than 30% or more of the Shares in issue.

### SUMMARY OF FINANCIAL INFORMATION

#### Highlights of our Combined Statements of Profit or Loss and Other Comprehensive Income

	<b>FY2016</b> <i>HK\$'000</i>	<b>FY2017</b> <i>HK\$'000</i>	<b>FY2018</b> <i>HK\$'000</i>
<b>Revenue</b>	101,250	97,427	106,083
<b>Gross Profit</b>	26,429	25,359	30,407
<b>Profit/(Loss) for the year</b>	10,300	8,593	(1,094)

#### *Revenue*

During the Track Record Period, we have three principal revenue streams derived from our merchant acquiring business, including (i) MDR income; (ii) foreign exchange rate discount income, which is derived through a favourable exchange rate offered by CUP to cover our Group from possible exchange volatility of USD against THB; and (iii) marketing service income. Our business is exposed to foreign exchange risk, for details, please refer to the section headed “Risk Factors – Our business is exposed to foreign exchange risk” in this prospectus. In order to better manage our exposure to the foreign exchange risk, we have developed foreign exchange risk management procedures. For details, please refer to the section headed “Business – Our business model – 5. Payment collection, hedging, and settlement – Hedging” in this prospectus. For FY2016, FY2017 and FY2018, the total transaction value derived from our merchant network amounted to THB28.1 billion, THB26.5 billion and THB26.1 billion, respectively, and our revenue was approximately HK\$101.3 million, HK\$97.4 million, and HK\$106.1 million, respectively. The decrease in our revenue during FY2017 was mainly driven by (i) the zero-dollar tour incident since August 2016; (ii) the one-year mourning period following the passing of the former King of Thailand in October 2016; and (iii) the emergence of Network A and Network W in Thailand since 2016. Despite our transaction value remained stable in FY2018, the growth in our revenue was mainly attributable to a higher MDR charged by our Group for transactions in our merchant network via premium-class CUP Cards and some of our Speciality stores merchants respectively. For details of our revenue analysis, please refer to the section headed “Financial Information – Discussion and analysis of financial performance of our Group – Revenue” in this prospectus. The following table sets forth a breakdown of our revenue by nature during the Track Record Period:

## SUMMARY

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
MDR income	77,491	76.5	74,688	76.7	81,457	76.8
Foreign exchange rate discount income	23,759	23.5	22,739	23.3	24,050	22.7
Marketing service income	–	–	–	–	576	0.5
<b>Total revenue</b>	<b>101,250</b>	<b>100</b>	<b>97,427</b>	<b>100</b>	<b>106,083</b>	<b>100</b>

### *Cost of services rendered*

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
IT network service fee	62,351	62,335	69,507
Franchise license fee	12,470	9,733	6,169
Interchange fee	74,821	72,068	75,676

### *Gross Profit and Gross Profit Margin*

	FY2016		FY2017		FY2018	
	Gross Profit HK\$'000	Margin %	Gross Profit HK\$'000	Margin %	Gross Profit HK\$'000	Margin %
MDR income						
– Malls & general stores	517	1.8	852	1.8	2,280	4.3
– Specialist stores	2,153	4.4	1,768	6.8	3,501	12.1
Subtotal	2,670	3.4	2,620	3.5	5,781	7.1
Foreign exchange rate discount income	23,759	100.0	22,739	100.0	24,050	100.0
Marketing service income	–	–	–	–	576	100.0
<b>Total</b>	<b>26,429</b>	<b>26.1</b>	<b>25,359</b>	<b>26.0</b>	<b>30,407</b>	<b>28.7</b>

During the Track Record Period, our gross profit margin was subject to the proportion of revenue derived from our three income streams. The overall gross profit of our Group was approximately HK\$26.4 million, HK\$25.4 million and HK\$30.4 million for FY2016, FY2017 and FY2018, representing gross profit margin of approximately 26.1%, 26.0% and 28.7% respectively. The decrease in our gross profit for FY2016 and FY2017 was generally in line with the downward trend of our overall revenue and the stable gross profit margin. Our overall gross profit margin slightly reduced from approximately 26.1% to 26.0% for FY2016 and FY2017, primarily due to the slight decrease in revenue generated from our foreign exchange rate discount income in FY2017, which was in line with the slight drop in our MDR income. Our gross profit increased by approximately 19.9% in FY2018 mainly as a result of the improvement in our gross profit margin. Our gross profit margin increased significantly in FY2018 which was primarily driven by the net effect of: (i) a rise of charge on certain premium-class CUP Cards and (ii) the lower franchise license fee set by CUP. For details, please refer to the section headed “Financial Information – Discussion and analysis of financial performance of our Group – Gross profit and gross profit margin” in this prospectus.

### **Net profit/(loss) and net profit/(loss) margin**

Our net profit/(loss) was approximately HK\$10.3 million, HK\$8.6 million, and HK\$(1.1) million, respectively, for FY2016, FY2017, and FY2018, representing a net profit/(loss) margin of approximately 10.2%, 8.8%, and (1.0)%, respectively. Excluding the recognition of listing

## SUMMARY

expenses of approximately HK\$10.0 million for FY2018, our adjusted net profit margin for FY2018 would have been approximately 8.4%. The overall decreasing trend of our net profit margin was primarily due to the significant increase in selling and distribution costs during the Track Record Period.

### Highlight of Combined Statements of Financial Position

	At 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Current assets</b>	38,316	30,080	74,344
<b>Current liabilities</b>	(28,819)	(16,874)	(53,190)
<b>Net current assets</b>	9,497	13,206	21,154
<b>Non-current assets</b>	3,280	8,822	13,613
<b>Non-current liabilities</b>	(2,903)	(2,960)	(3,149)
<b>Net assets</b>	9,874	19,068	31,618

### Highlights of Combined Statements of Cash Flow

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
Net cash generated from operating activities	9,164	11,829	11,758
Net cash used in investing activities	(1,343)	(7,961)	(6,836)
Net cash used in financing activities	(11,352)	-	-
Net (decrease)/increase in cash and cash equivalents	(3,531)	3,868	4,922
Cash and cash equivalents at the beginning of the year	15,647	11,173	15,150
Effect of exchange rate changes	(943)	109	1,592
Cash and cash equivalents at the end of the year	11,173	15,150	21,664
Operating cash flow before changes in working capital	15,996	14,045	16,446

### Key Financial Ratios

	As at/for the year ended		
	2016	31 March 2017	2018
Current ratio	1.3 times	1.8 times	1.4 times
Quick ratio	1.3 times	1.8 times	1.4 times
Gearing ratio (Note)	79.8%	33.0%	24.1%
Debt to equity ratio	n/a	n/a	n/a
Interest coverage	445.2 times	67.8 times	11.8 times
Return on total assets	24.8%	22.1%	-1.2%
Return on equity	104.3%	45.1%	-3.5%
Net profit/(loss) margin	10.2%	8.8%	-1.0%
Adjusted net profit margin	10.2%	8.8%	8.4%

*Note:* The high gearing ratio as at 31 March 2016 was mainly attributable to the significant decrease in our equity as a result of (i) the consideration paid for the share acquisition of OCG Thailand from our equity reserve, and (ii) the distribution of the interim dividend for FY2016. For details please refer to the section headed "History, Reorganisation and Corporate Structure – Preference shares structure arrangement of OCG Thailand – Shareholding restructuring in 2015" in this prospectus.

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## SUMMARY

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### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

According to the unaudited management accounts of our Group up to 31 July 2018, our revenue remained stable and increased slightly for the four months ended 31 July 2018 on a monthly average basis as compared to FY2018, which was mainly due to the growth in transaction value derived from our merchant network. Also, as at 31 July 2018, our net assets remained stable and increased slightly as compared to our financial position as at 31 March 2018, which was in line with the growth in our revenue.

We currently expect that our Group will record a net loss for FY2019 which is expected to be mainly attributable to (i) the listing expenses of approximately HK\$15.3 million (calculated on the assumption of the Offer Price of HK\$0.26 per Share, being the mid-point of the proposed Offer Price range of between HK\$0.22 and HK\$0.30); (ii) an expected increase in selling and distribution expenses; (iii) an expected drop in our gross profit margin; (iv) an expected increase in our general administrative expenses, such as legal and professional fees, after the Listing; and (v) an expected drop in our revenue as a result of an expected drop in number of Chinese tourists and transaction value in Thailand derived from our merchant network after the boat incident occurred in Phuket in July 2018.

In February 2018, QuickPass has been rolled out in Thailand. As at the Latest Practicable Date, our Group has enabled over 300 of our merchants to accept QuickPass transactions in Thailand. As QuickPass has only been introduced to the Thailand market recently, the transaction value derived from which remained immaterial to our Group as at the Latest Practicable Date. Our Directors believe that our Group will be benefited from a series of promotion and marketing activities initiated by CUP to encourage the usage of such new payment method.

Our E-Payment License in Thailand will expire in May 2019. According to the guideline of the application process under the PSA issued by the Bank of Thailand on 7 March 2018 for the public hearing, applicant for PSA may submit required documents from 16 April 2018 to 13 August 2018. As advised by our Thailand Legal Adviser, as our Group has submitted the required documents to the Bank of Thailand on 19 July 2018, a deemed approval was given to our Group, being an existing licensee under the Royal Decree, as a transitional arrangement to continue our business until further order issued by the Minister of Finance or the Bank of Thailand otherwise. Our Directors, as concurred by our Thailand Legal Adviser, are not aware of any material legal impediment in obtaining approval of our application under the PSA. For details, please refer to the section headed “Regulatory Overview – Regulatory framework in Thailand – Payment System Act” in this prospectus.

In view of the high level of competitions in Thailand’s merchant acquiring market in recent years, our Group has been actively identifying opportunities to collaborate with other payment network associations. Up to the Latest Practicable Date, our Group is in progress of establishing collaborations with existing licensees and/or direct partnerships with some major mobile payment network associations. For details, please refer to the section headed “Business – Reliance on CUP would not affect our business prospect – Our strategies in coping with the underlying risks associated with such reliance – (ii) Continuously identifying potential payment network associations” in this prospectus. Upon the Listing, our depreciation expenses are expected to increase by approximately HK\$0.1 million and HK\$0.9 million for FY2019 and FY2020, respectively, in light of the purchases of additional smart POS terminals using the net proceeds from the Listing.

In July 2018, a boat carrying 105 people, mostly Chinese, sank on the way back from a popular snorkeling spot off the southern resort island of Phuket, causing a final death toll of 47 Chinese nationals. The situation worsened when the Deputy Prime Minister, General Prawit Wongsuwan, blamed Chinese tour operators in Phuket for the deadly accident. The speech caused rage among Chinese and a boycott was called. The Deputy Prime Minister then offered apology but not accepted by many Chinese. According to the CIC Report, in August 2018, the arrivals of Chinese tourists dropped by 60% as compared to July 2018 and the Ministry of Tourism and Sports revised down its forecast number of Chinese arrivals for July-to-December

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## SUMMARY

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by 670,000, to 5.1 million. More than 7,300 Phuket hotel room bookings for July and August were cancelled by Chinese tourists. The expected drop in number of Chinese tourists travelling to Thailand is likely to result in a drop in the transaction value of our strategically developed merchant network in Thailand. Our Directors are of the view that such incident will therefore have an adverse impact on our revenue and net profit for the respective periods.

According to the CIC Report, the incident is expected to have a short-term influence over the tourism industry and Chinese tourist arrivals in Thailand. The Association of Thai Travel Agents plans to host roadshows in China to promote quality and safe tourism in Thailand and the Thai government opened Chinese-exclusive customs clearance channels in five major airports in Thailand to ease Chinese tourists' custom clearance procedure. As China National Day Golden Week is approaching, it is expected the number of Chinese tourists in Thailand will rebound.

As at the Latest Practicable Date, we have obtained approval in principle dated 6 June 2018 from the National Bank of Cambodia on the establishment of the payment service provider. According to the CIC Report, with the implementation of "Belt and Road" initiative, the economic and culture exchange between China and affiliated countries, including Thailand and Cambodia, are expected to increase. The outgoing tourist traffic from the PRC is expected to rise constantly. Accordingly, there is plenty of room for Merchant Acquirers, like our Group, to increase the transaction value and market share in the CUP merchant acquiring business. Upon obtaining the relevant payment service license, we could then apply for extending our existing UPI license in Thailand to cover Cambodia. Our existing acquiring host system in Thailand is capable to cover our payment processing service in Cambodia.

Save as disclosed above, there had not been, as far as we are aware of, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 31 March 2018 and up to the date of this prospectus.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 31 March 2018, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 31 March 2018 and up to the date of this prospectus which could materially affect the information shown in the section headed "Accountants' Report" in Appendix I to this prospectus.

### **LISTING EXPENSES**

Based on the Offer Price of HK\$0.26 (being the mid point of the Offer Price range stated in this prospectus), the estimated listing expenses in connection with the Share Offer are approximately HK\$39.0 million, of which approximately HK\$10.0 million has been charged to our combined statements of profit or loss and other comprehensive income for FY2018, and approximately HK\$15.3 million are expected to be charged to our combined statements of profit or loss and other comprehensive income for the FY2019, and approximately HK\$13.7 million is expected to be directly attributable to issue of Shares and accounted for as a deduction from equity upon the successful listing in accordance with the relevant accounting standards. Starting from 1 April 2017, it was agreed with China Smartpay that 90% and 10% of such listing expenses were borne by China Smartpay and our Group, respectively. The portion of listing expenses borne and to be borne by China Smartpay during FY2018 and for FY2019 was recognised/will be recognised as our listing expenses for the respective years and capital contributions from China Smartpay as equity in our Group's statement of financial position with no impact on our cash flow for the respective years.

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## SUMMARY

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### USE OF PROCEEDS

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and combinations and other estimated expenses in connection with the Share Offer:

	Assuming the Offer Size Adjustment Option is not exercised	Assuming the Offer Size Adjustment Option is exercised in full
Offer Price of HK\$0.26 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.30 per Share	Approximately HK\$61.1 million	Approximately HK\$70.8 million

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Offer Price of HK\$0.26, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.30 per Share, the Offer Size Adjustment Option is not exercised at all, of approximately HK\$61.1 million as follows:

- approximately HK\$15.3 million, representing approximately 25.0% of the estimated net proceeds, for continuously improving the availability and enhancing functions of our stock of smart POS terminals;
- approximately HK\$9.7 million, representing approximately 15.9% of the estimated net proceeds, for developing our acquiring host system;
- approximately HK\$1.4 million, representing approximately 2.3% of the estimated net proceeds, for strengthening and broadening our marketing initiatives;
- approximately HK\$2.6 million, representing approximately 4.3% of the estimated net proceeds, for recruiting new talents;
- approximately HK\$18.1 million, representing approximately 29.6% of the estimated net proceeds, for extending our payment processing services to cover other payment network associations;
- approximately HK\$7.9 million, representing approximately 12.9% of the estimated net proceeds, for expanding to Cambodia; and
- approximately HK\$6.1 million, representing approximately 10.0% of the estimated net proceeds, for working capital of our Group.

If the Offer Size Adjustment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK\$9.7 million, assuming that the Offer Price of HK\$0.26, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.30 per Share. The additional net proceeds received from the exercise of the Offer Size Adjustment Option will be applied pro rata to the above mentioned purposes. For further details, please refer to the section headed “Business Objectives, Future Plans and Use of Proceeds” in this prospectus.

### REASONS FOR SHARE OFFER AND SPIN-OFF

Prior to the Reorganisation, our merchant acquiring business was part of China Smartpay Group. The directors of China Smartpay believed that China Smartpay Group’s business in the PRC had grown to a sufficient size to warrant a separate listing on the Stock Exchange, and that such separate listing would be beneficial to our Group and the shareholders of China Smartpay. For details, please refer to the section headed “History, Reorganisation and Corporate Structure

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## SUMMARY

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– Overview” in this prospectus. Further information on the respective business activities and related corporate governance measures to prevent conflict of interests in making decisions at the respective board of directors of our Company and China Smartpay are set forth in the section headed “Relationship with Controlling Shareholders and Non-competition Undertaking” in this prospectus.

### DIVIDEND

For FY2016, FY2017 and FY2018, dividend of approximately HK\$11.6 million, nil and nil were declared. For FY2016, dividend was distributed by (i) OCG Thailand to the non-controlling interests amounted to approximately HK\$4.9 million; and (ii) OCG Thailand (BVI) to Charm Act, Straum Investments and Original Fortune amounted to approximately HK\$4.7 million, HK\$1.4 million and HK\$0.6 million, respectively.

For FY2018, OCG Thailand, the principal subsidiary of our Group declared intra-group dividends of HK\$12.3 million. The dividend was paid to OCG Thailand (BVI). Such intra-group dividend paid to non-Thailand resident enterprise is subject to withholding tax of 10%.

On 18 September 2018, we declared a special dividend of HK\$5.0 million to our Shareholders which was settled in full by cash generated through our internal resources and offsetting against the portion of listing expenses borne and to be borne by China Smartpay for the Listing. Our Directors consider that there will not be material adverse impact on our Group’s financial and liquidity position arising from the dividend payment.

We currently do not have a formal dividend policy or a fixed dividend distribution ratio. Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to our Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operation, financial conditions, and other factors our Board may deem relevant. Prospective investors should note that the historical dividend trend may not be indicative of future dividend trends.

### STATISTICS OF THE SHARE OFFER

	Based on the Offer Price of HK\$0.22 per Offer Share (low-end of Offer Price)	Based on the Offer Price of HK\$0.30 per Offer Share (high-end of Offer Price)
Market capitalisation of our Shares <sup>(Note 1)</sup>	HK\$220 million	HK\$300 million
Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share <sup>(Note 2)</sup>	HK\$0.082	HK\$0.102

#### Notes:

- (1) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue upon completion of the Capitalisation Issue and Share Offer assuming that the Offer Size Adjustment Option is not exercised and without taking into account Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share has been prepared with reference to certain adjustments, as detailed in Appendix II to this prospectus.

### WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net proceeds of the Share Offer and the internally generated funds, that our Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this prospectus.

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## SUMMARY

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### REGULATORY COMPLIANCE AND LITIGATION

As at the Latest Practicable Date, none of our Company and Directors is a party to any outstanding litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations, and no material litigation, arbitration or administrative proceeding has been threatened against our Company. Our Directors confirmed that there had been no material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.

### RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised in risks associated with us, our industry and the Share Offer, among which, the relatively material risks encompass the following: (i) our operation and the profitability may be materially and adversely affected if CUP, who is the single supplier and also one of our major customers, ceases to partner with us; (ii) we may face fierce competition and price pressure from Network A and Network W; (iii) we may face competition from other CUP Merchant Acquirers; (iv) reliance on Merchant A who is the single largest merchant in our five largest customers; (v) placing of POS terminals in merchants frequented by Chinese tourists with large transaction value exposes us to customers concentration risk; (vi) reliance on a third-party system developer for development and maintenance of our acquiring host system in Thailand; (vii) failure of third-party software and equipment used in the operation of our Group may cause interruptions to our business; (viii) any disruption to the backup systems, network resilience and diversity may result in service disruption or termination; (ix) our business is exposed to foreign exchange risk; (x) there are regulatory risks in Thailand hindering our Group's business and structure; (xi) our Group may be held liable for leakage of private and confidential information; (xii) failure in expanding our business to Cambodia may adversely affect our financial position; (xiii) reliance on key executives and management personnel; and (xiv) political unrest, as well as changes in political, social, business, legal, regulatory or economic conditions in Thailand, could harm our business, financial conditions and operating results.

### EXCHANGE RATE CONVERSION

Unless the context requires otherwise, the exchange rate translation of THB against HKD used in this prospectus is THB1.00 = HKD0.25 for the purpose of illustration.

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## DEFINITIONS

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*In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“Accountants’ Report”	the accountants’ report of our Group prepared by the reporting accountants set out in Appendix I to this prospectus
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>BLUE</b> Application Form(s), or where the context so requires, any one of them, to be used in relation to the Public Offer or the Preferential Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 18 September 2018 with effect from Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Available Reserved Shares”	has the meaning ascribed to it in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Baht” or “THB”	Baht, the lawful currency of Thailand
“Beneficial China Smartpay Shareholder(s)”	any beneficial owner(s) of China Smartpay Share(s) whose China Smartpay Share(s) is/are registered, as shown in the register of members of China Smartpay, in the name of a registered China Smartpay Shareholder at 4:00 p.m. on the Record Date
“ <b>BLUE</b> Application Form(s)”	the application form(s) to be sent to Qualifying China Smartpay Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offer

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## DEFINITIONS

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“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cambodia Legal Advisers”	R&T Sok & Heng Law Office
“Capitalisation Issue”	the issue of 749,999,800 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Share Offer as referred to in the section headed “Statutory and General Information – A. Further information about our Company – 4. Resolutions in writing of our Shareholders” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)

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## DEFINITIONS

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“Charm Act”	Charm Act Group Limited (美雅集團有限公司), a company with limited liability incorporated in BVI on 30 November 2007 and wholly-owned by China Smartpay, which is a Controlling Shareholder
“China Smartpay”	China Smartpay Group Holdings Limited (中國支付通集團控股有限公司) (formerly known as Oriental City Group Holdings Limited (奧思知集團控股有限公司)), an exempted company incorporated in the Cayman Islands on 12 December 2007 and the issued shares of which are listed on GEM (stock code: 8325), which is a Controlling Shareholder
“China Smartpay Group”	Remaining China Smartpay Group and our Group, before the Spin-off
“China Smartpay Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of China Smartpay
“China Smartpay Shareholder(s)”	holder(s) of China Smartpay Shares
“CIC”	China Insights Consultancy Limited, an industry research consultant and an Independent Third Party
“CIC Report”	the industry report prepared by CIC, details of which are set out in the section headed “Industry Overview” in this prospectus
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Oriental Payment Group Holdings Limited (東方支付集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 19 January 2018 under the Companies Law

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and in the context of this prospectus unless the context otherwise requires, means Charm Act and China Smartpay
“Deed of Indemnity”	the deed of indemnity dated 18 September 2018 executed by China Smartpay and Charm Act in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain indemnities, particulars of which are set out in the section headed “Statutory and General Information – F. Other information – 1. Tax and other indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 18 September 2018 executed by China Smartpay and Charm Act in favour of our Company (for itself and for the benefit of its subsidiaries) regarding certain non-competition undertakings, as further described in the section headed “Relationship with Controlling Shareholders and Non-competition Undertaking – Deed of Non-competition” in this prospectus
“Director(s)”	the director(s) of our Company
“FBA”	Foreign Business Act of B.E. 2542 (1999)
“FY”	the financial year ended or ending 31 March
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Mandates”	the general mandate for allotment and issue of Shares and the general mandate for repurchase of shares respectively described in the section headed “Statutory and General Information – A. Further information about our Company – 4. Resolutions in writing of our Shareholders” in Appendix IV to this prospectus

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## DEFINITIONS

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“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or any of them, or where the context otherwise requires, in respect of the period prior to our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKFRS(s)”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and Interpretation issued by the HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Union Registrars Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong dollars”, “HK\$”, “HKD”, “HK dollars” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Independent Third Party(ies)”	individual(s) or company(ies) who/which is/are not connected person(s) of our Company within the meaning of the GEM Listing Rules
“IPA”	Investment Promotion Act B.E. 2520 (1977)
“IT”	information technology
“Latest Practicable Date”	19 September 2018, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“Listing”	the listing of our Shares on GEM

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## DEFINITIONS

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“Listing Date”	the date expected to be on or about 16 October 2018, on which our Shares are listed and dealings in our Shares first commence on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Local Switching Network”	a local switching network in Thailand co-constructed by UPI and other local mainstream banks based on UnionPay technical standard
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 18 September 2018 with effect from Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“MOC”	Ministry of Commerce, Thailand
“Mr. Sung”	Mr. Sung Hak Keung, Andy
“Mr. Yu”	Mr. Yu Chun Fai, the founder, the Chairman, chief executive officer and executive Director of our Company
“Nomination Committee”	the nomination committee of our Board
“Non-Qualifying China Smartpay Shareholder(s)”	China Smartpay Shareholder(s) whose name(s) appeared on the register of members of China Smartpay at 4:00 p.m. on the Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories and any China Smartpay Shareholder(s) or Beneficial China Smartpay Shareholder(s) at that time who is/are otherwise known by China Smartpay to be resident in any of the Specified Territories
“OCG Asia Pacific”	Oriental City Group Asia Pacific Limited (奧思知集團亞太區有限公司), a company incorporated under the laws of the BVI with limited liability on 8 September 2011, a wholly-owned subsidiary of OCG Thailand (BVI)
“OCG HK”	OCG Hong Kong Limited (奧思知集團(香港)有限公司), a company incorporated on 6 November 2013 in Hong Kong with limited liability and is wholly-owned by OCG Thailand (BVI)

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## DEFINITIONS

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“OCG Thailand”	Oriental City Group (Thailand) Co., Ltd., a company incorporated in Thailand with limited liability on 27 September 2004 and is currently held by three shareholders, namely OCG Thailand (BVI) holding 2,499,999 ordinary shares representing approximately 49.5049% of the total issued shares with approximately 90.74% voting right, OCG Asia Pacific holding 1 ordinary share representing approximately 0.00002% of the total issued shares with approximately 0.0004% voting right; and Mrs. Nongluck Anantachote holding 2,550,000 preference shares representing approximately 50.5% of the total issued shares with approximately 9.26% voting right. The par value of OCG Thailand is THB10 each with 30% paid up
“OCG Thailand (BVI)”	Oriental City Group Thailand Limited, a company incorporated under the laws of the BVI with limited liability on 7 May 2007 and a directly wholly-owned subsidiary of our Company
“OCGC Payment”	OCGC Payment Co. Ltd., a company incorporated under the laws of Cambodia with limited liability on 18 July 2017 and an indirect wholly-owned subsidiary of our Company
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable thereon) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer
“Offer Share(s)”	the Placing Share(s) (including, for the avoidance of doubt, the Reserved Shares) and the Public Offer Share(s), together where relevant, with any additional Share(s) to be issued pursuant to the exercise of the Offer Size Adjustment Option
“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) to require our Company to allot and issue up to an additional 37,500,000 Placing Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer at the Offer Price, details of which are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus

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## DEFINITIONS

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“Original Fortune”	Original Fortune Group Limited (源富集團有限公司), a company with limited liability incorporated in BVI on 16 June 2011 and wholly owned by Mr. Sung
“Placing”	the conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Share(s)”	the 225,000,000 Shares (including 20,000,000 Reserved Shares under the Preferential Offer) initially offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sponsor, the Sole Global Coordinator and the Placing Underwriters relating to the Placing, as further described in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China, and for the purpose of this prospectus (including geographical reference mentioned herein), and except where the context otherwise requires, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on the 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Preferential Entitlement”	the entitlement of the Qualifying China Smartpay Shareholder(s) to apply for the Reserved Shares under the Preferential Offer on an assured basis to be determined on the basis of their respective shareholdings in China Smartpay as at 4:00 p.m. on the Record Date

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## DEFINITIONS

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“Preferential Offer”	the preferential offer to the Qualifying China Smartpay Shareholders of up to 20,000,000 Reserved Shares (representing approximately 8.89% and 8% of the Offer Shares available under the Placing and the Share Offer, respectively (assuming no reallocation and that the Offer Size Adjustment Option is not exercised)) as Preferential Entitlement at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the <b>BLUE</b> Application Form, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Monday, 8 October 2018, or such later date as may be agreed by us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event not later than 12:00 noon on Thursday, 11 October 2018 on which the final Offer Price is expected to be fixed for the purpose of the Share Offer
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the related Application Forms
“Public Offer Share(s)”	the 25,000,000 Shares being initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer whose names are set forth in the section headed “Underwriting – Public Offer Underwriters” in this prospectus

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## DEFINITIONS

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“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 26 September 2018 relating to the Public Offer and entered into by, among others, our Company, the Sponsor, the Sole Global Coordinator and the Public Offer Underwriters, as further described in the section headed “Underwriting – Public Offer underwriting arrangements and expenses” in this prospectus
“Qualifying China Smartpay Shareholder(s)”	China Smartpay Shareholder(s) whose name(s) appeared on the register of members of China Smartpay at 4:00 p.m. on the Record Date, excluding the Non-Qualifying China Smartpay Shareholder(s)
“Record Date”	26 September 2018, being the record date for determining the Preferential Entitlement of the Qualifying China Smartpay Shareholders to the Reserved Shares
“Regulation S”	Regulation S under the U.S. Securities Act
“Remaining China Smartpay Group”	China Smartpay Group excluding our Group
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described under the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Reserved Shares”	the 20,000,000 Offer Share(s) available in the Preferential Offer being offered by our Company to Qualifying China Smartpay Shareholders pursuant to the Preferential Offer as the Preferential Entitlement and which are to be allocated out of the Placing Shares as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Riel(s)”	the lawful currency of Cambodia
“RMB”	Renminbi, the lawful currency of the PRC
“Royal Decree”	the Royal Decree Governing Control and Supervision of Electronic Payment Service Business B.E. 2551 (2008) of Thailand

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## DEFINITIONS

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“SFC” or “Securities Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 18 September 2018, further details of which are described in the section headed “Statutory and General Information – E. Share Option Scheme” in Appendix IV to this prospectus
“Sole Global Coordinator”	Alpha Financial Group Limited, a licensed corporation to engage in type 1 (dealing in securities) regulated activity under the SFO, being the sole global coordinator to the Share Offer
“Specified Territories”	in respect of the Preferential Offer, such territory or territories which the directors of China Smartpay and our Company consider it necessary or expedient to exclude from the Preferential Offer on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Spin-off”	the separate listing of our Shares on GEM, which is to be effected by way of the Share Offer including the Preferential Offer
“Sponsor” or “Ample Capital”	Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Straum Investments”	Straum Investments Limited, a company with limited liability incorporated in BVI on 10 October 2001 and wholly-owned by Mr. Yu
“Structured Contracts”	has the meaning ascribed to it in the section headed “History, Reorganisation and Corporate Structure – Former contractual arrangements of OCG Thailand prior to the restructuring” in this prospectus
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Thailand Legal Adviser”	Kennedys (Thailand) Limited
“Track Record Period”	the period comprising the three financial years of our Group ended 31 March 2018
“Underwriter(s)”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US” or “USA” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, rules and regulations promulgated thereunder
“USD” or “US\$”	U.S. dollar(s), the lawful currency of the United States of America
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)

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## DEFINITIONS

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“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“sq.m”	square meters
“%”	per cent.

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*Words importing singular include, where applicable, the plural and vice versa words importing the masculine gender include, where applicable, the feminine and neuter gender.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains an explanation of certain terms used in this prospectus which may or may not correspond to standard industry meanings, definition or usage of these terms.*

“ATM”	automated teller machine
“China UnionPay” or “CUP”	China UnionPay (中國銀聯), also known as UnionPay (銀聯) or CUP, an independent payment card organisation established under the approval of the state council and PBOC in the PRC, it is also the only interbank network in the PRC, linking the ATMs of some major banks and various smaller banks throughout (CUP also refers to its group including its affiliate, UPI)
“Chinese tourists”	tourists from the PRC
“CUP Card”	a payment card with the CUP symbol which can be classified into credit card and debit card
“CUP Rate”	a discount up to approximately 0.5% to the mid-spot exchange rate per Reuters at Beijing time 10:00 a.m. on each weekday regardless of holiday in China (Saturday and Sunday will adopt the same rate as Friday)
“Duty-free”	exemption from the payment of certain local or national taxes and duties
“E-Payment License”	E-Payment service provider’s license
“GDP”	Gross Domestic Product
“HCE”	Host-based Card Emulation, a technology on a NFC-enabled device with data routing directly to the host central processing unit
“Malls & general store”	merchants which operate malls and/or general stores, offering multiple categories of products and services under one roof
“MDR”	merchant discount rate at which our Group deducts from the transaction value of each transaction from the merchants, details of which are set out in the section headed “Business” in this prospectus

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## GLOSSARY OF TECHNICAL TERMS

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“Merchant A”	to the best knowledge of our Directors, Merchant A is a Thailand-based duty-free retailer founded and owned by a Thai high net worth individual and its stores are located at five Thailand airports and other major tourist venues including Bangkok, Phuket, Pattaya and Chiang Mai
“Merchant Acquirer”	a bank or payment processor that distributes POS terminals and enables merchants to accept various payment methods e.g. credit card, debit card, QR Codes and NFC etc. adopted by their shoppers. The POS terminals would then acquire and route the respective payment instructions to issuing banks for authorisation. Upon approval, the payment transactions with the merchants would then be processed
“NAC”	network access control
“Network A”	a third-party mobile and online payment platform founded in China in February 2004. It is a subsidiary of a listed company of New York Stock Exchange
“Network L”	an online communication tool platform, which was developed by a Japanese subsidiary of a South Korean internet search giant listed in the Korean Stock Exchange, introduced its payment processing service in December 2014 to allow its worldwide users of the mobile application to request and send money from users in their contact list and make mobile payments in store via its mobile application and payment network. The South Korean-based payment network association further entered into a capital alliance in Thailand with a provider of an e-payment smart card, being Thailand’s leading payment platform, that can be used to pay for public transportation and offline purchases
“Network M”	a multinational financial services corporation with headquarter in the United States, founded in 1966 with a principal business of processing card payments. It is listed in New York Stock Exchange and falls under Standard & Poor’s 100 index components

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## GLOSSARY OF TECHNICAL TERMS

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“Network V”	a multinational financial services corporation with headquarter in the United States, founded in 1958 with a principal business of processing card payments. It is listed in New York Stock Exchange and falls under Standard & Poor’s 100 index components as well as Dow Jones Industrial Average index components
“Network W”	a digital wallet service, introduced in September 2014, incorporated into a messaging software, which allows users to perform mobile payments and send money between contacts. It is a subsidiary of a listed company of Hong Kong Stock Exchange and falls under Hang Seng index components
“NFC”	Near Field Communication, a short-range wireless connection for data exchange between devices
“POS”	point-of-sale, the location where a transaction occurs
“QR Code”	quick response code, a two-dimensional barcode consists of square black modules and white background to store information that can be read by digital devices
“QuickPass”	a brand introduced by CUP in late 2017 in mainland China, which integrated CUP’s existing contactless payment methods with new mobile payment methods
“Specialist store”	merchant store that specialises in catering to one specific type of product and/or service
“UnionPay International” or “UPI”	an affiliate of China UnionPay engaging in the business of managing payment products and services for UnionPay members participating in its payment network

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## FORWARD-LOOKING STATEMENTS

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Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business” and “Financial Information” in this prospectus, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operations;
- our capital expenditure and funding plans;
- the amount and nature of potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- our strategies, plan, objectives and goals;
- general economic conditions;
- capital market development;
- future development trends and conditions in the industry which our Group is operating;
- certain statements in “Financial Information” with respect to trends in prices, operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment of the industry in which our Group is operating; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include those discussed in the section headed “Risk Factors” and elsewhere in this prospectus.

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## FORWARD-LOOKING STATEMENTS

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These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of our Company. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representation by our Company that its plan, or objective will be achieved. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

In this prospectus, unless otherwise stated, statements of references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

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## RISK FACTORS

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*Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS AND OPERATIONS

**Our operation and the profitability may be materially and adversely affected if CUP, who is the single supplier and also one of our major customers, ceases to partner with us**

The single largest supplier for each of FY2016, FY2017 and FY2018 was CUP, which provided network services to our Group. The cost of services rendered from CUP for each of FY2016, FY2017 and FY2018 amounted to approximately HK\$74.8 million, HK\$72.1 million and HK\$75.7 million respectively, representing approximately 100%, 100% and 100% of our Group's cost of services rendered during those respective years. We rely on the license from CUP for the approved service areas and approved territory to operate the acquiring business. For details, please refer to the section headed "Business – Licenses and permits" in this prospectus. The agreements entered into between our Group and CUP are non-exclusive. Should this major supplier cease to provide the services to us or the services provided do not meet the required standard or the relationship between CUP and us deteriorated or even terminated and our Group is unable to find suitable alternative suppliers, the operation and the profitability of our Group may be materially and adversely affected. For further details regarding supply from CUP, please refer to the sections headed "Business – Suppliers" and "Business – Major terms of the agreements with CUP" in this prospectus.

CUP was also our second largest customer for each of FY2016, FY2017 and FY2018. We rely on CUP for receiving foreign exchange rate discount income on the spot foreign exchange rate of the USD against THB. For further details regarding the foreign exchange rate discount income, please refer to the section headed "Business – Our merchant acquiring business – (ii) Foreign exchange rate discount income" in this prospectus. Notwithstanding the above, this income is derived because we receive the settlement according to the rate determined by CUP. It is uncertain that this income can still be generated in the future, either if CUP does not provide such competitive exchange rate, or if CUP or our Group do not continue the business cooperation.

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## RISK FACTORS

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Although the collaboration with other payment network associations is not prohibited under the UPI Operating Regulations, there is no assurance that CUP will not reduce its reliance on us in merchant acquiring business or will continue to cooperate with us for its expansion and development of any new business in the future. In these circumstances, our competitive advantage could be diminished and we may lose our revenue and customers to our competitors and our business, prospects, financial condition and results of operations may be materially and adversely affected.

### **We may face fierce competition and price pressure from Network A and Network W**

According to the CIC Report, since the emergence of Network A and Network W in 2016, the competition among CUP, Network A and Network W is fierce. In order to enter the Thailand market, Network A and Network W imposed very low MDR on their Merchant Acquirers and offered various promotions, which in turn affect the MDR their Merchant Acquirers imposed on the merchants. At the same time, CUP and even CUP Merchant Acquirers lowered their MDR to remain competitive in the market, leading to a drop in their revenue during that period. According to the CIC Report, between 2017 and 2022, Chinese tourists' transaction value for Network A and Network W are expected to benefit from rapid growth rates, with CAGRs of 29.9% and 38.0%, respectively. Our Group may then need to compete on MDR leading to a lower gross profit and adverse effects on financial results. Our market shares in the merchant acquiring business in Thailand would also be affected and decreased in the future due to such fierce competition from Network A and Network W.

### **We may face competition from other CUP Merchant Acquirers**

For the market of CUP merchant acquiring business, it is highly competitive and highly concentrated where the top six players accounting for approximately 91.9% of the total transaction value of 2017, according to the CIC Report. Although our Group ranked the first in Thailand's CUP acquiring business in terms of the market share occupying approximately 24.9% in 2017, the second and the third players follow closely by sharing approximately 19.0% and 16.0% respectively. CUP Merchant Acquirers may lower their MDR to merchants so as to capture more transaction value and market share from other CUP Merchant Acquirers and compete with Merchant Acquirers for other payment network associations, according to the CIC Report. It should be noted that our Group is not the exclusive partner of CUP; therefore, there can be no assurance that CUP would not engage our competitors and other market players who would provide similar services to those being offered by our Group and would ultimately become our competitors and increase competition to the market. Our revenue eventually depends on the frequency of our POS terminals being used by the merchants and the payment method chosen by the Chinese tourists visiting the merchants. Thus, there is no assurance that our POS terminals will continue to be selected for processing CUP payments by merchants. There is also no certainty that we will be able to sustain our market leadership in the CUP merchant acquiring business in Thailand or such competition will not develop and prevent or delay our business plans.

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## **RISK FACTORS**

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### **Reliance on Merchant A who is the single largest merchant in our five largest customers**

For FY2016, FY2017 and FY2018, the largest customer of our Group, Merchant A, accounted for approximately 27.8%, 49.0% and 48.4% of our Group's total revenue respectively. Apart from the foreign exchange rate discount income earned from our second largest customer, CUP, Merchant A has been the single largest merchant outweighing the second largest merchant in FY2016, FY2017 and FY2018 by approximately 13.5%, 54.3% and 57.6% in terms of their contributions to our total revenue. Since Merchant A has been one of the leading merchants in terms of transaction value with CUP, it is always the target to be approached by other CUP Merchant Acquirers with various promotion activities. In the event that there is any disruption to our business relationship with Merchant A or its use of our POS terminals for CUP Card payment and we cannot locate alternative merchants for replacement in a timely manner, our results of operation would be materially and adversely affected.

### **Placing of POS terminals in merchants frequently visited by Chinese tourists with large transaction value exposes us to customers concentration risk**

Our business focuses on processing CUP payments in Thailand, in which the CUP cardholders are most likely the Chinese tourists. A significant percentage of our revenue is then attributable to certain numbers of merchants in Thailand who cater their business with particular focus on Chinese tourists and generate high transaction volume and transaction value. For each of FY2016, FY2017 and FY2018, four of our five largest customers are this kind of merchants focusing on Chinese tourists and account for approximately 59.8%, 64.8% and 59.2% of our Group's total revenue. Our Group is exposed to merchant concentration risk in the sense that our business, financial conditions and result of operations could be adversely affected when losing any of our major customers, especially Merchant A. Further, there is no guarantee that these merchants will continue to generate high transaction volume and transaction value or will maintain their business focus on Chinese tourists in the future. If there is any adverse change in the Chinese economy which causes the number of Chinese tourists travelling to Thailand to decrease, and the merchants cannot attract tourists from other countries, our business, prospects, financial conditions and results of operations would be materially and adversely affected.

### **Reliance on a third-party system developer for development and maintenance of our acquiring host system in Thailand**

Our Group has engaged a third-party system developer in developing and maintaining our indirect system, which is crucial to our payment processing services in Thailand. For details of its operation flow, please refer to the section headed "Business – Our merchant acquiring business – Our business model – 4. Gather and process transaction information" in this prospectus. Since the third-party system developer has the information and know-how in relation to our acquiring host system, any disruption to our business relationship with the third-party system developer would lead to the termination of services provided. If we cannot find suitable and capable alternatives immediately in such event, this would affect our ability to provide a real-time transactions between our merchants and CUP, thus influence our business and operation results.

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### **Failure of third-party software and equipment used in the operation of our Group may cause interruptions to our business**

We rely on third-party software and equipment in the operation of our business. The operation flow of the merchant acquiring business of our Group is detailed in the section headed “Business – Our merchant acquiring business” in this prospectus. The CUP system, Local Switching Network and the issuer banks’ systems, which are important components of the operation flow of our merchant acquiring business, are owned and operated by third-parties. Our Group has no control over any of them. Our ability to provide services, especially the payment processing services, depends on the continued performance and support of these third-party systems, including their software and equipment, and the connection with and among them. If these networks and equipment experience failures or connection defects, or the third-parties maintaining these systems fail to provide adequate remedial support, it may affect the real-time transactions of shoppers leading to errors and failures to process payment. This may then result in the interruption or unsatisfactory performance of our Group’s services.

### **Any disruption to the backup systems, network resilience and diversity may result in service disruption or termination**

The initial transmission of transaction data from POS terminals via our acquiring host system and Local Switching Network, then to the CUP and issuer banks for authorisation is crucial to our Group’s operations. The transaction data is also important to our preparation of transaction summary report for settlement. Our Group has rented two data centers with one for our acquiring host system and another one for keeping primary and backup data. However, any failure of our Group’s backup systems or network for providing its services may still disrupt our payment processing service and our Group’s operation. There could also be no assurance that our backup systems are adequate for all kinds of service interruptions that may occur.

### **Our business is exposed to foreign exchange risk**

Our Group is exposed to foreign exchange risk as the settlement currency of CUP is denominated in USD, while our Group requires to distribute funds to our merchants in THB using the market rate. According to the CIC Report, the THB has been depreciating against USD from 2013 and traded against USD at a rate of 33.93 to 1 in 2017. Our currency translation difference recognised in other comprehensive (loss)/income amounted to approximately HK\$(1.4) million, HK\$0.6 million and HK\$2.5 million for FY2016, FY2017 and FY2018, respectively. With our scenario analysis as detailed in the section headed “Business – Our merchant acquiring business – (ii) Foreign exchange rate discount income” in this prospectus, for the foreign exchange rate discount income, we can earn additional income when USD rises relative to THB but we will incur loss when USD falls relative to THB. For details of the sensitivity analysis of fluctuation in foreign exchange rate discount income, please refer to the section headed “Business – Sensitivity and breakeven analysis” in this prospectus. Together with the exchange rate risk in the trading currencies of our Group’s revenue and expenditure, if there

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## RISK FACTORS

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is any depreciation of USD against THB, our foreign exchange rate discount income would be reduced or even turn into loss. This may then materially and adversely affect the financial conditions and profitability of our Group.

### **There are regulatory risks in Thailand hindering our Group's business and structure**

The unit service business of OCG Thailand is regarded as one restricted business under the FBA which, when engaged in by a foreign company, a foreign business license is required to be sought out from the MOC.

Moreover, OCG Thailand obtained the E-Payment License from the Electronic Transactions Commission under Royal Decree Regulating Electronic Payment Service in May 2009. Section 14 of the Royal Decree stipulates that license shall be valid for 10 years from the issuing date, which indicates our license will be expired in May 2019. However, OCG Thailand is no longer required to renew the E-Payment License under the Royal Decree because the Payment System Act B.E. 2560 (2017) (“PSA”) became effective on 16 April 2018 and supersede the Royal Decree. For details, please refer to the section headed “Regulatory Overview – Regulatory framework in Thailand – Payment System Act” in this prospectus. There can be no assurance that our Group may obtain new approvals, licenses or consents from the relevant authorities under the PSA.

Our Group cannot assure there will not be any amendments on existing rules and regulations or any implements of new laws regarding the definition of “foreigner” of FBA and the E-Payment License. As such, we face regulatory risks that may hinder our Group's business and structure and such regulatory risks also apply to other CUP Merchant Acquirers in Thailand. In the event our Group has changed the current preference share structure leading to being regarded as a “foreigner”, or if our Group cannot obtain the foreign business license and the new license under PSA replacing the E-Payment License, we may not be able to carry the existing business or we may need to change our business model and adjust corresponding business strategies, expansion plans, shareholding structure in Thailand. Our operation and financial result may thus be adversely triggered.

### **Our Group may be held liable for leakage of private and confidential information**

Each of our POS terminal has specific key and encryption is required to connect to the server and CUP system. We receive and transmit customer information when such customers use their cards to conduct transactions via POS terminal placed in the merchants. The information received may include private and confidential information of the customers of the merchants. In the event that there is leakage of such private and confidential information when it is being transmitted, there is risk that claims may be made against our Group for negligence, breach of privacy or confidentiality, or other claims depending on the circumstances of the leakage.

### **Failure in expanding our business to Cambodia may adversely affect our financial position**

We plan to expand our footprint by strategically replicating our successful business model in Thailand into new regions within the ASEAN by establishing our operation in Cambodia. We are in progress of setting up our business in Cambodia and applying for relevant licenses for our

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operation, including to extend our existing UPI license in Thailand to cover Cambodia. To support our expansion in Cambodia, we anticipate that we will need to develop and attract proper talents in various positions and functions. These upfront costs incurred for expanding our business in Cambodia may not be recovered if we fail to obtain the required licenses or fail to replicate our operation in Thailand. Changes in political, social, business, legal, regulatory or economic conditions in Cambodia could also result in failure of our expansion in Cambodia. There is no assurance that the expansion of business in Cambodia will operate as we expected. Therefore, our Group's business, financial conditions and results of operations could be adversely affected.

### **RISKS RELATING TO OUR GROUP**

#### **Reliance on key executives and management personnel**

Our Group's operations depend on our Directors and a number of senior executives who are directly involved in our Group's management. The future success of our Group depends, to a large extent, on the performance of this management team and their continued service to our Group.

In particular, our Group considers that it would be of great loss to our Group should Mr. Yu, the Chairman, chief executive officer and executive Director, choose to leave our Group. Mr. Yu leads our Group with his extensive industry knowledge and experience and oversees our Group's operations in various locations including Thailand, Cambodia and Hong Kong. He is crucial to our Group's operation and success and is responsible for our Group's strategic business development as well as its day-to-day management. Moreover, as our Group's business is based in Thailand, our Group relies heavily on our Thailand management team, including Ms. Ching Hui Lin, the Country Manager of OCG Thailand and one of our senior management, who is in charge of our operation of CUP merchant acquiring business in Thailand.

In the event that Mr. Yu or any other member of our senior management team was to leave our Group, and our Group was not able to find a suitable replacement on timely basis, our Group's business, operation and financial condition could be materially suffered.

#### **Our Group's revenue from our merchant acquiring business is subject to seasonal fluctuations**

Our Group experiences seasonal fluctuations in our revenue in the merchant acquiring business. It generally records higher sales revenue in those months of the Chinese Lunar New Year, summer vacation and the Golden Week for the China National Day due to heavier consumer spending of Chinese tourists in these holidays. We believe the results of our operations may also fluctuate as a result of a number of factors, including the timing of CUP's advertisement and promotional campaigns. As a result of these fluctuations, sales and operating results for any particular period will not necessarily be indicative of our Group's results for the full year or future periods. The seasonal nature of the merchant acquiring business would also affect the cash flows available to our Group.

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### RISKS RELATING TO OUR INDUSTRY

**Political unrest, as well as changes in political, social, business, legal, regulatory or economic conditions in Thailand, could harm our business, financial conditions and operating results**

In recent years, there occurred certain political events causing political tensions and instabilities in Thailand. In September 2006, Thailand experienced a military coup that overturned the existing government, and in 2008, political unrest and demonstrations in Bangkok sparked a series of violent incidents that resulted in several deaths and numerous injuries. Most of the casualties occurred around the Government House compound and the two Bangkok airports, which were temporarily closed after being occupied by anti-government protestors at the end of November 2008. In April 2009, anti-government demonstrations in Bangkok caused severe traffic congestion and numerous injuries, and in March 2010, protestors again held demonstrations calling for new elections. These demonstrations in Bangkok and other parts of Thailand, which escalated in violence through May 2010, resulted in country's worst political violence in nearly two decades with numerous deaths and injuries, as well as destruction of property. Certain hotels and businesses in Bangkok were closed for weeks as the protestors occupied Bangkok's commercial centre, and governments around the world issued travel advisories urging their citizens to avoid non-essential travel to Bangkok. Furthermore, several terror attacks in tourist areas across Thailand, such as in Chiang Mai, Phuket as well as the Siam Paragon shopping mall and Erawan Shrine in Bangkok, resulting in numerous casualties. There can be no assurance that the political environment in Thailand will be stable or that the current or any future government will adopt economic policies conducive to sustain economic growth. Any changes in political, social, business, legal, regulatory or economic conditions in Thailand, including any future political and/or economic crisis, terrorism, outbreaks of hostility and political instability, may materially and adversely affect our Group's business, financial conditions and results of operations.

**Technological improvement may challenge the card payment industry and change the customers' payment behaviour**

Although using debit or credit card to process payment via a POS terminal has become a widely-accepted and popular mean of payment, with continuous advancement in technology, there are other means of payment evolved in the consumption behaviour. During the Track Record Period, our Group has deployed smart POS terminals in major merchants frequently visited by Chinese tourists. The new POS terminals deployed contain easy-to-use touch-screen operation, function of generating QR Code and a built-in scanner which are able to process QR Code payment and support various new business products from CUP, like the coupon payment. There is no assurance that our competitors will not catch up with us by offering similar POS terminals or even better models of POS terminals. Our Group needs to continually enhance the existing products in a timely manner as to retain as a leading market player.

### RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

**An active trading market for our Shares may not develop**

Prior to the Listing, there was no public market for and no established price for our Shares. Our Company has made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Offer Price is the result of negotiations between our Company and

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## **RISK FACTORS**

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the Sole Global Coordinator (for itself and on behalf of the Underwriters), and may differ from the market prices of our Shares after the Listing. However, there is no guarantee that the Listing will result in the development of an active and liquid public trading market for our Shares, or that the market price of our Shares will not decline below the Offer Price.

### **Market price and trading volume of our Shares may be volatile**

The trading price and volume for our Shares may be highly volatile in response to factors beyond our control, including general market conditions of the capital markets in Hong Kong and elsewhere in the world. Moreover, the price and liquidity of our Shares may be volatile for specific business or other reasons. In particular, factors such as variations in our revenue, earnings and cash flows, announcements of new investments, as well as general economic, market or regulatory conditions, could cause large and sudden changes in the liquidity and market price of our Shares.

### **Future issues, offers, or sales of our Shares may adversely affect its prevailing market price**

Prevailing market price of Shares may, after the Listing, be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issue or sale may occur. The Shares held by our Controlling Shareholders are subject to certain lock-up arrangements for periods up to 12 months after the Listing Date. However, there is no assurance that our Controlling Shareholders will not dispose of any or all of our Shares it may own or in the future after the expiration of the applicable lock-up periods. Any future sales, or perceived sales, of substantial amounts of our Shares by our Controlling Shareholders could cause the market price of our Shares to decline significantly as well as materially hinder our ability to raise capital in the future.

### **Shareholders' interests may be diluted as a result of additional equity fund raising**

After the Listing, in pursuit of our business expansion, we may consider offering and issuing additional Shares or equity-linked securities in the future. Such fund-raising activities may not be made on a pro rata basis to existing Shareholders and may result in dilution in our net tangible book value or earnings per Share. In such event, (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the ordinary Shares held by existing Shareholders.

### **Potential conflict of interests between our Controlling Shareholders and other minority Shareholders**

Immediately following the Share Offer, our Controlling Shareholders will beneficially hold an aggregate of 52.5% of the Shares in issue (without taking into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and options that may be granted under the Share Option Scheme). The interest of our Controlling Shareholders may differ from that of the other Shareholders. There can be no assurance that our Controlling Shareholders will act in our best interests or that of the minority Shareholders. If

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## **RISK FACTORS**

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there is any conflict of interests between our Controlling Shareholders, they may have power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

### **Investors may experience immediate dilution as the maximum Offer Price is higher than the net tangible book value per Share**

Since the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value to approximately HK\$0.082 to approximately HK\$0.102 per Share, based on the Offer Price of HK\$0.22 to HK\$0.30 per Share.

### **Dividend policy and payments are subject to the discretion of our Board**

The declaration, payment and amount of any future dividend of our Company will be subject to the discretion of our Directors, and will depend upon, amongst others, our Group's results of operations, cash flow and financial conditions, operating and capital requirements, the availability of sufficient distributable reserves and other relevant factors prevailing at the time. We do not currently have any dividend plans in the foreseeable future, however, we may re-evaluate our dividend policy in the future and the amount of dividends to be distributed to our Shareholders, if any, in the future will depend upon our earnings and financial conditions, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. Investors should be aware that there is no assurance that future dividend will be declared. For further details of our dividend policy, please refer to the section headed "Financial Information – Dividend" in this prospectus. We cannot guarantee if and when we will pay dividend in the future.

### **The protection to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions**

Since our Company is incorporated in the Cayman Islands, its affairs are governed by the Articles, the Cayman Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

## **RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS**

### **Statistics and industry information may come from various sources which may not be reliable**

Certain facts, statistics and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to our merchant acquiring business in Thailand have been derived, in part, from various publications and industry-related sources prepared by government

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departments or Independent Third Parties. Our Group believes that the sources of the information are appropriate sources for such information and has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. Neither our Group, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

### **Forward-looking information may prove inaccurate**

This prospectus contains forward-looking statements and information relating to our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate”, “believe”, “estimate”, “expect”, “plans”, “prospects” and similar expressions, as they relate to our business, are intended to identify forward-looking statements. Such statements reflect our Directors’ current beliefs with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should any of the underlying assumptions or information prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. We do not intend to update these forward-looking statements beyond adhering to on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange.

### **Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us, the Share Offer and Spin-off including, in particular, any financial projections, valuations or other forward looking statement**

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us, the Share Offer and the Spin-off that is not set out in this prospectus. Our Group wishes to emphasise to potential investors that neither we nor any of the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should only rely on the information contained in this prospectus and the Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Copies of this prospectus are available, for information purpose only, at the respective offices of the Public Offer Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Thursday, 27 September 2018 to Wednesday, 3 October 2018 (both dates inclusive).

### **UNDERWRITING**

This prospectus is published solely in connection with the Share Offer which comprises the Public Offer and the Placing. For applicants under the Public Offer and the Preferential Offer, this prospectus and the relevant Application Forms set out the terms and conditions of the Public Offer and the Preferential Offer.

The Listing is sponsored by the Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the Price Determination Agreement. The Share Offer is managed by the Sole Global Coordinator. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around Monday, 8 October 2018 (Hong Kong time) or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, but in any event no later than 12:00 noon on Thursday, 11 October 2018 (Hong Kong time). If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Thursday, 11 October 2018, the Share Offer will not proceed.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares and the Reserved Shares are set out in the section headed “How to Apply for Public Offer Shares and Reserved Shares” in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

Prospective applicants for Offer Shares and/or the Reserved Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares and/or the Reserved Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and/or the Reserved Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong (save for the Preferential Offer made to the Qualifying China Smartpay Shareholders). Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Public Offer Shares and the Reserved Shares are offered to the public and the Qualifying China Smartpay Shareholders, respectively, for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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Each person acquiring the Offer Shares (including the Reserved Shares) will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC and the United States.

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue, Shares which may be made allotted and issued under the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for our Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void. Our Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to our Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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or party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to our Shares.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Subject to compliance with our Articles, our fully paid Shares are freely transferable. All the Offer Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by our Company's branch share registrar and transfer office, Union Registrars Limited. Our Company's principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar and transfer office in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

Dealings in our Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to the Hong Kong stamp duty. Dealings in our Shares registered on the principal register of members of our Company maintained in the Cayman Islands will not be subject to the Cayman Islands stamp duty except where our Company holds interests in land in the Cayman Islands.

Unless determined otherwise by our Company, dividends in respect of Shares will be paid to the Shareholders by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

### **COMMENCEMENT OF DEALINGS IN OUR SHARES**

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 16 October 2018. Shares will be traded in board lots of 10,000 each. The GEM stock code for the Shares is 8613. Our Company will not issue any temporary documents of title. Dealings in our Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second Business Day following the transaction date. Only certificates for Shares registered on the register of members maintained in Hong Kong will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer" in this prospectus.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES**

The procedure for application for the Public Offer Shares and Reserved Shares is set out in the section headed "How to Apply for Public Offer Shares and Reserved Shares" in this prospectus and on the relevant Application Forms.

### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### **ROUNDING**

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

### **EXCHANGE RATES CONVERSION**

For exchange rates translations throughout this prospectus (if any), we make no representation and none should be construed as being made, that any of the HKD, THB, RMB or USD amounts contained in this prospectus could have been or could be converted into amounts of any other currency at any particular rate or at all on such date or any other date.

Unless the context requires otherwise, the following exchange rates have been used for translation for the purpose of illustration only:

THB1.00 = HKD0.25  
RMB1.00 = HKD1.25  
USD1.00 = HKD7.8

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Address	Nationality
<i>Executive Director</i>		
Mr. Yu Chun Fai (余振輝)	Flat 2, 6th Floor Block A, Park Place 7 Tai Tam Reservoir Road Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Xiong Wensen (熊文森)	Room 702, No. 13 Alley 1355, Yingchun Road Pudong New District Shanghai PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chung, Wai Chuen Alfred (鍾偉全)	Flat B, 29/F, Block A Ning Yeung Terrace 78 Bonham Road Sai Ying Pun Hong Kong	Chinese
Ms. Huang Ping (黃萍)	Room 906, Building No. 11 Courtyard No. 1 Xinfeng Street Xicheng District Beijing, PRC	Chinese
Mr. Ng Ka Po (吳家保)	1/F, Block B Unicorn Gardens 11 Shouson Hill Road East Deep Water Bay Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Party</b>	<b>Name and Address</b>
<b>Sponsor</b>	<b>Ample Capital Limited</b> 14A Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong <i>(a licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined in the SFO)</i>
<b>Sole Global Coordinator</b>	<b>Alpha Financial Group Limited</b> Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong <i>(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under SFO)</i>
<b>Joint Bookrunners and Joint Lead Managers</b>	<b>Alpha Financial Group Limited</b> Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong <i>(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under SFO)</i>  <b>RaffAello Securities (HK) Limited</b> Unit 1701 Low Block Grand Millennium Plaza 181 Queen's Road Central Central Hong Kong <i>(A licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)</i>

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### Co-managers

#### **ChaoShang Securities Limited**

Rooms 4001–4002, 40/F

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

*(A licensed corporation carrying on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities as defined under the SFO)*

#### **AFG Securities Limited**

Room B, 17/F

Fortune House

61 Connaught Road Central

Central

Hong Kong

*(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

#### **Pacific Foundation Securities Limited**

11/F

New World Tower II

16–18 Queen's Road Central

Hong Kong

*(A licensed corporation carrying on type 1 (dealing in securities) and type 9 (assets management) regulated activities as defined under the SFO)*

#### **Fortune (HK) Securities Limited**

43/F Cosco Tower

183 Queen's Road Central

Hong Kong

*(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

#### **Core Capital Securities Limited**

Rooms 1005–6, 10/F

Infinitus Plaza

199 Des Voeux Road Central

Sheung Wan

Hong Kong

*(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### Legal Advisers to our Company

*As to Hong Kong law:*

**Kwok Yih & Chan**  
Suites 2103–2105, 21st Floor  
9 Queen’s Road Central  
Hong Kong

*As to Thailand law:*

**Kennedys (Thailand) Limited**  
Unit 2901–2904, 29th Floor  
Sathorn Square  
98 North Sathorn Road  
Silom, Bangrak  
Bangkok 10500  
Thailand

*As to Cambodian law:*

**R&T Sok & Heng Law Office**  
Level 17  
Vattanac Capital Office Tower  
No. 66 Preah Monivong Blvd.  
Sangkat Wat Phnom  
Khan Daun Penh 12202  
Phnom Penh City  
Cambodia

*As to Cayman Islands law:*

**Conyers Dill & Pearman**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### Legal Advisers to the Sponsor and the Underwriters

*As to Hong Kong law:*

**Addleshaw Goddard (Hong Kong) LLP**  
802–804 Champion Tower  
3 Garden Road  
Central  
Hong Kong

*As to Thailand law:*

**Siam Premier International Law Office Limited**  
The Offices at Central World  
26th Floor  
999/9 Rama 1 Road, Pathumwan  
Bangkok 10330  
Thailand

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Auditor and Reporting Accountants**

**Mazars CPA Limited**

42nd Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**Tax Adviser to our Company**

**Mazars Tax Services Limited**

42nd Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**Industry Consultant**

**China Insights Consultancy Limited**

10/F, Tomorrow Square  
399 West Nanjing Road  
Huangpu District  
Shanghai  
PRC

**Property Valuer**

**International Valuation Limited**

Room 1213  
12/F, Houston Centre  
63 Mody Road, Tsim Sha Tsui  
Kowloon  
Hong Kong

**Receiving Bank**

**DBS Bank (Hong Kong) Limited**

11/F, The Center  
99 Queen's Road Central, Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office in the Cayman Islands</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance</b>	Unit 2606, 26/F West Tower, Shun Tak Centre 200 Connaught Road Central Hong Kong
<b>Headquarters in Thailand</b>	24th Floor, A5 Zone TST Building No. 21, Choei Phuang Alley Vibhavadi Rangsit Road Chomphon Sub-district Chatuchak District Bangkok Metropolis 10900
<b>Company Secretary</b>	Mr. Lai Wing Hong, <i>HKICPA, FCCA</i>
<b>Authorised Representatives</b>	<b>Mr. Yu Chun Fai</b> Flat 2, 6th Floor Block A, Park Place 7 Tai Tam Reservoir Road Hong Kong  <b>Mr. Lai Wing Hong</b> Flat 5A 63 Hill Road Sai Wan Hong Kong
<b>Audit Committee</b>	Mr. Chung, Wai Chuen Alfred ( <i>Chairman</i> ) Ms. Huang Ping Mr. Ng Ka Po
<b>Remuneration Committee</b>	Mr. Ng Ka Po ( <i>Chairman</i> ) Mr. Chung, Wai Chuen Alfred Ms. Huang Ping
<b>Nomination Committee</b>	Ms. Huang Ping ( <i>Chairman</i> ) Mr. Chung, Wai Chuen Alfred Mr. Ng Ka Po
<b>Compliance Adviser</b>	<b>Ample Capital Limited</b> 14A Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong

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## CORPORATE INFORMATION

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**Cayman Islands Principal Share  
Registrar and Transfer Office**

**Conyers Trust Company (Cayman) Limited**  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

**Hong Kong Branch Share Registrar**

**Union Registrars Limited**  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

**Principal Banks**

**Dah Sing Bank Limited**  
35/F, Everbright Centre  
108 Gloucester Road  
Wan Chai  
Hong Kong

**Company's Website**

**[www.ocg.com.hk](http://www.ocg.com.hk)**  
*(information contained in this website does not  
form part of this prospectus)*

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## INDUSTRY OVERVIEW

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*Unless indicated otherwise, the information presented in this section is derived from the CIC Report as prepared by CIC, which was commissioned by us and prepared primarily as a market research tool intended to reflect estimates of market conditions in accordance with publicly available sources of information. Any reference to CIC should not be construed as its opinion to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics herein are appropriate sources of such information and statistics. Our Directors have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by CIC and set out in this section has not been independently verified by our Group, our Controlling Shareholders, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Share Offer or their respective directors, officers, employees, advisers, and agents, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.*

### SOURCES OF INFORMATION

We have commissioned CIC, an independent third-party, to conduct an analysis of, and to prepare a final report on the payment system and merchant acquiring business in Thailand and Cambodia. The report we commissioned, or the CIC Report, has been prepared by CIC independent of our influence. We paid CIC a fee of HKD640,000 for the preparation of the report, which we consider to be in line with market rates.

CIC's services include industry-based consulting, commercial due diligence, strategic consulting, etc. Its consulting team has been tracking the latest market trends in industry, energy, industrial chemicals, healthcare, consumer goods, transportation, agriculture, e-business, finance, etc., and has extensive experience in, and insightful market knowledge of, the above mentioned industries. CIC's independent research was undertaken using both primary and secondary research approaches. Primary research involved interviewing industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the International Monetary Fund, the World Bank, the Department of Tourism in Thailand, the United Nations, etc. The market projections in the commissioned report are based on the following key assumptions: (i) Thailand's economy and industrial development are likely to maintain a steady growth trend over the next decade; (ii) relevant key industry drivers are likely to continue driving growth in the payment system and merchant acquiring business in Thailand and Cambodia during the forecast period, including a growing population, a stable political environment, a growing tourism industry, favourable government policies, etc.; and, (iii) there is no extreme *force majeure* or industry regulation in which the market may be affected either dramatically or fundamentally. Except as otherwise noted, all the data and forecasts in this section have been derived from the CIC Report. Our Directors confirmed that, after taking reasonable care, there has been no adverse change in the market information since the publishing date of the CIC Report, which may qualify, contradict, or have an impact on the information as disclosed in this section.

### THAILAND'S TOURISM INDUSTRY

#### Thailand's Total Tourism Receipts

In 2017, the tourism industry was a major driver for Thailand's overall economy, with total tourism receipts of THB1,824.0 billion. In 2022, Thailand's total tourism receipts are expected to reach THB2,827.1 billion as a result of continuous economic growth in the major source countries for tourists, such as China.

## INDUSTRY OVERVIEW

**Total tourism receipts, Thailand, 2013–2022E**

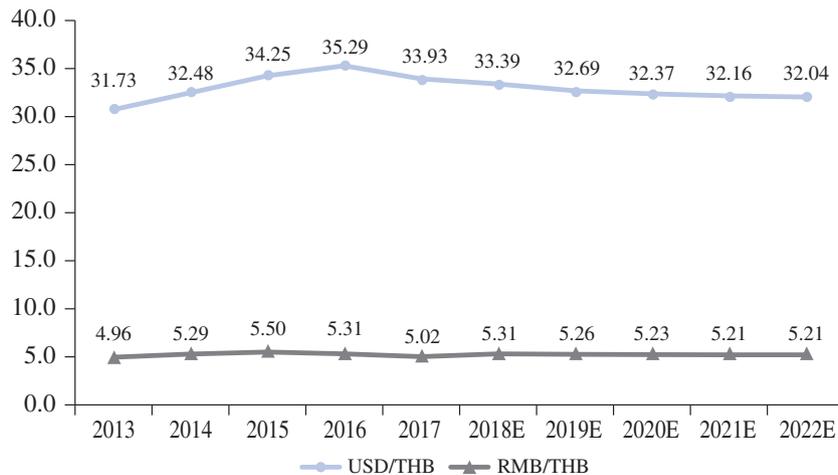


*Source: Department of Tourism, Thailand, China Insights Consultancy*

### Exchange Rates between THB, USD and RMB

From 2013, the THB has been depreciating in value against both the USD and RMB. In 2017, THB traded against the USD at a rate of 33.93 to 1 and against the RMB at a rate of 5.02 to 1. The depreciation of THB can be mainly attributed to the unstable political environment, specifically the constantly changing government. In 2017, the economic reform in Thailand, as known as “Thailand 4.0”, has help stabilize the exchange rates between THB against the USD and RMB.

**Exchange rates of the major currencies, 2013–2022E**



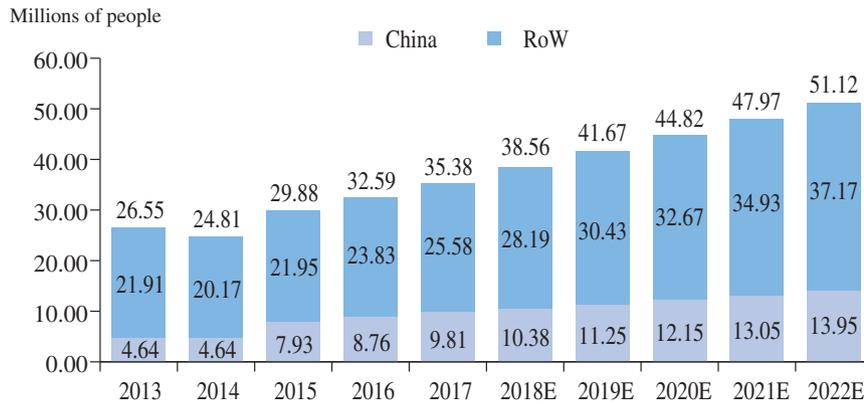
*Source: International Monetary Fund*

### Thailand’s Tourist Arrivals

As a result of its geographic proximity, favourable exchange rates, lower price levels, and a diversified selection of tourists attractions, more and more Chinese tourists are expected to visit Thailand in the future. Almost 10 million Chinese tourists visited Thailand in 2017, accounting for roughly 27.7% of all tourist visits to Thailand that year. In 2022, this number is expected to reach 14.0 million. This trend is expected to continue despite the unstable political environment between 2012 and 2014, when the number of tourist visits to Thailand experienced a significant decline. Due to an increasing number of Chinese tourist arrivals throughout the forecast period, there will be a greater market potential in terms of spending by tourists in Thailand associated with the merchant acquiring business, especially as concerns major Chinese payment methods such as CUP, Network A, and Network W.

## INDUSTRY OVERVIEW

**Number of tourists to Thailand, from China and the rest of the world, 2013–2022E**



*Source: Department of Tourism, Thailand, China Insights Consultancy*

### Passing of the former King of Thailand

In October 2016, Thailand’s Royal Palace announced a year of mourning period following the death of Thailand’s beloved King Bhumibol Adulyadej. The Thai prime minister said that entertainment had to be “toned down” for a month, which meant that tourists in Thailand were affected by the mourning period of the passing of the former King of Thailand. Widely welcomed entertainment events were canceled or reduced in scale, which resulted in some unsatisfied tourists. Bangkok, with a high concentration of tourists sights and tourists attractions were affected largely as the entertainment events were canceled or reduced. Merchant Acquirers who operate mainly in Bangkok suffered in transaction value at that period. The Royal Cremation Ceremony of Thailand’s king Bhumibol Adulyadej was held in October 2017. The ceremony lasted five days. A few popular sites near Sanam Luang, where the ceremony was held, were closed, which further affected the tourism industry in Thailand.

### “Zero-dollar” Tour

In August 2016, Thai police started to take legal action against the tour-related companies for their “zero-dollar” tour operations. The “zero-dollar” tour suggests low expense tour from China to Thailand, but after the tourists arrive in Thailand, they are forced to visit and purchase in overpriced retail outlets, then these retail outlets offer approximately 30% of the total spending as commission to the tour-related companies in percentage of the tourists’ spending. The major destination of these “zero-dollar” tour is Bangkok as most of these “zero-dollar” tour related retail outlets are located in Bangkok.

The police’s action significantly reduced the “zero-dollar” tour activities in Thailand, which largely affected the number of Chinese tourists to go to Thailand at that period, along with Chinese tourists’ expenditure and transaction value in these selected overpriced retail outlets. These retail outlets are mainly located in Bangkok. As a result, Merchant Acquirers who are mainly operating in Bangkok saw a significant drop in transaction value after the police’s actions.

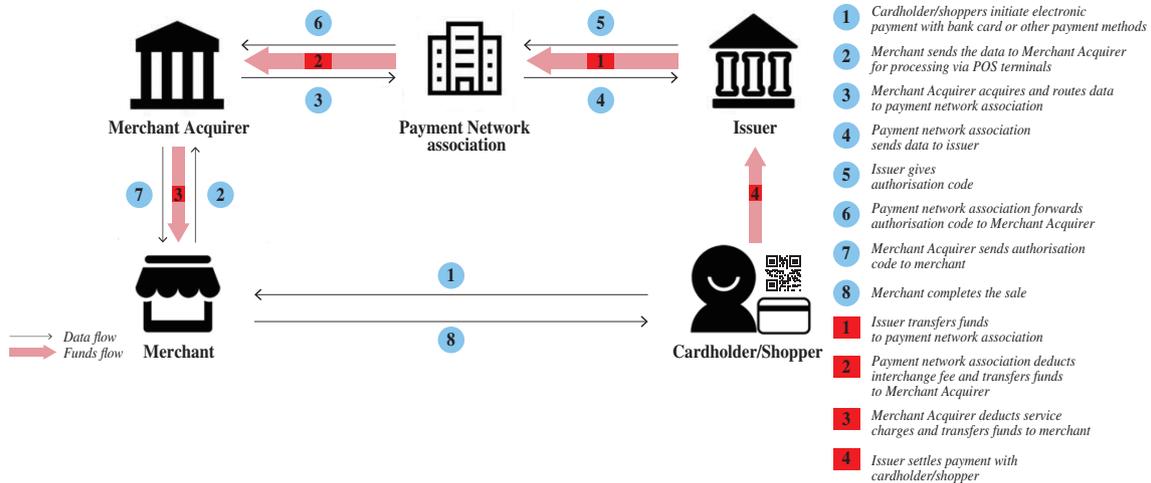
### THAILAND PAYMENT SYSTEM AND MERCHANT ACQUIRING MARKET

Merchant Acquirer – a bank or financial institution that processes credit card payments, debit card payments and mobile payments on behalf of a merchant. The Merchant Acquirer allows merchants to accept card payments from the issuing banks within an association. It is an industry norm for a Merchant Acquirer, especially a third-party Merchant Acquirer, to obtain the license from one payment network association and to cooperate with one payment network association, as payment network associations are competing with one another and trying to gain higher transaction value. However, it is possible for a third-party Merchant Acquirer to use the license obtained by banks and cooperate with other payment network associations.

## INDUSTRY OVERVIEW

Payment network association – a network of issuing and acquiring banks or financial institutions that process the payment method of a specific brand, such as UPI.

Issuer – a bank that offers card association branded payment cards directly to consumers, or a financial institution that offers virtual accounts to consumers.



### Income Sources for Merchant Acquirers

A CUP Merchant Acquirer in Thailand primarily has two sources of income: commission income and foreign exchange rate discount income. Commission income is the MDR net of interchange fee, a rate charged to a merchant by a Merchant Acquirer for providing the POS terminals and card payment services, minus the card association’s interchange fee. Foreign exchange rate discount income is a discount on exchange rate when converting a merchant’s transaction value (net of interchange fee) from the processing currency (USD) to the local currency (THB) before paying the merchant.

### CUP’s QuickPass

QuickPass is a brand introduced by CUP in late 2017 in mainland China, which integrated CUP’s existing contactless payment methods with new mobile payment methods. The brand include various mobile payment products jointly developed with banks, domestics and foreign mobile phone manufacturers, mobile carriers and other parties. HCE, NFC, QR Code and other mobile payment methods are all included in the QuickPass brand. In early 2018, CUP has gradually been introducing QuickPass in Southeast Asian market, including Thailand market. However, different from the QuickPass brand in mainland China, the promotion of QuickPass brand in Thailand by CUP mainly focuses on the use of QR Code payments.

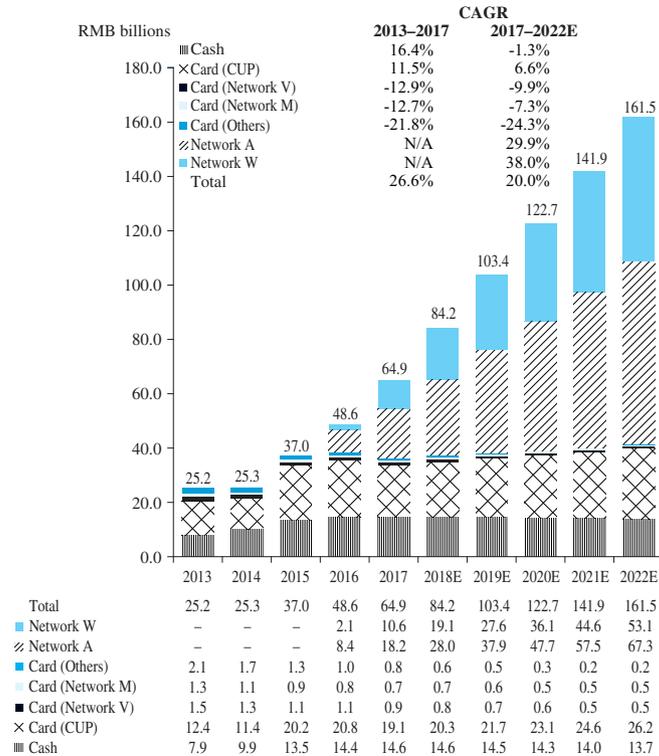
CUP’s introduction of QuickPass brand in Thailand market requires close cooperations with local Merchant Acquirers, especially third-party Merchant Acquirers. Compared with banks, third-party Merchant Acquirers have faster response with promotion activities and higher level of customer services; more importantly, only some of the third-party Merchant Acquirers have deployed smart POS terminals to merchants. Most of the payment methods under QuickPass brand can only achieved using smart POS terminals.

### Chinese Tourists’ Total Transaction Value in Thailand

Before 2005, Chinese tourists travelling to Thailand made purchases primarily by using cash or by cards issued by Network V and Network M. In 2005, UPI started to expand their business by cooperating with Merchant Acquirers in Thailand to support CUP Card payments. In 2016, Network A and Network W entered the Thailand market, affecting the card payment method. The expansion of Network A and Network W in Thailand has been fairly aggressive, which in turn has affected the growth performance of card payment methods in 2016. However, CUP introduced QuickPass payment in Thailand in early 2018, which is expected to be well received and become another popular mobile payment methods for Chinese tourists in Thailand.

## INDUSTRY OVERVIEW

**Chinese tourists' transaction value by payment method, Thailand, 2013–2022E**



*Transaction include Chinese tourists' expenditure in Thailand through cash, POS terminals, online payment channels, excluding pre-paid travel tickets and accommodation expenditure.*

*Source: China Insights Consultancy*

In 2017, Chinese tourists were able to use their CUP Cards at more than 85% of merchants in Thailand. As a result, CUP has been capturing market share from Network V and Network M as more Thai merchants have begun accepting it as a payment method. In 2017, more than 85% of CUP transactions in Thailand were made by Chinese tourists, while the remaining CUP transactions were made by tourists from Hong Kong, Macau, etc.

CUP has become the dominant payment method in Thailand for Chinese tourists due to its already high penetration rate among Chinese citizens. The major competitive advantages of CUP include (1) its high penetration rate among Chinese tourists, with China being one of the major source countries for tourists travelling to Thailand; (2) a relatively lower interchange rate for Merchant Acquirers as compared with Network M and Network V; (3) the relatively strong promotion strategy adopted by CUP; (4) the security measures with CUP Cards is relatively high as compared with mobile payment methods, which is more suitable for making payment with higher value; and (5) CUP has been cooperating with banks in China for many years and formed stable relationships with them.

Between 2017 and 2022, it is expected that Chinese tourists' transaction value for CUP Cards will grow at a CAGR of 6.6% to reach RMB26.2 billion, this growth being supported by the increasing penetration rate for CUP among Thai merchants and the increasing overall number of Chinese tourists visiting Thailand.

Although Network A and Network W only became available in Thailand in 2016, they have been used in mainland China for more than 10 years. Chinese consumers are familiar with both Network A and Network W and use them on a daily basis. Moreover, there are no other mobile payment methods available for Chinese tourists in Thailand besides Network A and Network W. In early 2018, CUP is introducing QuickPass in Thailand market. Merchants scan customers' QR Code on their mobile devices to finish the payment procedure, just like Network A and Network W. Merchant Acquirers working with CUP can easily support QuickPass by distributing smart POS terminals to merchants.

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## INDUSTRY OVERVIEW

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Currently, the competition between Network A, Network W and CUP is fierce. In order to compete with each other, Network A and Network W impose very low interchange fee on Merchant Acquirers, which in turn affects the MDR Merchant Acquirers impose on merchants. Besides lower interchange fee, Network A and Network W also carried out promotions with cashback and subsidies. With these efforts, Network A and Network W is able to expand their coverage in Thailand rapidly. At the same period, CUP is cooperating with leading Merchant Acquirers in Thailand to launch contactless payment and QuickPass QR Code payment. Promotion methods such as lowered MDR, discount for merchants and subsidies for merchants and Merchant Acquirers are used to compete with Network A and Network W. It is expected that CUP will gain market share by leveraging on its dominant payment network association position in mainland China and provide targeted services and products for Chinese tourists in Thailand. With the intense competition between these market players, it is expected that Merchant Acquirers and merchants will benefit from their promotion activities.

Since their introduction in Thailand, Network A and Network W have been well received among Chinese tourists, with an expanding number of supporting merchants and an increasing transaction value. This is mainly due to the convenience for small amount transactions, easy support for small merchants and the subsidies offered to merchants and Merchant Acquirers by Network A and Network W. Moreover, mobile payments in Thailand are expected to capture an increasingly larger share of the transaction value currently taken up by cash and card payments for Chinese tourists. CUP, after introducing QuickPass brand in Thailand, is expected to gain share in mobile payment transaction value among Chinese tourists as well.

According to People's Bank of China, there is a spending limitation for Network A, Network W and QuickPass. In order to minimise the consequences of using unsecured payment QR Code, there are 4 security levels when making mobile payments, with limitations on daily spending of RMB500, RMB1,000, RMB5,000 and no limitation respectively. CUP's QuickPass imposes different daily spending limitations for cards from different banks. On average, there is a RMB3,000 daily spending limit using QuickPass. However, Network A, Network W and QuickPass all focus on low transaction value payment, thus, the daily spending limits have limited restrictions on customers. With CUP Cards, there is no daily spending limitation imposed by any policy. Regarding the annual spending limitation, when making payment using Network A or Network W, there is a RMB200,000 annual spending limit for each person. For CUP Cards, there is no annual spending limitation. With the spending limitation imposed on Network A, Network W and QuickPass, CUP Cards are the ideal choices for tourists when purchasing higher value products, which is expected to further drive the growth of total transaction value of CUP Cards in Thailand.

### *Recent changes in regulation in mainland China*

Recently, it is noted that a third-party CUP Merchant Acquirer in Thailand has started to support Network W, which indicates the trend that third-party CUP Merchant Acquirers will also be able to support Network W and Network A via their smart POS terminals in the near future and enjoy the growth in Chinese tourist's transaction value of both Network W and Network A. From 2017 to 2022, the total transaction value of Chinese tourists in Thailand will increase at a CAGR of 20.0%, with CUP, Network A and Network W capturing large portion of the total transaction value. It is expected that a Merchant Acquirer with large quantity of smart POS terminals will have the opportunity to further increase their transaction value by supporting Network A and Network W.

Starting from July 2018, all direct links between mobile payment network associations including Network A and Network W and banks will no longer be allowed in China, which means all mobile payment network associations need to cooperate with an official settlement and clearing organisation in order to operate. This regulation aims to standardise and supervise the mobile payment industry. NetsUnion Clearing Corporation ("NUCC") and CUP are the two major settlement and clearing organisations in China.

Since April 2018, Network A and Network W have successively entered into cooperation agreements with both settlement and clearing service providers, i.e. CUP and NUCC, in mainland China. The rule of no direct link between mobile payment network associations and banks is expected to apply to overseas payments in the future. A Merchant Acquirer that supports CUP can apply on the website of CUP for the support of Network W instead of

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## INDUSTRY OVERVIEW

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applying a separate license to support Network W and Network A in mainland China. This new policy which is still relatively new and only effective in mainland China, has not yet been introduced to CUP's overseas operations. In overseas countries, the settlement and clearing services of Network A and Network W are still independent from CUP currently. At this early stage of the cooperation, the exact regulation for overseas payment is still under discussion, but it is expected that overseas Merchant Acquirers can support Network W and Network A in the same way as Merchant Acquirers in mainland China when the new policy prevails in the overseas markets. It is likely that this policy will be implemented in the overseas markets in the future and overseas Merchant Acquirers can apply for supporting mobile payments through CUP's website. However, unlike CUP, NUCC focuses their operations in mainland China and has not entered into foreign countries. Therefore, it is expected that Network A and Network W can only cooperate with CUP in the overseas markets in the near future. As a result, only Merchant Acquirers in mainland China can apply for supporting mobile payment through CUP's website currently. Overseas Merchant Acquirers still need to directly apply for licenses from mobile payment network associations in order to support mobile payment methods, or cooperating with other entities who already possess the licenses to support mobile payment methods. Technically speaking, the hardware and software systems of an existing mobile payment Merchant Acquirer can be modified to connect with CUP system. All traditional and stationary POS terminals used by mobile payment Merchant Acquirers are able to process card payment. Whereas, in order to process CUP transactions, an existing mobile payment Merchant Acquirer also needs to apply for the license from CUP and pass the tests carried out by CUP, which is relatively time consuming and require relatively high capital investment.

### **Drivers for Payment Methods used by Chinese Tourists in Thailand**

#### ***Strong consumer demand and easy availability of bank cards***

Comparing to cash, bank cards are safer and more convenient to use. International tourists in Thailand do not need to exchange cash beforehand in order to make payments.

Between 2013 and 2017, the total number of bank cards issued in China grew at a CAGR of 12.3% to reach 6,693.0 million. Between 2017 and 2022, the number of bank cards in circulation is expected to grow at a CAGR of 9.0% to reach 10,297.5 million. The strong demand for and the relative ease in getting bank cards among Chinese tourists has helped drive the card payment market in Thailand since Chinese tourists are one of the largest groups of foreign tourists visiting the country.

#### ***Technological improvements for payment methods***

Technological improvements for payment methods used in Thailand are expected to further drive the use of non-cash payment methods by Chinese tourists. Comparing with mainland China, Hong Kong, etc., Thailand is at an initial stage of technological development in terms of new payment methods. In addition, the "Belt and Road" initiative is also expected to drive the technological upgrade in Thailand, while also encouraging the entry of Chinese payment companies and payment methods that Chinese tourists are familiar with.

New POS terminals with multiple functions are being adopted in increasingly greater numbers, while relatively more sophisticated payment systems are also being set up by banks, Merchant Acquirers, and the government. With the development of financial technology (Fintech) used for different payment methods, non-cash payment methods using bank cards, NFC, and QR Codes are expected to become more popular among Chinese tourists.

#### ***Active promotion of payment methods***

Payment network associations including CUP, Network V, Network M, etc., are actively promoting card payments in Thailand by cooperating with merchants to introduce more discounts, providing special privileges for card users, and emphasizing their high service and safety standards, among other promotional efforts. At the same time, third-party payment methods such as Network A and Network W are aggressively promoting their services by focusing on their convenience and their relatively high penetration rate among Chinese consumers. As a result of intensive promotional efforts, Chinese tourists in Thailand are more incentivised to use card or mobile payment methods instead of cash.

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## INDUSTRY OVERVIEW

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### **Future Trends for Payment Methods used by Chinese Tourists in Thailand**

#### *Towards a Cashless Society*

Cash has always been a major payment method since Chinese tourists first began visiting Thailand. However, with the development of technology and the popularisation of smart POS terminals, cash payments have been gradually replaced by credit cards, debit cards, and other payment methods. The use of cash is expected to decline continuously in the near future.

Mobile payments introduced by Network A and Network W are becoming increasingly popular. The convenience of mobile payment method has rapidly captured an increasing market share of transaction value and is expected to continue in the future. CUP introduced its QR Code payment method “QuickPass” in Thailand in early 2018. The strong promotion activities and high penetration rate of CUP Cards among Chinese tourists will help the future growth of QuickPass. This new feature will provide Chinese tourists in Thailand with another option when using CUP apart from regular card payments. It is expected that QuickPass will join Network A and Network W and become a major mobile payment method for Chinese tourists in Thailand. The functions of these mobile payments methods will be maximised with the use of smart POS terminals, which indicate a potential large market for smart POS terminals. Furthermore, Merchant Acquirers already deploying smart POS terminals to merchants are expected to gain momentum when cooperating with these payment network associations.

#### *Wider Use of CUP Cards*

In 2017, 85% of merchants in Thailand accepted CUP Cards which were able to transact with 99% of bank cards issued in mainland China. The usage of CUP Cards by Chinese tourists in Thailand is expected to grow as increasingly more Thai merchants continue to adopt CUP Cards as a payment method.

### **COMPETITION ANALYSIS OF THAILAND’S CUP ACQUIRING BUSINESS**

#### **Competitive Landscape of Thailand’s Smart POS Terminals Market**

Currently, the major POS terminals used in Thailand are traditional POS terminals and stationary POS terminals. Smart POS terminals only account for a limited market share. However, since the traditional POS terminals cannot process mobile payment, NFC, contactless payment, Apple Pay, etc., the market is switching to smart POS terminals as the demand for supporting payment via mobile devices is rising. The global trend of going to cashless society is driving the switch to smart POS terminals. By the first quarter of 2018, among all CUP Merchant Acquirers, our Company distributed more than 75% of the smart POS terminals that can accept CUP payments in Thailand market. At the end of 2017, it is estimated that there are more than 500,000 POS terminals in Thailand, with each merchant possesses two to three POS terminals in order to process payments from different payment network associations. Approximately 250,000 POS terminals can accept CUP payments currently, and approximately 1% of these POS terminals are smart POS terminals.

Our Company is the only CUP Merchant Acquirer in Thailand with large number of smart POS terminals; thus, the smart POS terminals possessed by CUP Merchant Acquirers is very concentrated. Other than CUP, Merchant Acquirers for Network W and Network A also distributed some smart POS terminals but the number is relatively low as compared with our Company since Network W and Network A are supported in Thailand mostly by modifying current traditional POS terminals and stationary POS terminals. Comparing with modified traditional POS terminals and stationary POS terminals, smart POS terminals are faster, wireless, user-friendly and easy to setup for supporting payment from different payment network associations. Other payment network associations currently are not promoting the use of their own mobile payment methods, thus the number of smart POS terminals distributed by other payment network associations’ Merchant Acquirers is limited. A Merchant Acquirer with large quantity of smart POS terminals is expected to adopt the new payment methods rapidly and gain market share.

#### **Competitive Landscape of Thailand’s CUP Acquiring Business**

Banks and third-party Merchant Acquirers are the major players in Thailand’s merchant acquiring business market. In Thailand, the merchant acquiring business of banks are of

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relatively low service quality. Banks are usually lagged behind in reacting to the change of market, such as mobile payment, installing smart POS, etc., as well as with poor or delayed customer service for trouble shooting related to POS terminals. When mobile payment network associations in mainland China first entered the Thailand market, CUP usually verbally discouraged its Merchant Acquirers from cooperating with competing payment network associations, especially mobile payment network associations from mainland China. However, there was no clear penalty for such cooperation. Currently, these mobile payment network associations in China have successively entered into cooperations with CUP as required by the new policy implemented in China. Such verbal discouragement is no longer carried out by CUP and a number of CUP Merchant Acquirers in Thailand have become/are in progress of becoming business partners of these mobile payment network associations subsequently.

In 2017, there were around 10 major Merchant Acquirers in Thailand that had agreements with CUP to accept their card payments. The CUP merchant acquiring business in Thailand is highly concentrated, with the top 6 players accounting for 91.9% of the total transaction value as of 2017. Apart from the 6 major CUP Merchant Acquirers, other players combined to share the remaining 8.1% of the total transaction value via CUP network. Our Company ranked first in Thailand's CUP merchant acquiring business in terms of market share, having captured a market share of 24.9% in 2017. In the same period, our Company took a market share of approximately 0.6% among all card and mobile payment transaction value in Thailand, indicating a relatively fragmented merchant acquiring business in Thailand. Currently, there are approximately 100 Merchant Acquirers in total in Thailand.

The major CUP Merchant Acquirers established in Thailand have fairly large merchant networks, which means that they cooperate with a large number of merchants. With large-scale merchant networks, Merchant Acquirers are able to provide more POS terminals that accept CUP Cards, which therefore also enables these Merchant Acquirers to capture a higher transaction value. However, the final transaction value is also affected by various other factors, including the location of merchants, the size of the merchants, the products sold by merchants, the marketing activities of CUP, Merchant Acquirers, and the merchants themselves, the client base of merchants, and so on.

Currently, only our Company is equipped with large quantity of smart POS terminals, which is a rather significant competitive advantage against other parties, since smart POS terminals can support various payment methods, include QR Code, barcode, NFC, credit card, debt card, etc. Secondly, our Company's selection of merchants is optimized to service Chinese tourists. The merchants are located in most visited venues by Chinese tourists to ensure high transaction value. Thirdly, our Company can offer highly competitive MDR to the merchants, which helps the merchants to reduce cost. This is widely welcomed by the merchants and giving competitive advantages to our Company. Finally, our Company's service quality is relatively high, with timely response with any request and question the merchant raises, as well as timely response to CUP's promotion and launch of new payment methods.

### Rankings and Market Shares of Leading Market Participants

#### *Top six CUP Merchant Acquirers in terms of transaction value, Thailand, 2017*

Ranking	Company	Approximate transaction value (THB billion)	Approximate market share in 2017
1	<b>Our Company</b>	<b>24.0</b>	<b>24.9%</b>
2	Company A	18.3	19.0%
3	Company B	15.4	16.0%
4	Company C	11.6	12.0%
5	Company D	10.6	11.0%
6	Company E	8.7	9.0%
<b>Sub total</b>		<b>88.6</b>	<b>91.9%</b>
	Other providers	7.9	8.1%
<b>Total</b>		<b>96.5</b>	<b>100.0%</b>

*Note:* The above ranking reflected the transactions from January 2017 to December 2017.

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### **Entry Barriers for Thailand's Payment System Market**

#### ***Licenses Required to Operate in the Market***

A Merchant Acquirer needs to have the relevant licenses in order to operate in Thailand, including the license issued by the Bank of Thailand which allows the Merchant Acquirer to operate an electronics payment service through the use of specialised equipment and a network. Additional licenses are required for a foreign company seeking to begin operations as a Merchant Acquirer. The application process for these licenses involves a stringent process, which thus creates an entry barrier for new companies with limited experience as a Merchant Acquirer.

#### ***Business Partnership with Card Associations***

Building a business partnership with payment network associations (such as CUP, Network V, Network M, etc.) is not easy, since they have strict rules and requirements when selecting Merchant Acquirers to become their business partners. Thus, recruiting an experienced and skillful management team able to establish good relationships with payment network associations is an entry barrier for potential new entrants. Once the relationship is formed, there is a mutual reliance between a card association and a Merchant Acquirer, especially between a payment network association and a third-party Merchant Acquirer. Payment network associations rely on Merchant Acquirers to carry out promotion activities and other operations, and payment network associations help Merchant Acquirers to build their merchant networks.

#### ***Capital Investment***

High capital investment is needed in order to set up an acquiring business, which includes (i) the purchase, installation, and maintenance of POS terminals, (ii) the development of direct information systems to process payment transactions and send data to CUP, and (iii) a sales team to help recruit merchants and service them. This relatively high capital investment creates an entry barrier for new companies.

#### ***Technology***

With the current trends revolving around mobile payment methods, the technological requirements for POS terminals have increased. A single POS terminal may need to support multiple payment methods, including credit cards, debit cards, QR Codes, NFC, Apple Pay, Network A, Network W, etc. Acquiring the technology to support all of these payment methods is yet another entry barrier for newcomers. Currently, the price for a smart POS terminal is approximately USD350, which include the hardware as well as the software. The price may be lower if the purchase order is sufficiently large.

### **Key Success Factors in Thailand's Payment System Market**

#### ***Professional Relationship with Payment Network Associations***

Merchant Acquirers need to establish a good working relationship with payment network associations so as to better negotiate and maximize their commission and exchange incomes. Furthermore, Merchant Acquirers can benefit from the additional support offered by payment network associations, such as the issuance of more bank cards or organizing marketing campaigns to promote the use of their bank cards.

#### ***Competitive MDR***

Due to the competition with Network A and Network W, as well as the competition between CUP Merchant Acquirers, it is important for a successful CUP Merchant Acquirer to offer a competitive MDR to merchants. With lower MDR, the cost for merchants is lower, which will in turn encourage the merchants to cooperate.

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### *Optimized Selection of Merchant Network*

Merchant Acquirers usually actively approach merchants by their sales team to establish cooperation. However, the competitive advantages of payment network associations could largely help Merchant Acquirers in expanding their merchant network. With a large merchant network, especially in terms of those merchants having a higher transaction value, a Merchant Acquirer can maintain a relatively stable revenue stream. Successful Merchant Acquirers usually form stable relationships with major merchants, as major merchants have higher transaction value. It is considered a mutual and complementary reliance between merchants and Merchant Acquirers. As the merchants need to support CUP and serve Chinese tourists and the Merchant Acquirers need to deploy more POS terminals to increase the total transaction value. The mix of merchant types is also crucial for CUP Merchant Acquirers. A Merchant Acquirer is more likely to succeed if the merchant types is diversified, namely include shopping venues, hospitality and catering venues and specialty venues. The geographic locations of the merchant are important as well. Since CUP Merchant Acquirers mainly service Chinese tourists, the venues more frequently visited by Chinese tourists will likely receive more transaction value.

### *POS Terminals with Advanced Technology*

Smart POS terminals with advanced technology and multiple functions are able to support various payment methods, including cards, NFC, QR Codes, etc. Currently, smart POS terminals in Thailand are still at an introductory stage, which means that the market share for smart POS terminals remains relatively small. Market players with smart POS terminals are more likely to succeed since the market is shifting from traditional POS terminals to smart POS terminals. Such POS terminals are able to cater to the most demanding retail environments while also accelerating check-out speeds and improving the level of engagement with customers. CUP tends to refer merchants to Merchant Acquirers who possess more smart POS terminals to replace those who didn't. Furthermore, there are more promotion and incentive program from CUP to Merchant Acquirers to promote smart POS terminals as to support its newly launched contactless payment and QuickPass QR Code payment.

### *High Quality Services*

Merchant Acquirers need to be able to service their merchants well in order to maintain their loyalty and discourage them from switching over to another Merchant Acquirer. Being able to quickly trouble-shoot and fix problems with their POS terminals (preferably in the same day) is a key indicator of service performance, as any delay associated with POS terminal downtime can have a serious impact on the processing speed for shoppers' payments.

### *Promotion Activities*

In order to establish stable cooperation with the merchants, Merchant Acquirers, with the resources and features of payment network associations, carry out various promotion activities that benefit the merchants. For example, lower MDR can reduce the cost for merchants, and it is a very well received promotion methods among merchants. Besides promotion for merchants, promotions that benefit shoppers are also a key successful factor for Merchant Acquirers. Various promotion methods including cash back to the shoppers, coupons, discounts, etc. can attract shoppers to use their services. To cope with the increasing competition from Network A and Network W, CUP Merchant Acquirers have been intensifying their promotion efforts. Sufficient and aggressive promotion activities are expected to help a Merchant Acquirer to succeed in the highly competitive market.

## **CAMBODIA PAYMENT SYSTEM AND MERCHANT ACQUIRING MARKET**

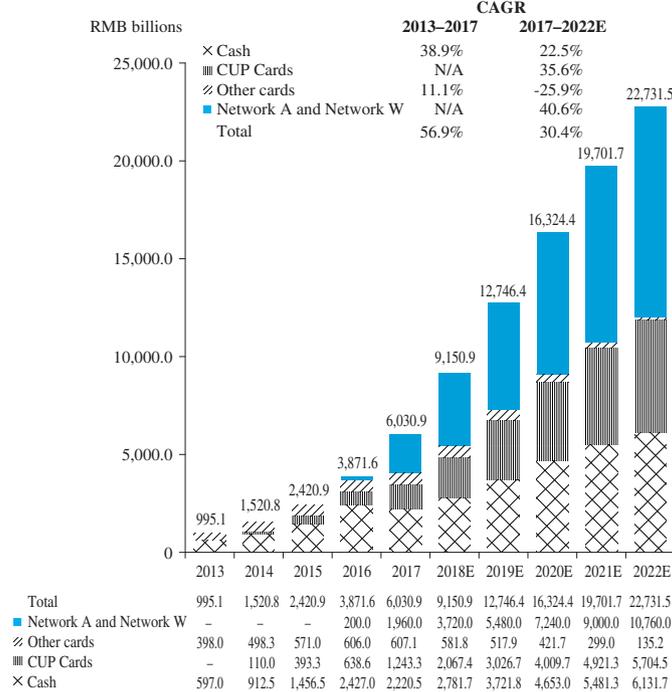
### **Chinese Tourists' Total Transaction Value in Cambodia**

Cash was the main form of payment between 2013 to 2017 with a CAGR of 38.9%. Between 2017 and 2022, this growth rate is expected to drop to 22.5%. This drop will be due to the strong competition from card and mobile payment methods.

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Since entering the Cambodian payment market in 2014, CUP Cards have been gaining ground against that of the more established cards like Network V and Network M. In the forecast period, the CAGRs of transaction value for CUP Cards and the other cards are projected to be 35.6% and -25.9% respectively.

**Chinese tourists' transaction value by payment method, Cambodia, 2013–2022E**



Source: China Insights Consultancy

### Drivers for Payment Methods used by Chinese Tourists in Cambodia

#### Acceptance of CUP Cards in Cambodia

In 2014, under a license from CUP, the ABA Bank in Cambodia was authorised to issue and accept CUP Cards. In 2017, UnionPay cooperated with the second largest bank in Cambodia, Canadia Bank, and launched Asia Travel Card (Travel Mate. Asia). In Cambodia, UnionPay cards can be used in 80% ATMs and 90% POS terminals. 6 local banks have issued a variety of UnionPay cards.

While responding to the importance of the Chinese market as a source of tourists, the acceptance of CUP Cards has a positive effect on the POS payment market in Cambodia as it helps to attract more Chinese tourists to visit Cambodia.

#### Booming tourism industry in Cambodia

According to the Tourism Statistics Report, more than 5.6 million international tourists visited Cambodia in 2017, which was a 11.8% increase from the previous year. In 2016, the Tourism Minister of Cambodia announced the ministry's goal to attract 2 million Chinese tourists to Cambodia over the next 4 years. As a booming tourism industry leads to more tourists' transactions, it is a driver for the POS payment market.

#### Rising number of bank cards in Cambodia

A report from the National Bank of Cambodia's Central Directorate of Banking Supervision stated that in 2017 there were 1,813,435 credit cards and 74,130 debit cards issued in Cambodia, representing a growth of 17.1% and 33.8% respectively from 2016. The increasing number of

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domestic bank cards helps to drive and expand the POS payment market in Cambodia, which is beneficial for the tourism industry.

### **Future Trends for Payment Methods used by Chinese Tourists in Cambodia**

#### *Integration of POS payment with national payment system*

The National Bank of Cambodia (NBC) launched the Fast and Secure Transfer (FAST) payment system in July 2016, which offers a quick, secure and efficient method of interbank transactions. The NBC is developing a shared Switch System, an integrated platform to facilitate electronic payments such as transactions at ATMs, POS terminals, online and mobile payments.

By developing new payment infrastructure prototypes using distributed ledger technology (DLT) systems, POS payment will be integrated with the national payment system.

#### *Mobile payment to become more popular*

Cambodia's POS system is expected to quickly expand to include mobile payment to facilitate the use of smartphones. As a result, cash registers will soon become less common.

The POS mobile system is suitable for both big and small businesses due to its speed, lower cost and simplicity of use. Considering the rapid development of Cambodia's tourism industry, POS mobile will become a trend for the payment market in Cambodia.

#### *More intelligent POS payment system*

With advanced technology, the usage of Cloud POS payment system has become more widely available. Comparing with traditional POS terminals, Cloud POS payment system provides a real-time view of how the business is performing and provides more control over its direction.

By connecting the POS payment system with other platforms through the NBC's national payment system, the future POS payment system will become more 'intelligent'.

### **Competitive landscape of Cambodia's CUP Acquiring Business**

In 2017, there were about ten Merchant Acquirers in Cambodia that had agreements with CUP to accept their transactions, all of which are banks. There is no third-party Merchant Acquirers cooperating with CUP in Cambodia. The Cambodian CUP merchant acquiring business is very concentrated, as the top 5 players accounted for 85.0% of total transaction value for that year. Card usage in Cambodia is relatively low as compared with Thailand and China. The merchants are not well equipped with POS terminals, which is in turn affecting the usage of bank cards. As a result, the CUP merchant acquiring business is still under development. The overall transaction value is still relatively small.

Even though the market share is concentrated, the penetration rate of card transaction is still relatively low. The banks, with limited number of smart POS terminals, cannot react to payment network association's new payment methods with advanced technology. Third-party Merchant Acquirers have more competitive advantages in this aspect. Player A, the top ranked Cambodian CUP acquiring business, had a market share of 41.3% in 2017. Player B, ranked second, had a market share of 18.2%, while Player C, ranked third, had a market share of 10.5% in 2017. Currently, there is no third-party Merchant Acquirer operating in Cambodia. Aside from the five major Merchant Acquirers, the five other players accounted for the remaining 15.0% of the market in 2017.

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### REGULATORY FRAMEWORK IN THAILAND

The following paragraphs set out an overview of Thailand laws, regulations and rules applicable, though not exhaustive, which have a material impact on our Group's business.

#### Civil and Commercial Code

According to the Civil and Commercial Code ("CCC"), a private limited company must have at least 3 shareholders at all time. All directors must be natural persons and may be foreigner unless otherwise specified by laws governing the business activities of such company.

All directors must be appointed by the resolution of shareholders unless the position in the board of directors is vacant due to the resignation or death of the existing director, the remaining directors, by a majority vote, may appoint a new director as a replacement.

The dividend may be declared and distributed to the shareholders of the company, regardless of nationalities of shareholders, by a resolution of the shareholders. However, if the board of directors anticipates that the financial position of the company is profitable, the board of directors may declare and distribute an interim dividend. Such interim dividend may also be rectified in the shareholders' meeting. Nonetheless, pursuant to the CCC, the dividends must be paid out of profits only. When dividends are distributed to the shareholders, a company must appropriate 1/20th of the profits into a legal reserve fund until the fund is at least 1/10th of the registered capital of the company. Under the CCC, the legal reserve fund cannot be distributed to the shareholders until liquidation.

A private limited company must prepare its statement of financial position to be audited by a certified public auditor. The audited financial statements must be approved by the shareholders in a general meeting within 4 months from the end of its financial year and be submitted with the MOC within 1 month thereafter.

Increase and decrease of registered capital of the private limited company requires a special resolution in the shareholders' meeting. Under the CCC, in order to hold a general meeting, the company must send an invitation notice, which shall be also published in a local newspaper, to each shareholder of the company at least 7 days prior to the meeting date. The period shall extend to 14 days if there is an agenda that require the special resolution. Regarding the increase of registered capital, the company must register such special resolution within 14 days from the date of shareholders' meeting and the increase of registered capital will be completed when relevant application to amend the memorandum of association and the articles of association are filed with the MOC. With respect to the decrease of registered capital, the company must also register such special resolution within 14 days from the date of shareholders' meeting. However, in addition, the CCC provides for the process of decrease of registered capital that a notice of the proposed capital reduction must be published at least once in a local newspaper and be sent to all creditors of the company if they have any objection. If no objection within 30 days, the company shall file the relevant application to amend the memorandum of association and the articles of association accordingly.

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According to the CCC, three-fourths of shareholders attending the meeting, either in person or by proxy, and being eligible to cast votes shall give the special resolution.

### **Foreign Business Act**

The Foreign Business Act B.E. 2542 (1999) (“**FBA**”) restricts a foreigner including a company majority owned by foreigners from conducting certain types of businesses.

According to Section 4 of the FBA, “foreigner” means:

- (a) An individual who does not have Thai nationality;
- (b) A legal entity not registered in Thailand;
- (c) A legal entity registered in Thailand and having following characteristics:
  - (i) Half or more of its share capital held by a person under paragraph (a) or (b) above, or in which a person under paragraph (a) or (b) invests half or more of the total capital; or
  - (ii) Being a limited or registered ordinary partnership having an individual under paragraph (a) above serve as managing partner or manager; and
- (d) A legal entity registered in Thailand and having half or more of its share capital held by a person under paragraph (a), (b) or (c), or in which a person under paragraph (a), (b) or (c) invests half or more of the total capital.

For the purpose of FBA, the FBA considers the number of shares held by foreigners or Thais regardless of whether such shares are preference shares or ordinary shares. In addition, the FBA also disregard the voting rights or economic interest held by foreigners.

There are three categories of businesses, which the foreigner is prohibited or restricted pursuant to the FBA.

List 1 consists of businesses which are not permitted to be operated or conducted by the foreigner due to special reasons as follows:

- Newspaper, radio and television broadcasting
- Farming, plantation or orchard operations
- Animal husbandry
- Forestry operation and timber conversion from natural forests

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- Fishery, especially fishery in Thai territorial waters and in the specific economic area of Thailand
- Extracting Thai herbs
- Trade and auction sale of Thai antiques or valuables having historical value
- Making or casting of Buddha images and alms bowls
- Land trading

List 2 consists of businesses relating to national safety or security, art, culture and local customs that the foreigners require permission from the MOC with the approval of the Cabinet of Thailand as follows:

- Production, distribution or maintenance of:
  - Firearms, ammunition, gun powder, or explosive materials
  - Components of firearms, ammunition, and explosive materials
  - Armaments, ships, aircraft, or military vehicles, equipment or components of all types of military equipment
- Inland, waterborne, and airborne transportation in the country including domestic aviation
- Trading of antiques, or art objects that are fine arts, or Thai handicrafts
- Wood carvings
- Manufacturing of Thai silk yarn, Thai silk weaving or Thai silk printing
- Manufacturing of Thai musical instruments
- Manufacturing of goldware, silverware, nielloware, bronzeware or lacquerware
- Making Thai cultural plates and dishes or pottery
- Manufacturing of sugar from sugarcane
- Salt farming including underground salt
- Rock salt mining

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- Mining including dynamiting or quarrying of rocks
- Timber processing for making furniture and utilities

List 3 consists of businesses in area that Thais are not yet ready to compete with foreigners. The foreigners may carry on businesses in List 3 only if permission is obtained from the Director General and a committee on the foreign business as follows:

- Rice milling and production of flour from rice and plants
- Fishery, only aquatic breeding
- Forestry from planting
- Production of plywood, veneer board, chipboard or hardboard
- Production of white lime
- Accounting service operation
- Legal service business
- Architectural service operation
- Engineering service operation
- Construction, except:
  - Construction of basic services for the public in public utilities or communication requiring tools, technology or special experience, having minimum foreign capital of more than THB500 million
  - Other construction as prescribed in the Ministerial Regulations
- Commission agent or brokerage, except:
  - Being a broker or representative for the purchase/sale of securities or service in purchase/sale of future of agricultural commodities or financial instrument or securities
  - Being a broker or representative for the purchase/sale of goods or services necessary for production or rendering services among affiliated enterprises
  - Brokerage or agency service for trading, purchasing or distribution or seeking of markets both domestically and abroad for the distribution of products being

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produced domestically or imported that are in the nature of an international business operations, with a minimum foreign capital of not less than THB100 million

- Other brokerage or agency as stipulated by the Ministerial Regulations
- Auctioning, except:
  - International auctioning of not being for antiques, heirlooms or fine art objects that are Thai fine arts works, handicraft works, or antique objects or with historical value of Thailand
  - Other types of auctioning as stipulated under the Ministerial Regulations
- Domestic trade related to native or local agricultural products that are still not prohibited by laws
- Retail trade of all types having minimum capital less than THB100 million or having the minimum capital in each shop less than THB20 million
- Wholesale trade of all types with capital less than THB100 million
- Advertising business
- Hotel operations, except hotel management services
- Guide tours
- Selling food or beverages
- Plant cultivation and propagation
- Other categories of service business except that prescribed in the Ministerial Regulations

Businesses not specified in any of Lists 1–3 are open to be majority owned or 100% owned by foreigners. Our Group’s business in Thailand is categorized in List 3 as “other categories of service business”. However, since OCG Thailand is majority owned by a Thai national, OCG Thailand is considered a Thai entity and is allowed to carry on its business in Thailand provided that other relevant licenses or permits are duly obtained.

### **Electronic Transaction Act**

Our operations are subject to the Electronic Transaction Act B.E. 2544 (2001) (“**ETA**”). According to Section 34 of the ETA in conjunction with Section 14 of the Royal Decree re: the

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Control and Governance of Electronic Payment Business B.E. 2551 (2008) (“**Royal Decree**”), the company must obtain the E-Payment License for providing services in relation to electronic payment system i.e. cash clearing, settlement, transaction switching, electronic payment services via any kind of devices or networks.

Under the Royal Decree, activities of our operations in Thailand are specified in the Type Khor of the Royal Decree. According to Section 8 of the Royal Decree, a person to conduct activities in the Type Khor must be a legal entity such as a registered partnership, a limited partnership, a limited company or a public company having the business objectives of providing services in relation to electronic payment. Pursuant to Section 14 of the Royal Decree, the E-Payment License shall be valid for 10 years and the company must apply for a renewal within 90 days but not less than 60 days prior to the expiry date of the E-Payment License. The renewal is subject to discretion of the Electronic Transaction Commission (“**ETC**”).

OCG Thailand, upon obtaining the E-Payment License, shall have duties as prescribed in the Royal Decree including a notification to the Bank of Thailand within 15 days with respect to any changes of its board of directors or any change of its paid-up registered capital.

<b>Company</b>	<b>License type</b>	<b>Duration</b>
OCG Thailand	E-Payment service Provider’s License Type Khor 3	From 13 May 2009 to 12 May 2019

### **Payment System Act**

The Payment System Act B.E. 2560 (2017) (“**PSA**”) which became effective on 16 April 2018 and supersede the Royal Decree. Under the PSA, the current e-payment services under the Royal Decree are re-categorized and regulated as “Regulated Payment Services”. According to Section 16 of the PSA, the business of OCG Thailand shall be considered as a Regulated Payment Service and is governed by the PSA. Therefore, OCG Thailand is no longer required to renew the E-Payment License under the Royal Decree but will have to apply for a new license under the PSA within 120 days from the date of issuance of the notifications of the Ministry of Finance prescribing the types of Regulated Payment Systems and Regulated Payment Services which was announced on 16 April 2018.

According to the guideline of the Bank of Thailand, the relevant provisions of Notification of Ministry of Finance re: the Regulated Payment Services, effective on 16 April 2018 (“**MOF Notification**”) and the Notification of the Bank of Thailand No. SorNorChor. 5/2561 re: Criteria, Methods and Conditions for Obtaining License and Registration for Operating Regulated Payment Services dated 16 April 2018 (“**BOT Notification 5/2561**”) in conjunction with Section 57 of the PSA, the new license will be deemed to be approved upon the submission of the application and OCG Thailand will be allowed to continue its business in Thailand until the Minister of Finance or the Bank of Thailand issues an order otherwise. According to the guideline of the application process under the PSA issued by the Bank of Thailand for the public hearing, OCG Thailand may submit required documents from 16 April 2018 to 13 August 2018.

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According to Clause 4 of the BOT Notification 5/2561, for the new license application, the Bank of Thailand shall consider the application and propose to the Ministry of Finance within 60 days from the date on which the required documents are completed. Under Clause 5 of MOF Notification, the existing licensee prior to 16 April 2018 shall submit the documents to the Bank of Thailand within 120 days from the effective date of the MOF Notification and is allowed to operate the business under the PSA until further instruction. Therefore, given that the last date of submission for the existing licensee is 13 August 2018, it is likely that OCG Thailand will obtain the new license within 60 days after 13 August 2018. The license may be granted with conditions as the Minister of Finance or the Bank of Thailand may deem appropriate.

In terms of the qualifications of the applicant, the PSA only requires that the applicant must be a private company or public company or other juristic persons as prescribed by the Bank of Thailand e.g. state enterprise. The details regarding qualifications of the applicants, application process, and fees, will be further prescribed in the Bank of Thailand's notification.

According to the BOT Notification 5/2561, the qualifications of the applicant are as follows:

- (1) being a private company or public company incorporated in Thailand having its objective to operate payment service business;
- (2) having a paid-up registered capital of not less than THB100 million for e-money business, THB50 million for e-payment business providing to acquiring and THB10 million for payment facilitating service, authorized payment-reception service or electronic fund transfer business;
- (3) having a good financial standing, good governance, appropriate risk management measure, IT security, business continuity management plan and appropriate standard and model of business;
- (4) has not been ordered to temporarily cease all or part of its business or revoked its license or registration under payment system law;
- (5) has not been convicted of money laundering, being terrorist, or funding terrorism; and
- (6) having directors who satisfy the qualification requirements under the PSA and at least one director who is Thai national having a domicile in Thailand.

The qualifications of the applicant under the BOT Notification 5/2561 as referred to above and those under the Royal Decree are mostly in common save for the requirements of the paid-up registered capital (item 2) and Thai director (item 6). In terms of the new requirement on paid-up registered capital, the transitory provision under the BOT Notification 5/2561 allows existing licensees under the Royal Decree whose paid-up registered capital do not meet the new requirement to increase its paid-up registered capital within 1 year from the approval date under the PSA. Under the PSA and CCC, there is no provision preventing the company from using the paid-up registered capital in day-to-day business operation or other expenses apart from the amount equivalent to the legal reserve, which is 10% or more of the registered capital.

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As the current registered capital of OCG Thailand is THB50,500,000 but the paid-up capital is THB15,150,000, OGC Thailand would be required to call for additional paid-up capital from its shareholders to meet THB50 million requirement.

According to the guideline of the Bank of Thailand issued upon public hearing on 26 February 2018, the application process and procedure are as follows:

- (1) OCG Thailand shall submit an application electronically via the Bank of Thailand's website on 16 April 2018;
- (2) OCG Thailand shall deliver the application in hard copy together with all supporting documents within 30 June 2018;
- (3) The Bank of Thailand shall consider and propose to the Ministry of Finance for approval. During this period, OCG Thailand is allowed to continuously operate businesses unless being ordered otherwise; and
- (4) Once the application is approved, OCG Thailand shall obtain the new license.

There is no explicit provision on the validity period of the new license under the PSA. Moreover, the renewal process for the new licenses under the PSA has not yet been set out in any of the draft Bank of Thailand notification.

According to the Bank of Thailand's letter dated 19 July 2018, the Bank of Thailand confirmed that OCG Thailand had duly submitted the required documented under the PSA, As a result, as the date hereof, OCG Thailand is the existing licensee under the Royal Decree who has duly submitted the required documents under the PSA. As such, the deemed approval is given to OCG Thailand and it is allowed to continue its business operation until the Minister of the Ministry of Finance or the Bank of Thailand orders otherwise pursuant to Section 57 of the PSA.

On 20 August 2018, the Bank of Thailand informed OCG Thailand that its application for the new license was already proposed to the Minister of the Ministry of Finance for approval.

### **Exchange Control**

The fund or cash, flowing into and out of Thailand, is subject to the Exchange Control Act B.E. 2485 (1942) (“**ECA**”) as amended and relevant rules (“**Exchange Control Regulations**”). According to the ECA and Exchange Control Regulations, a private limited company in Thailand may purchase foreign currency with a local authorized bank for distributing dividends to shareholders not residing in Thailand without obtaining an approval from the Bank of Thailand in advance. In this regard, the company must provide and substantiate details of the foreign exchange transaction and supporting documents prescribed by the Exchange Control Regulations such as a resolution of the board of directors' meeting and/or the shareholders' meeting approving the dividend payment, list of shareholders, etc.

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## REGULATORY OVERVIEW

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### Investment Promotion Act

The Investment Promotion Act B.E. 2520 (1997), as amended (“**IPA**”), empowers the Board of Investment of Thailand (“**BOI**”) to grant tax and non-tax incentives for both foreign and Thai investors who engage in any types of promoted business activities as designated in BOI announcements. Incentives offered by the BOI, aside from tax incentives, are those privileges such as majority foreign ownership, foreign ownership of land (for limited area for its business operation), visas and work permit for foreign technicians and experts.

The general principles of the IPA are as follows:

- To be eligible for investment promotion, the applicant must incorporate a company in Thailand either before or after promotion has been granted.
- Activities that the BOI designate for promotion are those which are “important and beneficial to the economic and social development, and security of the country, activities which involve production for export, activities which have high content of capital, labour or service or activities which utilise agricultural produce or natural resources as raw materials, provided that in the opinion of the BOI, they are non-existent in the Kingdom of Thailand, or existent but inadequate, or use out-of-date production processes.”
- An applicant’s investment proposal must be economically and technologically sound. In considering the project, the BOI shall take into account the following factors:
  - The existing number of producers and production capacity in Thailand and the size of production capacity to be created under promotion compared with demand estimates;
  - The prospect for which such activity will expand the market for the products or commodities produced or assembled in Thailand and will encourage the production or assembly in Thailand;
  - The quantity and proportion of the resources available in Thailand including capital, raw or essential materials and labour or other services utilised;
  - The amount of foreign currency which may be saved or earned for Thailand;
  - The suitability of the production or assembly processes;
  - Other requirements which the BOI deems necessary and appropriate.
- In considering an investment project, the BOI will take into consideration any measures take place to protect the natural environment and/or any measures that shall minimize harmful effects to the environment.

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## REGULATORY OVERVIEW

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OCG Thailand also obtained an investment promotion granted by the BOI (“**BOI Certificate**”) on 25 August 2009 according to the BOI Certificate No. 1857/2552 in the category of Business Process Outsource Service (BPO).

Based on our review, OCG Thailand has duly complied with conditions set forth in the BOI Certificate.

### **Trademark**

The Trademark Act B.E. 2534 (1991) as amended by the Trademark Act (No. 2) B.E. 2543 (2000) and the Trademark Act (No. 3) B.E. 2559 (2016) (“**TA**”) provides protection for trademarks registered with the Department of Intellectual Property of Thailand. Trademark registration is effective for a period of 10 years from the filing date of the application and the trademark owner must file an application for renewal within 90 days prior to the expiry date in order to extend the protection period for an additional 10 years.

### **Revenue Code**

The Revenue Code (“**RC**”) is a statute enacted for the purposes of imposing taxes on property, value added tax, stamp duty, earnings and profits in Thailand.

The RC provides, amongst other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Thailand in respect of his or her assessable profits arising in or derived from Thailand at the standard rate at 20% for corporate taxpayers. The RC also contains detailed provisions relating to deductible expenditures, loss carry forward and allowances for depreciations or amortizations of capital expenditures or assets. As OCG Thailand is a company incorporated in Thailand, OCG Thailand is subject to the corporate income tax in Thailand based on its worldwide income pursuant to the RC.

According to the RC, a half-year corporate income tax return (PND.51) must be submitted within 2 months after ending of 6 months period of its financial year and the annual corporate income tax return (PND.50) must be submitted within 150 days from the end of its financial year.

### **Employment and labour legislation**

The principal employment and labour statutes in Thailand include Sections 575 to 586 of the CCC, the Labour Protection Act B.E. 2541 (1998) (the “**LPA**”), the Labour Relation Act B.E. 2518 (1975) (“**LRA**”), the Social Security Act B.E. 2533 (1990) (“**SSA**”) and the Workmen Compensation Act B.E. 2537 (1994) (“**WCA**”) as amended.

The CCC and LPA are the principle laws enacted for, amongst other things, the protection of the general working conditions of employees and the regulation of the general conditions of employment and employment agencies. Under the CCC and LPA, an employment contract is not required to be made in writing.

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## **REGULATORY OVERVIEW**

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Pursuant to the LPA, an employee is generally entitled to a termination notice of his or her employment contract, leave entitlement, or severance payments or holiday's entitlement.

The SSA and WCA are laws enacted for the purpose of providing for the payment of compensation to employees injured in the course of employment. An employer is required to make contribution to the Social Security Fund and the Workmen Compensation Fund to insure against the injury risk of his or her employees. Any employer who contravenes this requirement commits a criminal offence and is liable on conviction to a fine or imprisonment or both.

### **REGULATORY FRAMEWORK IN CAMBODIA**

The following paragraphs set out an overview of Cambodian laws, regulations and rules applicable, though not exclusive, which have a material impact on our Group's business.

#### **Law and Regulations in relation to Doing Business in Cambodia**

The primary governing laws on commercial activities, foreign businesses and commercial enterprises in Cambodia are Law on Commercial Enterprises (No. NS/RKM/0605/019 dated 19 June 2005) and Law on Commercial Rules and Register (No. NS/RKM/1199/12 dated 18 November 1999); according to which, all enterprises doing business in Cambodia must be registered and incorporated with the Ministry of Commerce.

Commercial registration at the Ministry of Commerce is primary for any establishment of business in Cambodia. Foreign business can be established to do business or conduct commercial acts in Cambodia in either of the following forms: representative office, branch office, or subsidiary. While a representative is only allowed to conduct a very limited scope of activities with respect to market study and research, a branch office is permitted to carry out broader scope of activities including doing business which are same as those permitted to an incorporated company. Noting that a representative office and a branch office are merely an extension of their principal company but do not have a legal personality separate from their principal company. Therefore, the assets of the branch office and representative office are the assets of the principal company which is made liable for any obligations of the branch office and representative office.

A subsidiary is a company incorporated by another business entity, including foreign company, in Cambodia with at least 51% of its shares held by that such business entity. A subsidiary can also be 100% owned by a foreign business entity and can carry out business activities as a local company providing that its business objective is not restricted by any particular laws and regulations such as those pertaining to the restriction on foreign ownership over land. A subsidiary has a separate legal personality from its principal company from the date of its registration at the Ministry of Commerce. Consequently, the liabilities of the subsidiary are separate from those of the principal company.

A subsidiary can be incorporated either in the form of partnership or limited company. There are two types of limited liability companies: public limited companies and private limited

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## REGULATORY OVERVIEW

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companies. Cambodian law requires that certain businesses be conducted and take the form of a public limited company. These businesses include, without limitation, banking operations, payment service providers, insurance businesses, and companies which are listed on the Cambodia Securities Exchange.

Following the completion of commercial registration with the Ministry of Commerce, the entity must also attend to various registrations for compliance purpose, including tax registration with relevant competent tax authorities, labor registration with the Ministry of Labour and Vocational Training, and office location registration with the municipality/provincial office in which the entity situates.

### **Law and Regulations in relation to Payment Service Transactions**

While Law on Commercial Enterprise and Law on Commercial Rules and Register deal with the incorporation and registration as well as the conduct of a business entity in Cambodia in general, Law on Banking and Financial Institutions (No. NS/RKM/1199/13 dated 18 November 1999) and Law on Negotiable Instrument and Payment Transaction (NS/RKM/1005/030 dated 24 October 2005) deals specifically with banking and payment related business activities. The Law on Banking and Financial Institutions grants the National Bank of Cambodia (“NBC”) the power to regulate and supervise all banks and financial institutions in Cambodia. According to this law, any entity carrying the provisions of means of payment to customers and processing of the said means of payment in national currency or foreign exchange is considered a *de facto* entity under the NBC jurisdiction, which is required to be incorporated in the form of a public limited company.

Hence, in addition to and upon completion of commercial registration with the Ministry of Commerce, the company must apply for and obtain relevant licenses in order to be able to operate certain business activities.

In August 2010, NBC issued a **Prakas [Declaration] on Third-Party Processors** (No. B9-010-151-PrK dated 25 August 2010), to regulate the outsourcing of one or more parts of banks’ and financial institutions’ payment transaction services through one or more third-party processors (“TPP”), as may be agreed amongst themselves but subject to NBC’s prior approval. According to the Prakas, a non-bank institution which desires to act as a TPP must be entrusted by a specific bank by way of agreement to act as a TPP and cannot operate independently from the designated bank. In other words, even though there is a separate license for TPP, the bank whom the TPP acts for must apply for the license from NBC for such TPP. Furthermore, the Prakas requires that the bank which receives a license for TPP be fully responsible for any action or omission of the TPP and/or its agents, and the bank must ensure that the TPP operates under its full control and supervision.

Aiming at better governance of TPPs and addressing the rapid growth of financial technology (fintech) solutions, NBC has recently issued new regulations governing the licensing of payment services providers. In July 2017, a **Prakas [Declaration] on the Management of Payment Services Providers** (No. T14-017-161-PrK dated 14 June 2017) was issued to regulate

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## REGULATORY OVERVIEW

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the operation of payment service providers (“PSP”) in Cambodia. According to the Prakas, “payment services” are defined to include:

- Services enabling cash to be placed on and withdrawn from a payment account, and any operations required for operating a payment account;
- Execution of payment transactions including transfer of funds on a payment account with the user’s payment service provider or with another payment service provider;
- Execution of payment transactions where funds are covered by a credit line for a payment service user;
- Issuing of payment instructions and/or acquiring payment transaction;
- Money remittance;
- Payment initiation service;
- Electronic money issuance; and
- Other payment services as determined by NBC.

In addition to payment service providing, a PSP may, with NBC’s prior approval, provide for money changing services, money transfer services, and payment services-related credit.

In order to become a PSP under the new Prakas, one must apply for and obtain a PSP license from NBC. However, for banks and financial institutions already licensed by NBC, only NBC’s prior approval is required.

A PSP license is valid for 6 years and can be renewed. A PSP must also have a minimum registered capital of 8 billion Khmer riels (approximately USD2 million) in cash and five per cent (5%) of which must be deposited in an account to be opened with NBC.

### **Legal Framework in relation to Foreign Exchange and Controls**

The Law on Foreign Exchange (No. CS/RKM/0897/03 dated 22 August 1997) governs foreign exchange operations in Cambodia. Such law imposes no restrictions on foreign exchange operations through book entries including purchases and sales of foreign exchange on the foreign exchange market, transfers, all kinds of international settlements, and capital flows in foreign or domestic currency between Cambodia and other countries or between residents and non-residents. This includes remittances of dividends in foreign currency to their foreign shareholders overseas and repatriation of fund or investment back to home country provided that all relevant applicable taxes are cleared first. However, Cambodian law requires that such operations to be undertaken only through authorized intermediaries, which are banks

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## REGULATORY OVERVIEW

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permanently established and licensed in Cambodia; and a prior declaration be made to NBC for any investment of an amount equaling or exceeding USD100,000 made abroad by a Cambodian resident<sup>1</sup>.

### **Legal and Regulatory Framework in relation to Telecommunication and Information and Communication Technology**

Primary governing law and regulations on telecommunication industry in Cambodia are (i) Law on Telecommunication (No. NS/RKM/1215/017 dated 17 December 2015), Sub-Decree on the Granting of Approvals for Operations on Information and Communication Technology (No. 110 ANKr. BK dated 21 July 2017), and Prakas on Conditions and Procedure for the Issuance, the Revision, the Suspension, the Transfer and the Revocation of Permit, Certificate or License on Telecommunication Operations (No. 122 PrK dated 07 April 2017).

Pursuant to the Sub-Decree 110, it is provided for that ‘certificates’ are required for (i) computer or electronic instrument equipped with information and communication technology (including POS), and (ii) online services which is broadly defined as all types of services in connection with information and communication technology (except online gambling services). These certificates are to be applied for and obtained from the General Department of Information and Communication Technology (“**GDICT**”) of the Ministry of Posts and Telecommunications (“**MPTC**”).

Furthermore, pursuant to Prakas 122 above, additional type-approvals are required to be applied for and obtained from Telecommunication Regulator of Cambodia (“**TRC**”) for the use of frequency in relation to POS.

### **Regulations on Taxation**

According to the Law on Financial Management 2016 (No. NS/RKM/1215/016 dated 17 December 2015), from 1 January 2016, there is only one regime of taxation in Cambodia – the real regime (a self-assessed regime). There are three classifications of real regime taxpayers: small, medium and large. Such classification is based on various factors namely business forms, turnovers and nature of business activities. According to the Law on Taxation and its Amendments (No. NS/RKM/0297/03 dated 24 February 1997 and NS/RKM/0303/010 dated 31 March 2003 respectively), taxpayers are responsible for the following applicable taxes.

1 Residents, as defined by Article 3 of the Law on Foreign Exchange, are:

- individuals, regardless of their nationality, who have had their main professional activity or their main residence in the Kingdom of Cambodia for a period of and over 182 days, with the exception of foreign civil servants on diplomatic or similar assignments;
- legal entities incorporated under local law and branches of legal entities incorporated under foreign law that are established in the Kingdom of Cambodia; or
- any Cambodian civil servants on foreign assignments, regardless of the length of their stay.

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## REGULATORY OVERVIEW

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### ***Tax on Profit (“TOP”)***

TOP is paid annually at the rate of 20% on taxable incomes. Taxable incomes do not exclude, among others, any expenses related to recreation or entertainment, donations or subsidies, and losses on property deal between related parties.

### ***Patent Tax***

Patent Tax is paid annually for each location the company is operating at. Companies must renew their patent tax certificate annually at the General Department of Taxation (“GDT”) or local tax branch.

### ***Prepayment of Profit Tax (“PPT”)***

PPT is calculated at 1% of company’s monthly turnover inclusive of all taxes, except VAT. Any PPT payments made will be used against the annual income tax liability.

### ***Withholding Tax (“WHT”)***

Taxpayers are required to withhold certain amounts from payments made to resident and non-resident taxpayers and remit the amounts to the GDT. WHT is calculated at rates from 10% to 15%. It does not apply to payment for the purchase of goods.

### ***Value Added Tax (“VAT”)***

The Cambodian VAT system follows conventional VAT systems, whereby a VAT registered taxpayer can offset input VAT incurred on purchases against its output VAT. In circumstances where the taxpayer’s input VAT for the month exceeds its output VAT (i.e. VAT credit), the taxpayer is allowed to carry forward the VAT credit to offset output VAT in the succeeding period.

VAT applies to the supply of goods and services. An enterprise is required to apply VAT at the standard rate of 10% on taxable supplies in Cambodia including the importation of goods into Cambodia. A VAT rate of 0% (“**zero-rate**”) applies to goods exported from Cambodia.

### ***Other Monthly Taxes***

Cambodia also imposes monthly taxes, which are Public Lighting Tax on alcoholic and tobacco products, Accommodation Tax on accommodation services provided by hotels, and Specific Tax on certain merchandises and services like soft drinks, entertainment services, air tickets, and telephone services.

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## REGULATORY OVERVIEW

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### *Tax Penalties*

Tax penalties are imposed for violations of the LOT and its regulations. The level of the penalty depends upon the nature of the violation, and ranges from 10% to 40% of the unpaid tax. In addition, penalties are imposed for late payment of taxes and late lodgment of returns, together with interest charged at 2% per month.

### *Double Taxation Agreement*

Cambodia and China signed an Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income on 13 October 2016, however, it has not been announced effective yet by the Cambodia's General Department of Taxation.

Furthermore, similar agreement (the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) was signed between Cambodia and Thailand on 7 September 2017, which was ratified by the National of Assembly of Cambodia on 9 December 2017. Effectively from 1 January 2018, the following withholding tax rates apply:

- 10% on dividends;
- 10% on interest paid to a financial institution or insurance company;
- 15% on interest paid to all other recipients (with the exception of the government);
- 10% on royalties (defined to include the use of, or the right to use, industrial, commercial or scientific equipment); and
- 10% on fees for technical services.

Under the treaty, Thailand retains the right to tax capital gains on disposal of shares and debt instruments.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OVERVIEW

Our history can be traced back to 2004 when OCG Thailand, our principal operating subsidiary in Thailand, was set up in September 2004. At its early stage of establishment and for the purpose of complying with Thai laws, OCG Thailand was owned as to 49% by Oriental City Group Limited, 50.99972% by VGI Group Co., Ltd. (now known as Midas Global Media Co., Ltd.) and 0.00028% by seven Thai individuals. Among which, Oriental City Group Limited was a limited company incorporated by Mr. Yu, the Chairman of the Board, chief executive officer and our executive Director, in Hong Kong in 2001 for the purpose of carrying on payment card related business. According to the CIC Report, our Group was among the first three CUP Merchant Acquirers to provide CUP payment processing services in Thailand. By leveraging on the extensive experience and established business contacts of Mr. Yu in payment card industry, OCG Thailand has developed into a leading Merchant Acquirer in providing payment processing services in Thailand. In 2007, through a series of shareholding restructuring, OCG Thailand became an indirect subsidiary of China Smartpay. Shares of China Smartpay were successfully listed on GEM of the Stock Exchange (stock code: 8325) in August 2009.

Both the business operation and financial performance of China Smartpay Group grew steadily. With a view to enhance its shareholders' returns and utilise the available funds generated from its principal business, the management of China Smartpay decided to explore suitable alternative investment opportunities.

The directors of China Smartpay Group believed that China Smartpay Group's merchant acquiring business in Thailand had grown to a sufficient size to warrant a separate listing on the Stock Exchange, and that such separate listing would be beneficial to our Group and the China Smartpay Shareholders for the following reasons:

- (i) it essentially separates the business of Remaining China Smartpay Group with our Group's business in Thailand, thereby enabling investors and financiers to appraise the strategies, functional exposure, risks and returns of the respective businesses of our Group and Remaining China Smartpay Group separately and to make their investment decisions accordingly;
- (ii) as a separate listed entity, our Group will have our own separate management structure focusing on our Thailand operation whilst the management of China Smartpay will be able to focus on the business in the PRC that it will provide a separate fund raising platform for our Group thereby enabling it to raise the capital required to finance its future expansion without reliance on China Smartpay to do so; and
- (iii) China Smartpay intends to maintain approximately 52.50% equity interest in our Group upon completion of the Spin-off and the Share Offer. Accordingly, China Smartpay will continue to benefit from any potential upside in the business of Thailand through receipt of dividend distributions of our Group.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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After completion of the Spin-off and separate Listing of our Shares, our Group will continue to engage in the merchant acquiring business by adopting and deploying financial technology into our business model to enable our merchants in Thailand to accept various cross-border electronic payment methods of our partner payment network associations and further expanding our business to Cambodia.

Since one of the applicable percentage ratios in respect of the Spin-off exceeds 5%, but all the applicable percentage ratios are less than 25%, the Spin-off constitutes a discloseable transaction of China Smartpay under of the GEM Listing Rules, and is subject to announcement and reporting requirements.

### KEY BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

<b>Year</b>	<b>Milestone event</b>
2004	<ul style="list-style-type: none"><li>• OCG Thailand, our principal operating subsidiary, was established in Thailand and commenced our merchant acquiring business in Thailand</li></ul>
2007	<ul style="list-style-type: none"><li>• OCG Thailand was awarded “The Best Performance – Acquiring Business in Thailand 2007” by CUP</li></ul>
2013	<ul style="list-style-type: none"><li>• OCG Thailand and CUP, entered into member service and trademark license agreement</li></ul>
2016	<ul style="list-style-type: none"><li>• We introduced the smart POS terminals with contactless payment function</li><li>• OCG Thailand and CUP, entered into UnionPay Merchant Development and Incentive Agreement</li><li>• Migration of the Acquiring Host System with CUP for our merchant acquiring business in Thailand</li></ul>
2017	<ul style="list-style-type: none"><li>• OCG Thailand and a Chinese-based bank in Thailand entered into merchant acquiring services agreement</li><li>• OCGC Payment, a wholly-owned subsidiary of OCG Thailand was incorporated in Cambodia, marking the expansion of our business to Cambodia</li><li>• OCG Thailand and a Thailand-based bank entered into an agreement to extend our payment processing service to cover for two global leading payment network associations</li></ul>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### HISTORY AND DEVELOPMENT

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 19 January 2018 and became the holding company of our subsidiaries as a part of the Reorganisation. Details of the Reorganisation are more particularly described in the sub-section headed “Reorganisation” in this section.

#### **Our subsidiaries**

##### ***OCG Thailand (BVI)***

OCG Thailand (BVI) was incorporated in the BVI with limited liability on 7 May 2007 and was authorised to issue a maximum of 50,000 ordinary shares of USD1.00 each. On the date of incorporation, one ordinary share was allotted and issued to the initial subscriber, credited as fully paid. On 13 August 2009, such share was transferred by the initial subscriber to Charm Act at par and on 16 January 2013, further 99 shares were allotted and issued to Charm Act, credited as fully paid. On 15 May 2013, Charm Act transferred 21 shares and 9 shares to Straum Investments and Original Fortune at considerations of HK\$7,000,000.00 and HK\$3,000,000.00, respectively, based on the then net asset value of OCG Thailand (BVI). Such transfer was duly completed and the said consideration was fully settled in cash.

OCG Thailand (BVI) is an investment holding company.

##### ***OCG HK***

OCG HK was incorporated in Hong Kong with limited liability on 6 November 2013 and was authorised to issue a maximum of 10,000 shares of HK\$1.00 each. On the date of its incorporation, 10,000 shares were allotted and issued to OCG Thailand (BVI), credited as fully paid.

OCG HK is principally engaged in the provision of marketing and administration support to our Group.

##### ***OCG Asia Pacific***

OCG Asia Pacific was incorporated in the BVI with limited liability on 8 September 2011 and was authorised to issue a maximum of 50,000 ordinary shares of USD1.00 each. On the date of its incorporation, one share was allotted and issued to OCG Thailand (BVI), credited as fully paid.

OCG Asia Pacific is an investment holding company.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### *OCG Thailand*

OCG Thailand is our principal operating subsidiary, which was established in Thailand on 27 September 2004 with limited liability, with a registered capital of THB25,000,000 divided into 2,500,000 ordinary shares of THB10 each. Upon its establishment, OCG Thailand was owned as to 49% by Oriental City Group Limited and 50.99972% by VGI Group Co., Ltd. and 0.00028% by seven Thai individuals (including Mrs. Nongluck Anantachote (“**Mrs. Nongluck**”)). Oriental City Group Limited was a limited company incorporated by Mr. Yu in Hong Kong in 2001. VGI Group Co., Ltd. was an integrated advertising and marketing services company established in 2004 in Thailand, which is an Independent Third Party.

On 20 June 2005, VGI Group Co., Ltd. transferred 11% of its interests in (or 275,000 shares of) OCG Thailand to Mr. Panthong Limpkittisin (“**Mr. Limpkittisin**”) at a consideration of THB687,500.

On 8 September 2006, three Thai individuals transferred their three shares (or 0.00012%) in OCG Thailand at nominal consideration of THB2.5 per share to Mrs. Nongluck so that her shareholding in OCG Thailand changed to 0.00016%. Each of the other three Thai individuals also transferred his/her one share (or 0.00004%) in OCG Thailand at nominal consideration of THB2.5 to Ms. Penchan Tungcharuwatanachai, Mr. Mantan Saihad and Ms. Apinya Subsakuljaroen, all of them were Thailand nationals and Independent Third Parties, respectively.

On 16 October 2007, OCG Thailand (BVI) acquired 1,225,000 shares (or 49%) in OCG Thailand from Oriental City Group Limited at a consideration of HK\$10,000 as part of the reorganisation of China Smartpay Group for its listing in Hong Kong. The consideration of HK\$10,000 was determined based on the nominal value of OCG Thailand at the time being. OCG Thailand was then owned as to 49% by OCG Thailand (BVI), 39.99972% by VGI Group Co., Ltd., 11% by Mr. Limpkittisin, 0.00016% by Mrs. Nongluck, 0.00004% by Ms. Penchan Tungcharuwatanachai, 0.00004% by Mr. Mantan Saihad and 0.00004% by Ms. Apinya Subsakuljaroen.

On 14 February 2008, Ms. Apinya Subsakuncharoen transferred her one share (or 0.00004%) in OCG Thailand at a nominal consideration of THB2.5 to Ms. Patcharin Pinkoksoong.

On 3 October 2008, VGI Group Co., Ltd. transferred all its 999,993 shares (or 39.99972%) in OCG Thailand to Mrs. Nongluck at a consideration of THB99,999.30, which was determined with reference to the accumulated loss of OCG Thailand and no dividend was received by the shareholders of OCG Thailand. Since then, OCG Thailand was owned by six shareholders, namely OCG Thailand (BVI), Mrs. Nongluck, Mr. Limpkittisin, Ms. Penchan Tungcharuwatanachai, Mr. Mantan Saihad and Ms. Patcharin Pinkoksoong as to 49%, 39.99988%, 11%, 0.00004%, 0.00004% and 0.00004% respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 28 April 2009, OCG Thailand (BVI) exercised its option pursuant to the share purchase option agreement to buy back from Mr. Limpkittisin his 11% holding of ordinary shares in OCG Thailand for a consideration of THB687,500. On 28 April 2009, Mrs. Nongluck, subscribed for and, was allotted 550,000 preference shares for cash at par of which THB2.5 per share (with a total amount of THB1,375,000) was paid as called. Mrs. Nongluck used her own investment funds to acquire the shares. On the same day, each of Ms. Penchan Tungcharuwatanachai and Mr. Mantan Saihad transferred her/his one share (or 0.00004%) in OCG Thailand at a nominal consideration of THB2.5 to Mrs. Nongluck. As advised by our Thailand Legal Adviser, based on the normal practice of relevant authorities, including MOC, in relation to the incorporation of a company and acquisition of shares in a company, if shares (with less preferential rights) were acquired with shareholders' own fund, such acquisition should not be construed in breach of the FBA (as interpreted by the Council of State of Thailand). Further, based on the principle of the general rule of law, the normal practice of relevant authorities and the interpretation of the Council of State of Thailand, shareholding structure of OCG Thailand after the restructuring is legal, valid, enforceable and in compliance with the definition of the FBA, given that Mrs. Nongluck had acted in good faith and it could be proved that she had used her own funds to invest in shares in OCG Thailand and the return on investment in shares of OCG Thailand was greater than other general investments as provided under the articles of association of OCG Thailand.

Following completion of a restructuring of the shareholding structure of OCG Thailand, OCG Thailand was owned as to 49.18033% by OCG Thailand (BVI), 50.81964% by Mrs. Nongluck and 0.00003% by Ms. Patcharin Pinkoksoong on 28 April 2009. Details of the shares of OCG Thailand comprising ordinary shares and preference shares are set out in the paragraph headed "Preference shares structure arrangement of OCG Thailand" in this section.

### *Former contractual arrangements of OCG Thailand*

On 22 June 2005, Oriental City Group Limited and Mr. Limpkittisin had entered into a number of agreements in relation to OCG Thailand (the "**Structured Contracts**"), such that our Group was able to comply with the relevant Thai laws and regulations on foreign invested companies. During the period between September 2004 and April 2009, OCG Thailand was owned as to 49% by OCG Thailand (BVI), 39.99988% by Mrs. Nongluck, 11% by Mr. Limpkittisin, and 0.00012% by three Thai nationals. Our Directors are of the view that such contractual arrangements then rendered OCG Thailand (BVI) the right to receive all economic benefits and exercise equity owners' rights over the 11% interests then held by Mr. Limpkittisin in OCG Thailand. As the Structured Contracts gave our Group effective control over OCG Thailand during the relevant period, the financial results of OCG Thailand were combined in our Group's combined financial information before the Track Record Period by the merger accounting method to the extent of 60%.

The Structured Contracts have been terminated in April 2009 by the result of the repayment of the loan by Mr. Limpkittisin and all the shares in OCG Thailand held by him have been transferred to OCG Thailand (BVI).

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Preference shares structure arrangement of OCG Thailand*

(i) Shareholding structure between 2009 and 2015

To comply with the relevant Thai laws and regulations on foreign invested companies, during the period from April 2009 to November 2015, 49.18033% ordinary shareholding interests of OCG Thailand was held by OCG Thailand (BVI) and 50.81964% was held by Mrs. Nongluck and 0.00003% was held by Miss Patcharin Pinkoksoong, the latter two shareholders were Thai nationals. Under the preference shares structure arrangement, one ordinary share was equivalent to five preference shares in term of voting power. Accordingly, OCG Thailand (BVI) had 57.47126% voting rights in OCG Thailand.

The following table sets out the shares, voting power and ordinary dividend entitlement in respect of OCG Thailand held by each of the shareholders of OCG Thailand during the said period:

	Ordinary share capital		Preference share capital		Total share capital		Voting Power	Ordinary dividend entitlement
	<i>No. of shares</i>	%	<i>No. of shares</i>	%	<i>No. of shares</i>	%	%	%
OCG Thailand (BVI)	1,500,000	60.00000	-	-	1,500,000	49.18033	57.47126	60.00000
Mrs. Nongluck	999,999	39.99996	550,000	100.00000	1,549,999	50.81964	42.52870	39.99996
Ms. Patcharin Pinkoksoong	1	0.00004	-	-	1	0.00003	0.00004	0.00004
	<u>2,500,000</u>	<u>100.00000</u>	<u>550,000</u>	<u>100.00000</u>	<u>3,050,000</u>	<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>

*Note:* Our Group was entitled to 60% of economic benefit as an ordinary shareholder of OCG Thailand.

The holders of ordinary shares were entitled to receive dividends as declared from time to time and were entitled to one vote per share on any resolution of OCG Thailand.

The holders of preference share had the following rights:

- one vote for every five shares held on any resolution of OCG Thailand;
- the right to receive cumulative dividend declared by OCG Thailand at the annual rate of 9% paid up amount of the shares issued, prior to the ordinary shares; and
- the right to receive the distribution of the share capital, in the case of the winding up of the OCG Thailand, prior to the ordinary shares, but limited to the paid up amount of each of the preference share.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Under article 7 of the articles of association of OCG Thailand, the holders of preference shares are entitled to receive only the cumulative dividend declared by OCG Thailand at the rate of 9% (per annum) of the paid-up value of the shares issued, prior to the holders of ordinary shares. The holders of preference shares shall have no right to receive further dividends in addition to the 9% (per annum) cumulative dividend as provided in article 7 above.

Mrs. Nongluck and Ms. Patcharin Pinkoksoong were Thai nationals who held a total of 50.81967% share capital of OCG Thailand.

Pursuant to the preference shares structure arrangement as described above, OCG Thailand (BVI) was entitled to receive 60% benefit on the dividend declared to the ordinary shareholders of OCG Thailand at any time, to participate in 60% of the residue net assets, after the repayment of any paid up preference share capital, of OCG Thailand upon its winding up and obtain more than 57% voting power in the shareholders' meetings of OCG Thailand.

(ii) Shareholding restructuring in 2015

On 13 November 2015, OCG Thailand (BVI) and OCG Asia Pacific acquired 999,999 ordinary shares (or 39.99996%) and 1 ordinary share (or 0.00004%) in OCG Thailand from Mrs. Nongluck and Miss Patcharin Pinkoksoong at considerations of THB4,879,995.12 and THB4.88, respectively, which was determined with reference to the net asset value of OCG Thailand as at 31 March 2015 after distribution of the interim dividend for the year ended 31 March 2016. On 12 November 2015, OCG Thailand issued 2,550,000 new preference shares to Mrs. Nongluck and on 14 December 2015 reduced its registered capital by deleting the then existing 550,000 preference shares issued to Mrs. Nongluck. After completion of such shareholding restructuring, OCG Thailand (BVI) and OCG Asia Pacific are entitled to receive 100% benefit on the dividend declared to the ordinary shareholders of OCG Thailand at any time and obtain approximately 90.74% voting power in the shareholders' meetings of OCG Thailand, while Mrs. Nongluck is entitled to receive fixed cumulative dividend at the rate of 9.5% per annum on the paid up value of the preference shares issued and approximately 9.26% voting power.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table sets out the shares, voting power and ordinary dividend entitlement in respect of OCG Thailand held by each of the shareholders of OCG Thailand after completion of the shareholding restructuring in 2015:

	Ordinary share capital		Preference share capital		Total issued share capital		Voting Power	Ordinary dividend entitlement
			(Note 1)					
	No. shares	%	No. of shares	%	No. of shares	%	%	%
OCG Thailand (BVI)	2,499,999	99.99996	-	-	2,499,999	49.50493	90.74406	99.99996
OCG Asia Pacific	1	0.00004	-	-	1	0.00002	0.00004	0.00004
Mrs. Nongluck	-	-	2,550,000	100.00000	2,550,000	50.49505	9.25590	-
<b>Total</b>	<b>2,500,000</b>	<b>100.00000</b>	<b>2,550,000</b>	<b>100.00000</b>	<b>5,050,000</b>	<b>100.00000</b>	<b>100.00000</b>	<b>100.00000</b>

Notes:

- The existing OCG Thailand preference shares are classified as liabilities instead of equity in our Group's combined financial information in accordance with applicable accounting standards because, although they are not redeemable, the holders of which are entitled to receive fixed cumulative dividend of at the rate of 9.5% per annum on the paid up value of the new OCG Thailand preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.
- Each holder of OCG Thailand ordinary shares shall receive any dividend declared by OCG Thailand equally on each share, after distribution of the fixed cumulative dividend to holders of the existing OCG Thailand preference shares.
- The results and financial position of OCG Thailand are included in our Group's combined financial information, after accounting for the paid up value of the then OCG Thailand preference shares and the existing OCG Thailand preference shares issued and its related cumulative dividend according to the proportion of ordinary shares of OCG Thailand indirectly held by our Company through OCG Thailand (BVI) and OCG Asia Pacific.

As advised by Thailand Legal Adviser, Section 4 of the FBA was not concerned about the different classes of shares in determining whether the entity is a "foreigner" and Section 4(3) and 4(4) made it clear that the concern related to the total number of all capital shares in our Company (combination of all classes). Our Thailand Legal Adviser, also confirmed that as OCG Thailand (BVI) invested in less than half of the total capital of OCG Thailand, OCG Thailand would not be regarded as a "foreign" entity under section 4(3) of the FBA. Our Thailand Legal Adviser, advised that the preference shares structure arrangement between OCG Thailand (BVI) and the Thai shareholders was in compliance with the existing laws and regulations of Thailand. However, there can be no assurance that the relevant Thai governmental or judicial authorities will in the future adopt a liberal and purposive interpretation or application of the Thai laws and regard such preference shares structure arrangement as being in compliance with Thai laws. If

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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such preference shares structure arrangement is held to be in violation of any existing or future Thai laws, the relevant Thai regulatory authorities may rule that OCG Thailand (BVI), OCG Thailand, their authorised directors who were involved in the transaction and the Thai shareholders violate the FBA, and order such preference shares structure arrangement be cancelled and OCG Thailand to restructure its shareholdings to be otherwise in compliance with the laws within a certain period as prescribed by the authority, failing which the relevant authority may also refer the case to the court for judgment and fines and penalties may apply to OCG Thailand (BVI) and violator. If OCG Thailand or any of its respective subsidiaries or shareholders are found to be in violation of any existing or future Thai laws or regulations, the regulatory authority will have broad discretion in dealing with such violation, including imprisonment for a term of not exceeding 3 years or levying fines between THB100,000 (equivalent to approximately HK\$22,000) to THB1,000,000 (equivalent to approximately HK\$220,000) or both and order for cessation of operation.

As advised by our Thailand Legal Adviser, the preference shares structure arrangement in relation to OCG Thailand was adopted because (i) the preference shares structure arrangement was in compliance with the laws of Thailand, (ii) OCG Thailand was a Thai entity and should not be considered a foreigner under the definition of the FBA, as Thai shareholders hold more than 50% of all issued shares in OCG Thailand, whether in form of preference shares or ordinary shares as a result of the restructuring, and (iii) the preference shares structure arrangement allows OCG Thailand to carry on its business in Thailand.

Our Thailand Legal Adviser, is of the opinion that the preference shares structure arrangement is in compliance with (i) the existing Thai laws including the FBA; (ii) rules and regulations, including, without limitation, those applicable to the business of our Company and OCG Thailand, and (iii) the relevant provisions in the Thai Civil and Commercial Code and OCG Thailand's articles of association.

As advised by our Thailand Legal Adviser, the current version of FBA does not have any provision to determine whether an entity is a foreigner based on voting right attached to each share, or on different classes of shares and there is no previous supreme court judgement ruling the preference shares structure arrangement to be in violation of FBA. The MOC proposed a draft amendment to the FBA to the cabinet on 9 January 2007. In the draft amendment, major amendments are (i) add "voting rights" as a criterion to determine whether a juridical person registered in Thailand is a foreign company or not, (ii) increase the fine by 5 times for non-compliance and (iii) amend the list of restricted business. At such time, the MOC understood that companies where foreigners have more than 50% voting rights were not in violation of the current FBA as long as more than 50% of all issued shares are held by Thai nationals. Even though there was some considerations of the proposed draft bill by the Thai cabinet and the National Legislative Assembly, such draft bill was dropped and the current government will not proceed further with the amendment to the FBA as commented by the former Prime Minister, Abhisit Vejjajiva, on Monday, 19 January 2009. At the time of submission of the draft amendment to the FBA to the cabinet on 9 January 2007, MOC has admitted publicly in relation to the proposed amendment in the FBA that a company where foreigners have more than 50% voting rights was not in breach of current version of the FBA. In

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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addition, the Council of State rules that it is also legitimate for holders of preference shares to have the right to receive dividend at a rate better than general investment while receiving less favourable voting rights. The preference shares structure arrangement has been widely implemented by a number of private business operators in Thailand. OCG Thailand is therefore a Thai entity but not a “foreigner” under FBA, as the current provisions of FBA do not include voting rights as a criterion even though OCG Thailand (BVI) is entitled to 57.47126% of the voting powers of OCG Thailand.

Our Directors and our Thailand Legal Adviser, are of the view that there is no imminent risk that the relevant Thai authorities would prohibit or take actions to prohibit the preference shares arrangement.

According to our Thailand Legal Adviser, OCG Thailand has obtained all licenses, permits or certificates necessary to conduct its operations from the relevant governmental bodies in Thailand, and that the OCG Thailand complies with all applicable laws and regulations in Thailand since its establishment and has not committed material offences, violations or breaches of laws or regulations in Thailand.

Our Directors are of the view that it is unlikely that the arrangement under the preference shares structure arrangement will be challenged in the future by the relevant Thai authority. If the preference shares structure arrangement is challenged or if any of the parties is found to be in violation of any existing or future Thai laws or regulations because of the preference shares structure arrangement, our Company may still be able to account OCG Thailand as a subsidiary in accordance with the Hong Kong Financial Reporting Standard 10 (“**HKFRS 10**”) “Consolidated Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants should our Company is able to demonstrate that it is exposed, or has rights, to variable returns from its involvement with OCG Thailand and has the ability to affect those returns through its power over OCG Thailand.

Therefore, should the preference shares structure arrangement be found to be in violation of any existing or future Thai laws or regulations, our Company shall consolidate the financial position and results of OCG Thailand to the extent of its 49.5049% equity interest in accordance with HKFRS 10.

The reporting accountants confirm that the above accounting treatments are in accordance with the applicable accounting standards.

### ***OCGC Payment***

OCGC Payment was incorporated in Cambodia with limited liability on 18 July 2017, with an authorised share capital of 40,000,000 Riels divided into 1,000 shares of 40,000 Riels each. On the date of its incorporation, 1,000 shares were allotted and issued to OCG Thailand, credited as fully paid.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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OCGC Payment is in the course of applying relevant licenses for carrying on merchant acquiring business. As at the Latest Practicable Date, OCGC Payment has not conducted any merchant acquiring business.

### REORGANISATION

For the purpose of the Listing, our Group has undergone the Reorganisation which consists of the following steps:

#### 1. Incorporation of our Company

On 19 January 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability having an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On the same day, one Share was issued at par to the initial subscriber and such Share was transferred to Charm Act. 69 Shares, 21 Shares and 9 Shares were further allotted and issued to Charm Act, Straum Investments and Original Fortune on 19 January 2018, at par respectively.

#### 2. Transfer of OCG Thailand (BVI) to our Company

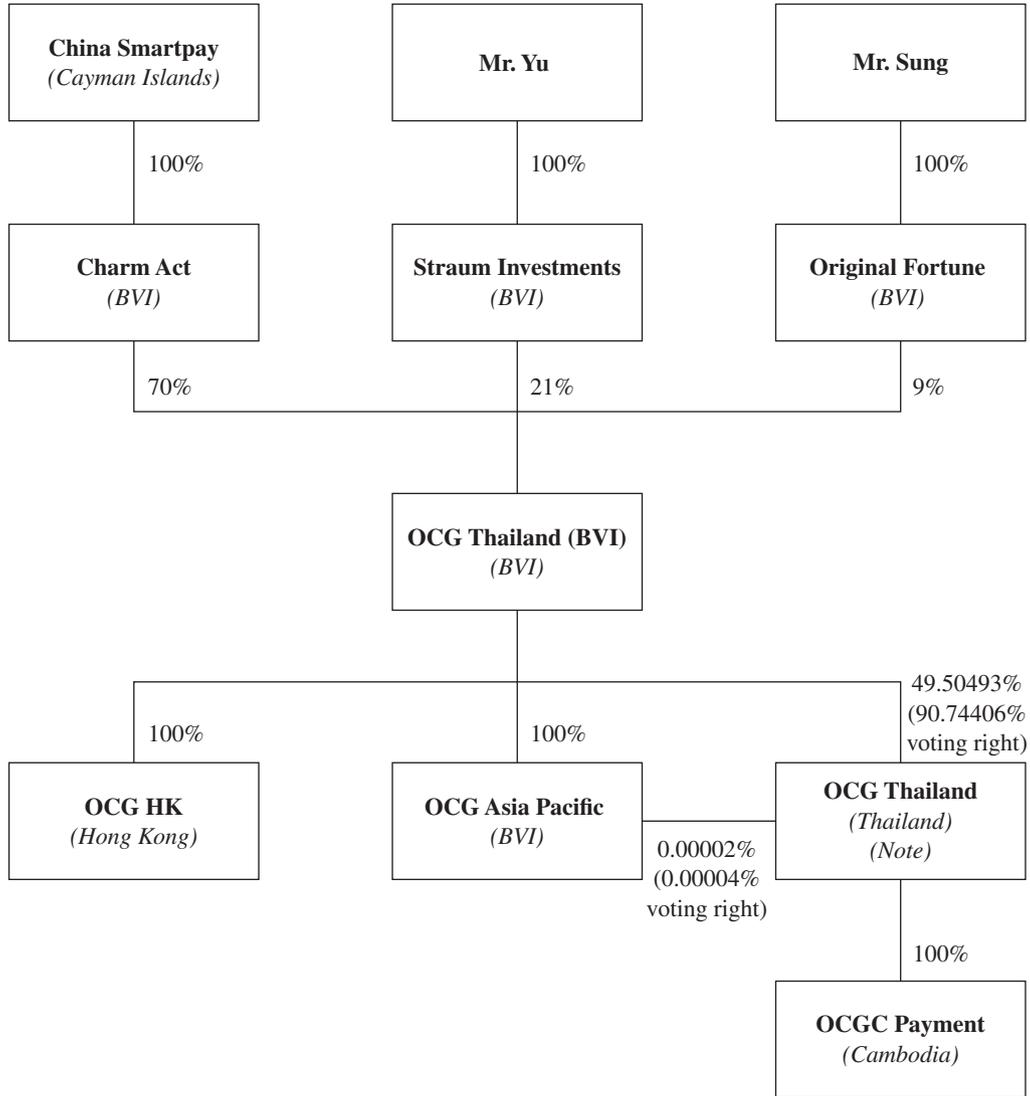
On 18 September 2018, a sale and purchase agreement was entered into among Charm Act, Straum Investments and Original Fortune (as vendors) and our Company (as purchaser), pursuant to which Charm Act, Straum Investments and Original Fortune agreed to sell, and our Company agreed to purchase, 70 shares, 21 shares and 9 shares of OCG Thailand (BVI). In consideration of which, our Company allotted and issued 70 Shares, 21 Shares and 9 Shares, all credit as fully paid, to Charm Act, Straum Investments and Original Fortune, respectively.

### CAPITALISATION ISSUE

Conditional upon (i) all our Shareholders passing the necessary Shareholders' resolutions; and (ii) the share premium account of our Company having sufficient balance, our Directors will be authorised to, among other things, capitalise the amount of HK\$7,499,998 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of 749,999,800 Shares which shall be allotted and issued to our Shareholders whose names appear on the register of members of our Company at the close of business on the date of this prospectus in proportion (as nearly as possible without involving fraction) to their existing shareholdings in our Company, representing not more than 75% of the enlarged issued share capital of our Company upon Listing.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

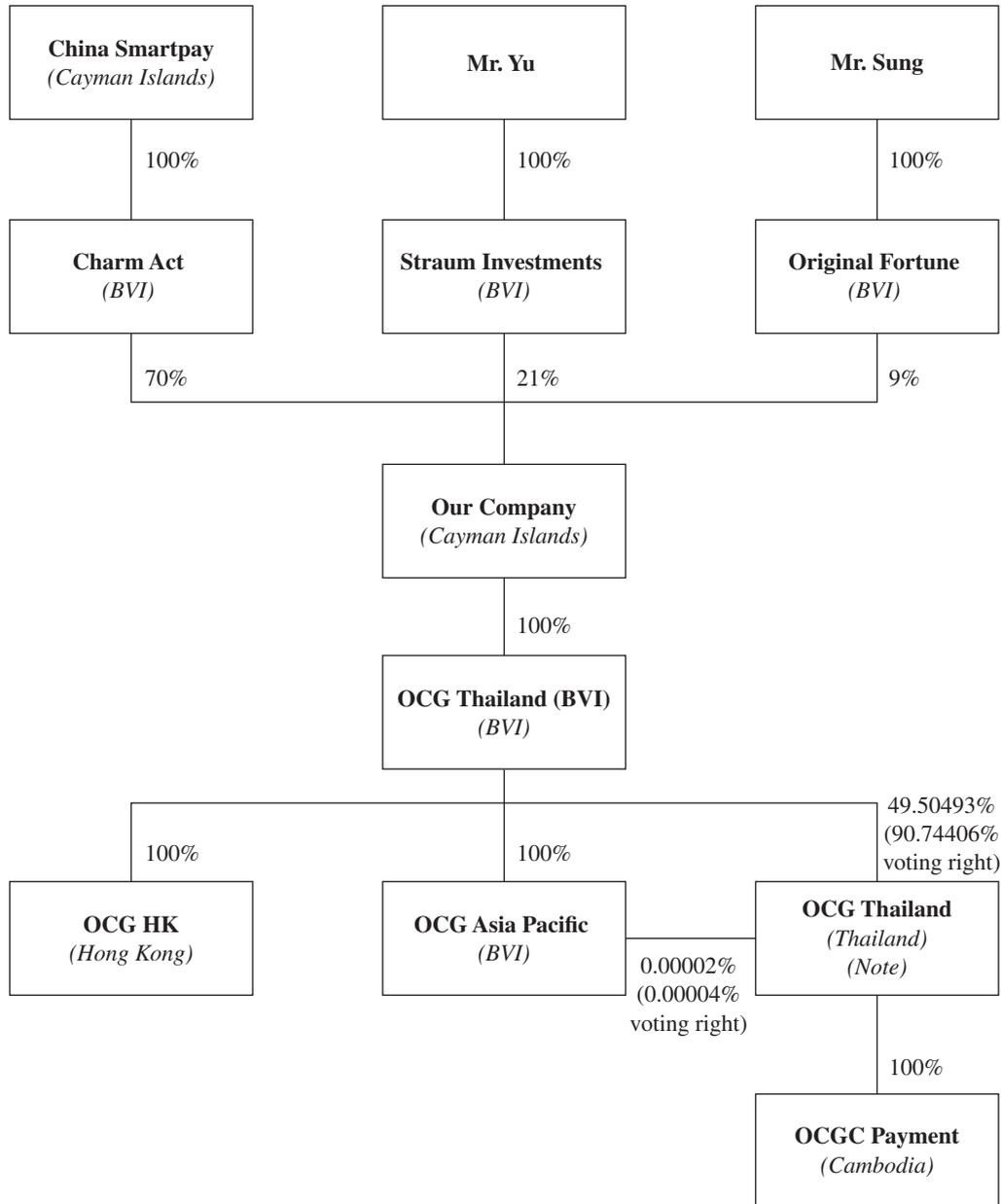
The following chart sets out our Group's corporate and shareholding structure immediately before the Reorganisation:



*Note:* OCG Thailand's entire issued preference share capital is held by Mrs. Nongluck, a Thai national, where she is entitled to receive fixed cumulative dividend at the rate of 9.5% per annum on the paid-up value of such issued preference shares, with every 10 preference shares carrying one vote for any resolution of OCG Thailand.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

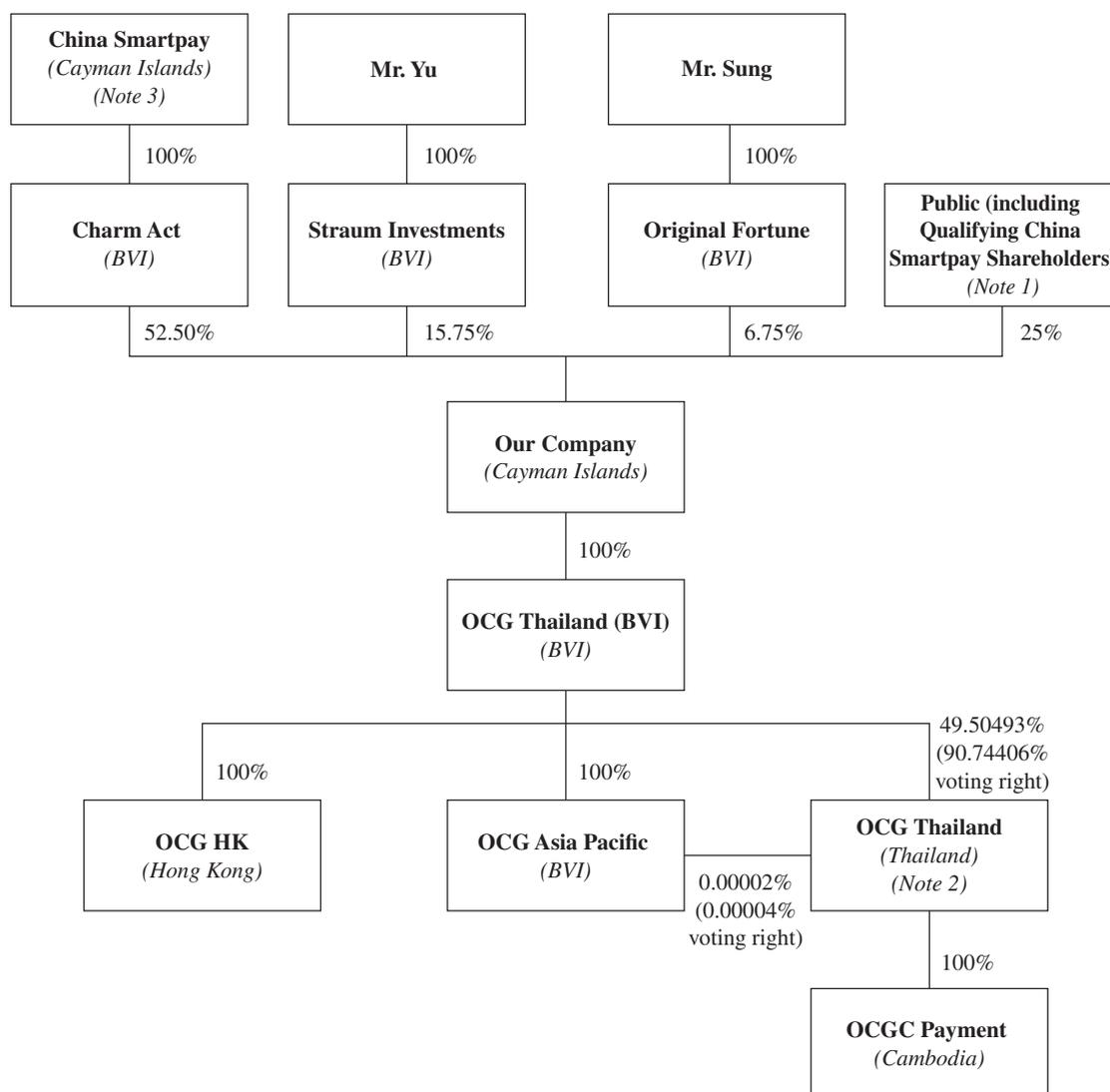
The following chart sets out our Group's corporate and shareholding structure immediately after the Reorganisation but before the Capitalisation Issue, the Spin-off and the Share Offer:



*Note:* OCG Thailand's entire issued preference share capital is held by Mrs. Nongluck, a Thai national, where she is entitled to receive fixed cumulative dividend at the rate of 9.5% per annum on the paid-up value of such issued preference shares, with every 10 preference shares carrying one vote for any resolution of OCG Thailand.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out our Group's corporate and shareholding structure following completion of the Capitalisation Issue, the Spin-off and the Share Offer (without the exercise of the Offer Size Adjustment Option):



*Notes:*

- 20,000,000 Reserved Shares, representing approximately 8% of the Offer Shares initially offered under the Share Offer (taking no account of any Shares which may be allotted or issued pursuant to the exercise of the Offer Size Adjustment Option), will be reserved and available for subscription by the Qualifying China Smartpay Shareholders. The Reserved Shares will be allocated out of the Offer Shares to be offered under the Placing. The Qualifying China Smartpay Shareholders will be entitled to subscribe such number of the Reserved Shares on an assured basis for one Reserved Share for every 82 China Smartpay Shares held by he/she/it as at 4:00 p.m. on the Record Date, provided that any Qualifying China Smartpay Shareholder holding less than 82 China Smartpay Shares as at 4:00 p.m. on the Record Date will not be entitled to apply for the Reserved Shares.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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2. OCG Thailand's entire issued preference share capital is held by Mrs. Nongluck, a Thai national, where she is entitled to receive fixed cumulative dividend at the rate of 9.5% per annum on the paid-up value of such issued preference shares, with every 10 preference shares carrying one vote for any resolution of OCG Thailand.
3. To the best knowledge and belief of our Directors, the substantial shareholders of China Smartpay are as follows:
  - (1) as at the Latest Practicable Date, 170,000,000 China Smartpay Shares, representing approximately 10.34% of China Smartpay's entire issued share capital, were held by Sino Starlet Limited ("**Sino Starlet**"). As Mr. Zhang Chang is the controlling shareholder of Sino Starlet, he was deemed to be interested in these 170,000,000 China Smartpay Shares held by Sino Starlet under the SFO. Further, as at the Latest Practicable Date, 93,090,000 China Smartpay Shares, representing approximately 5.66% of China Smartpay's entire issued share capital, were held by Mr. Zhang Chang directly.
  - (2) as at the Latest Practicable Date, 103,908,918 China Smartpay Shares, representing approximately 6.32% of its entire issued share capital, were held by Jiayin Finance Holding Group Co., Limited ("**Jiayin**"). Further 386,110,512 China Smartpay Shares, representing approximately 23.48% of China Smartpay's entire issued share capital, were held by Gayang (Hong Kong) Co., Limited ("**Gayang**"), a wholly owned subsidiary of 上海嘉捷資產管理有限公司. As Mr. Yan Dinggui was the ultimate controlling shareholder of Jiayin and Gayang, he was deemed to be interested in those 490,019,430 China Smartpay Shares held by Jiayin and Gayang pursuant to the SFO.

## BUSINESS

### OVERVIEW

We are an established Merchant Acquirer in providing a suite of comprehensive payment processing services to merchants of all sizes frequently visited by Chinese tourists in Thailand. Since the commencement of our business in 2004, our Group has been adopting and deploying financial technology into our merchant acquiring business model; that is, we enable our merchants in Thailand to accept various cross-border electronic payment methods, including credit cards, debit cards, QR Codes, NFC and other alternative payment technologies, adopted by shoppers via our POS terminals to acquire and route the respective payment instructions to issuing banks for authentication. Upon approval, the payment transactions with the merchants would then be processed. Our Directors consider that the innovative financial technology is an extension based on our traditional card-related business and there is no material change to our Group's business model while such extension is to respond to the related financial and operational impacts originating from the development and technology advancement in the industry. According to the CIC Report, our Group was among the first three CUP Merchant Acquirers to provide payment processing services in Thailand and ranked first in Thailand's CUP merchant acquiring business in term of transaction value, having captured a market share of 24.9% in 2017. We position ourselves as a bridge to link and collaborate among our partner payment network associations, our merchants and shoppers.

We offer high quality services that provide our merchants with rapid merchant acceptance, reliable and secure payment processing services and other support services. For each transaction, we are responsible to provide both front-end and back-end processing services to our merchants, whereby we route the transactions originated from our POS terminals at a merchant location for authentication and ensure that each transaction is appropriately cleared and settled into our merchant's bank account accordingly. We charge our merchants based on a percentage of the amount of each successful transaction, also known as the MDR, which contains an interchange fee from our partner payment network association and our service charges. Our Group will first receive the transaction value net of interchange fee in USD from the corresponding partner payment network association and proceed to settle with our merchants in THB after deducting our service charges. During the Track Record Period, our payment processing services was mainly carried out through partnership with CUP. Our Group has three sources of revenue derived from our merchant acquiring business, including (i) MDR income; (ii) foreign exchange rate discount income; and (iii) marketing service income.

The following table sets forth a breakdown of our Group's revenue by nature during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
MDR income	77,491	76.5	74,688	76.7	81,457	76.8
Foreign exchange rate discount income	23,759	23.5	22,739	23.3	24,050	22.7
Marketing service income	-	-	-	-	576	0.5
<b>Total</b>	<b>101,250</b>	<b>100</b>	<b>97,427</b>	<b>100</b>	<b>106,083</b>	<b>100</b>

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## BUSINESS

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In addition to the MDR we charged for each successful transaction, we also benefited from a stable foreign exchange rate discount income arising from the daily settlement amount in USD collected from CUP. Such settlement fund was translated at a favourable exchange rate offered by CUP to cover our Group from possible exchange rate volatility of USD against THB that may arise between the transaction date and the settlement date. Also, we were able to derive marketing service income through collaboration with a PRC-based coupon promotion platform developer to drive Chinese tourists from the online platform to an offline shopping experience by directing their digital footprints to physical stores of our merchants in Thailand.

According to the CIC Report, the CUP merchant acquiring business in Thailand is highly concentrated, with the top six players accounting for approximately 91.9% of the total transaction value in 2017. There were about ten major CUP Merchant Acquirers in Thailand in 2017. The continuing growth in the levels of per capita disposable income in the PRC will stimulate higher outgoing tourist traffic from the PRC. We believe such growth will be beneficial to our Group's merchant acquiring business in the foreseeable future, which is currently focusing in Thailand, as Thailand is the most popular country for Chinese tourists travelling overseas, according to the CIC Report.

### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have historically contributed to our success and will continue to contribute to our future growth:

**(1) Our Group possessed a strategically developed merchant network in Thailand to capture the continuous growth of Chinese tourists travelling to Thailand**

We believe our success is attributed to the merchant network we possessed in Thailand. According to the CIC Report, in 2017, almost 10 million Chinese tourists visited Thailand, accounting for roughly 27.7% of all tourists visited to Thailand that year, making it the most popular country for Chinese tourists. Driven by the continuous economic growth, the increase in the levels of per capita disposable income in the PRC and the implementation of the "Belt and Road" initiative, the outgoing tourist traffic from the PRC is expected to rise constantly. Accordingly, there is plenty of room for Merchant Acquirers, like our Group, to increase the transaction value and market share in the CUP merchant acquiring business in Thailand. Due to an increasing number of Chinese tourist arrivals throughout the forecast period, there will be a greater market potential in terms of spending by tourists in Thailand associated with the merchant acquiring business, especially with common payment methods used by the Chinese.

Acknowledging the market potential in Thailand, we have developed an established merchant network at strategic locations over Thailand since the commencement of our business. We have been maintaining an overall growing merchant network. In general, we expand our merchant network via (i) direct sales force, (ii) referrals, and (iii) agent network.

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## BUSINESS

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We consider our merchant network as a significant and constant source of our revenue as we charge our merchants based on a percentage of the amount of each successful transaction via our POS terminals. In order to build up our merchant network, we have incurred substantial capital investments by way of the purchase, upgrade and maintenance of our POS terminals, the development of acquiring host systems, as well as our ongoing high quality IT and customer service supports. Our Directors believe that careful selection and precise planning in merchant acceptance are required to efficiently allocate our resources to achieve profitability and sustainable development. According to the CIC Report, in order to achieve higher transaction value, Merchant Acquirers often distribute as many POS terminals as possible. However, the cost of POS terminals is relatively high, and distributing of which thoughtlessly could incur high capital investment, and subsequently affect the profitability of a Merchant Acquirer. Comparing with the number of POS terminals, the locations of the POS terminals are equally, or even more important. Successful Merchant Acquirers strategically place their POS terminals at merchants located at key locations to target specific consumers. By strategically distributing POS terminals, a Merchant Acquirer can achieve higher transaction value with fewer POS terminals. For CUP Merchant Acquirers, it is reasonable to distribute their POS terminals at locations with higher concentration of Chinese tourists, since most of the CUP transaction value are contributed by Chinese tourists using their CUP Cards at these places. As a result, in addition to the consideration of the expected daily transaction value incurred by our potential merchants, our Group has developed a list of stringent criteria to select quality merchants to develop our merchant network. For details, please refer to section headed “Business – Our business model – 1. Merchant acceptance” in this prospectus.

According to the CIC Report, in Thailand, CUP Cards are usually used by Chinese tourists. As a result, the CUP transactions mostly take place at tourist attractions and spots, as well as cities frequently visited by tourists. Bangkok, Phuket, Chiang Mai, and Pattaya, etc. are the most visited cities by tourists from China. The CUP transaction value in Thailand is relatively higher in these locations as a result of higher concentration of Chinese tourists. A CUP Merchant Acquirer will be able to gain higher transaction value if its merchant network is extensive in these locations. During the Track Record Period, our Group has strategically developed an established merchant network with both domestic and international renowned merchants who are located at the venues frequently visited by Chinese tourists in Thailand to ensure high transaction value in Thailand, please refer to the section headed “Business – Our merchant acquiring business – (i) MDR income” in this prospectus. As at the Latest Practicable Date, we had over 1,000 merchants. We develop our merchant network with two major focuses: (i) Malls & general stores, and (ii) Specialist stores, to capture different needs of Chinese tourists arising from different travelling patterns. For FY2016, FY2017 and FY2018, on the basis that all related merchants are consolidated, our five largest merchants accounted for approximately 83.2%, 86.3% and 79.0% of our total MDR income, respectively. Leveraging on our strategically developed merchant network, our Group has secured a leading position in contributions of CUP’s transaction value in Thailand throughout the Track Record Period. For details, please refer to the section headed “Business – Customers” in this prospectus. Our Directors believe that such strategical allocation of our manpower and resources in developing our

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## BUSINESS

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merchant network allows us to capture the continuous growing trend of Chinese tourists traveling to Thailand effectively in the long run.

**(2) We have provided quality services, invested in advanced POS terminals and employed competitive pricing strategy, in order to cultivate on-going relationships with our major merchants and develop an established merchant network**

We believe that maintaining on-going relationships with our merchants is important to the development of our business. According to the CIC Report, Merchant Acquirers need to be able to service their merchants well in order to maintain their loyalty and discourage them from switching over to another Merchant Acquirer. Our frontline staff maintains regular contact with our merchants to keep abreast of their needs and market trends. We have committed and well-trained frontline staff with multilingual background to tackle and serve different types of approved and potential merchants. For details, please refer to the section headed “Business – Sales and marketing” in this prospectus. According to the CIC Report, large-scale merchants prefer to engage Merchant Acquirers with solid reputation of professional, timely and quality services as compared to the irregular servicing standards and inflexible/normal operation hours provided by other local players or local banks. Being able to quickly trouble-shoot and fix problems of our POS terminals is a key performance indicator of our 24x7 high quality services, as we reckon that any delay associated with the POS terminal’s downtime would have a serious impact on the checkout speed. Therefore, our Group aims to provide on-site services for trouble-shooting and replacement of POS terminals within 24 hours for area surrounding Bangkok or within 48 hours for other areas upon receiving notifications from our merchants.

Our Group was among the leading CUP Merchant Acquirers to install and position the smart POS terminals in the marketplace, which enables our merchants to be able to accept the advanced form of payment methods adopted by tourists primarily from China, i.e., mobile payment methods, which include NFC, QR Code, etc. According to the CIC Report, when compared with other CUP Merchant Acquirers, the number of smart POS terminals our possessed by our Group is significantly higher. Other CUP Merchant Acquirers only started to distribute smart POS terminals in late 2017. According to the CIC Report, by the first quarter of 2018, our Group distributed over 75% of smart POS terminals among all smart POS terminals distributed by CUP Merchant Acquirers in Thailand and our Group was the dominant smart POS terminals provider among all CUP Merchant Acquirers. The dominant and first mover position allowed our Group to be among the first batch of Merchant Acquirers to partner with CUP for any new programs and/or activities of CUP. For example, we are engaged in recent promotion activities for the use of QR Code payment with CUP in coping with the emerging challenges from Network A and Network W in a timely manner. Merchants would be eager to partner with our Group to be able to accept new payment methods and benefit from the respective promotions offered by CUP.

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## BUSINESS

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According to the CIC Report, our Group is also the first batch of Merchant Acquirers to enable key merchants to monitor their CUP transactions regularly through the on-line system program, which significantly enhances the operational efficiency of the participating merchants. The technology requirements for smart POS terminals are different. The information system is a complex and sophisticated system including many components and an interface which are required to be adjusted and enhanced to support the functions of smart POS terminals. A user-friendly interface is usually developed by the joint force of Merchant Acquirers and POS terminal suppliers. The development of the information system is costly in terms of time and capital required. In general, small Merchant Acquirers are more likely to be lack of sufficient resources to develop the information system, while large banks usually require relatively complex and long procedures to implement new information system. Furthermore, a team of professional personnel that is capable to support the use, maintenance and repair of the smart POS terminals is needed. Our Group, with completed information system, established smart POS terminals network, and a team of professionals, has a rather large competitive advantage as a first mover in this market. In addition, with our Chinese background, our Group is able to cooperate and communicate with CUP, a Chinese-based company, at a better level.

In addition to providing the aforementioned professional services, technically sophisticated support, and practically supportive marketing programs, we believe we have adopted a very competitive pricing strategy in the marketplace. According to the CIC Report, CUP in general imposes a mandatory interchange fee of around 1.2% on CUP Merchant Acquirers, and CUP Merchant Acquirers will discuss the final MDR with the merchants. In order to gain competitive advantages over others for major merchants, it is an industry norm for Merchant Acquirers to set the overall MDR as low as possible under the premise that the MDR can cover CUP's interchange fee and the Merchant Acquirer's operation costs. Merchant Acquirers with larger economies of scale, i.e. processing higher transaction value, can set the MDR lower than those smaller Merchant Acquirers. As a result, leading CUP Merchant Acquirers' MDR like our Group is relatively lower than the MDR of other CUP Merchant Acquirers.

As at the Latest Practicable Date, we had strategically developed an established network of over 1,000 merchants. Some of our merchants are related companies of each other. For FY2016, FY2017 and FY2018, on the basis that all related merchants are consolidated, our five largest merchants which has established a business relationship with our Group from 2 years to 13 years, accounted for approximately 83.2%, 86.3% and 79.0% of our total MDR income, respectively. Our Directors believe that establishment of a merchant network and building up reputation in the industry takes time and effort. In view of our Group's reliance on our major merchants and in order to increase our transaction value and market share in the industry in Thailand, our Group strives to retain our existing merchants and attract potential merchants by (i) visiting our existing and potential merchants regularly to understand their needs; (ii) sharing industry intelligence on the tourism development trends with our merchants; (iii) distributing smart POS terminals together with training and assistance on the use of these smart POS terminals; and (iv) developing unique marketing programs to promote our merchants in the PRC and Thailand.

Due to our long-term relationship with our merchants, we believe that we are familiar with our merchants' various needs which in turn enable us to provide quality services to our existing merchants and increase our appeal to potential merchants. We believe that our established and long-term business relationships with our merchants cannot be easily replicated by others.

### **(3) We have established longstanding and complementary business partnership with CUP**

According to the CIC Report, CUP has become the dominant payment method in Thailand for Chinese tourists due to its high penetration rate among Chinese citizens. In 2017, approximately 85% of merchants in Thailand accepted CUP Cards. The usage of CUP payment methods by Chinese tourists in Thailand is expected to grow as increasingly more Thai merchants are willing to accept CUP payment methods. Between 2017 and 2022, it is expected that Chinese tourists' transaction value for CUP payment methods will grow at a CAGR of approximately 6.6% to reach approximately RMB26.2 billion, this growth is supported by the increasing penetration rate of CUP payment methods among Thai merchants and the increasing number of Chinese tourists visiting Thailand. The major competitive advantages of CUP include: (i) its high penetration rate among Chinese tourists, with China being one of the major sources of tourists travelling to Thailand; (ii) a relatively lower interchange rate on Merchant Acquirers as compared with other global payment network associations; and (iii) the relatively strong promotion strategies adopted by CUP.

Being one of the first three CUP Merchant Acquirers in Thailand since 2004, we have established longstanding and complementary partnership with CUP. According to the CIC Report, the CUP merchant acquiring business in Thailand is highly concentrated, with the top six players accounting for approximately 91.9% of the total transaction value in 2017. There were about ten major CUP Merchant Acquirers in Thailand in 2017 and we are among the leading CUP Merchant Acquirers in Thailand in the calendar year of 2017 in terms of transaction value, with market share of approximately 24.9%. Our Directors believe that our Group's effort in expanding our merchant network in Thailand is in line with CUP's on-going strategy to develop the international market. By leveraging on our strategically developed merchant network in Thailand, we communicate and collaborate with CUP closely to obtain the latest market information and develop promotional plans from time to time to achieve business synergy. We have received the Best Performance Acquirer award from CUP in 2007 for our merchant acquiring business in Thailand. For details of our awards and recognitions, please refer to the section headed "Business – Awards and recognitions" in this prospectus. Our Group is benefited directly from various promotion activities of CUP to seize more market shares in terms of transaction value. These promotion activities include incentives to achieve certain performance targets, direct discounts to the cardholders, which will incentivise CUP cardholders to spend more, and in turn become the source of our revenue. Our Group values our partnership with CUP and our Directors believe that our Group has maintained a good relationship with CUP. Having facilitated the entry of CUP into the Thai payment system market, we believe that the

stable relationship with CUP enables us to maintain our competitiveness in the market. Our Group is committed to maintain and build on this partnership with CUP to enhance our merchant network in other major tourist areas in Thailand, as well as to develop new markets internationally.

**(4) We possessed an experienced management team with in-depth knowledge of the market in which we operate**

Our experienced management team has successfully managed our operations throughout the Track Record Period. Our management team possesses in-depth industry knowledge and expertise in the merchant acquiring business.

Mr. Yu, our founder, Chairman and executive Director, has more than 16 years of experience in the card payment industry. Our Group's senior management team in Thailand, including Ms. Ching Hui Lin and Mrs. Raweerat Kongrod, possess strong local knowledge of the Thailand market and experience in providing accounting, merchant and technical support services. Their in-depth knowledge and experience in the merchant acquiring business, together with in-depth understanding of local cultures, working environment and international business experiences, have enabled them to lead our Group to capture and pursue market opportunities, enhance relationship with key customers, formulate and implement development strategies effectively.

We believe that with the knowledge and extensive experience of our capable management team, our Group is able to evaluate potential market development strategies in our target markets and be proactive in exploring business opportunities and commercialising business concepts to meet our business development strategies and needs.

### **OUR MERCHANT ACQUIRING BUSINESS**

Our merchant acquiring business principally refers to our business partnership with CUP, whereby our Group provides a suite of comprehensive payment processing services to merchants of all sizes in Thailand frequently visited by Chinese tourists to accept CUP payment methods via the POS terminals we distributed. Various cross-border payment methods are accepted by our POS terminals at our merchants' stores in Thailand. Our Group's POS terminals enable CUP payment transactions to be routed to the issuing banks for authentication. Upon approval, the payment transactions with our merchants would then be processed. During the Track Record Period, our merchant acquiring business was mainly carried out through partnership with CUP. Our Group has three principal revenue streams derived from our merchant acquiring business, including (i) MDR income, (ii) foreign exchange rate discount income, and (iii) marketing service income.

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### (i) MDR income

On a daily basis, the transaction value derived from our merchants' stores will be charged with a MDR, comprising of the interchange fee from the partner payment network association and our service charges (including VAT of 7%). On each settlement day, our Group receives the transaction value net of interchange fee in USD from the partner payment network association and proceeds to settle with our merchants in THB after deducting our service charges.

We charged our merchants on the basis of a certain percentage to each successful transaction, the MDR. Our Group has the discretion in determining the MDR charged to our merchants, for whom our Group is responsible for the installation and maintenance of the POS terminals. The MDR charged by our Group to our merchants is subject to the competitive market rates. For details of our pricing strategy, please refer to the section headed "Business – Sales and marketing – Pricing strategy" in this prospectus. During the Track Record Period, our Group generally charged a MDR within a range from 1.2% to 2.8% of the total transaction value on each successful transaction.

Our MDR income is net of VAT of 7% and that, depending on the types of CUP Cards the customers presented an interchange fee generally within a standard range from 0.3% to 2.1% of the total transaction value on each successful transaction was charged by CUP. Such interchange fee charged by CUP comprises of (i) IT network service fee and (ii) franchise license fee, which are subject to a withholding tax payable by CUP. Such transaction fee is only payable if the transaction is carried out successfully through our POS terminals. For FY2016, FY2017, FY2018, the interchange fee we paid to CUP amounted to approximately HK\$74.8 million, HK\$72.1 million and HK\$75.7 million, respectively.

As at the Latest Practicable Date, our Group has possessed over 4,000 POS terminals and maintained a strategically developed merchant network of over 1,000 merchants in Thailand, covering the most visited cities in Thailand, including Bangkok, Phuket, Pattaya, Chiang Mai, Chiang Rai, Chonburi, and others.

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The following table sets forth a breakdown of our revenue by geographic locations:

Location	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Thailand – Merchant network</b>						
– Bangkok	38,692	38.2	45,496	46.7	53,230	50.2
– Phuket	16,582	16.4	17,374	17.9	18,331	17.3
– Pattaya	19,141	18.9	8,559	8.8	5,554	5.3
– Chiang Mai	1,861	1.8	1,894	1.9	2,354	2.2
– Chiang Rai	826	0.8	893	0.9	1,305	1.2
– Chonburi	–	–	–	–	464	0.4
– Others	389	0.4	472	0.5	219	0.2
Subtotal	77,491	76.5	74,688	76.7	81,457	76.8
<b>Thailand – CUP</b>	23,759	23.5	22,739	23.3	24,050	22.7
<b>The PRC</b>	–	–	–	–	576	0.5
<b>Total revenue</b>	<u>101,250</u>	<u>100</u>	<u>97,427</u>	<u>100</u>	<u>106,083</u>	<u>100</u>

During the Track Record Period, our revenue was generated mainly based on the CUP transaction value from our merchant network in Thailand. As a result, a vast majority of our revenue was derived from Thailand. Our revenue derived from our PRC-based coupon platform developer was relatively small. For details, please refer to the section headed “Financial Information – Discussion and analysis of financial performance of our Group – Revenue – (iii) Marketing service income” in this prospectus.

### (ii) Foreign exchange rate discount income

Upon receipts of the settlement funds (transaction value net of interchange fee) in USD from CUP, our Group converts the funds into THB and make the required payments to our respective merchants based on the transaction summary report we prepared, through our settlement bank, after deducting our service charges based on the agreed MDR.

Our foreign exchange rate discount income is derived from our daily settlement with CUP whereby a favourable exchange rate in THB/USD is offered by CUP in translating the nominated transaction value in THB derived from our merchant network in the CUP report. The settlement fund in USD comprising of our foreign exchange rate discount income in order to cover our Group from possible exchange volatility of USD against THB that may arise between the transaction date and the settlement date. This foreign exchange rate discount income is considered as originating from our merchant acquiring business, which is an additional source of income to our Group.

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In accordance with the cooperation agreements entered between CUP and us in 2004 and subsequently replaced in 2006, CUP agreed to adopt a CUP Rate for the settlement of our daily successful transactions from Beijing time 11:00 a.m. onwards until the next CUP Rate is released (i.e. the last CUP Rate will be adopted if transaction value was incurred in the weekend). Such CUP Rate is estimated by CUP which will notify our Group by email accordingly on a daily basis.

With reference to the past experience, our management concluded that the currency exchange rate in THB/USD might be very volatile and we are constantly exposed to foreign exchange risk. For details regarding the historical USD to THB foreign currency fluctuation, please refer to the section headed “Industry Overview – Thailand’s tourism industry – Exchange rates between THB, USD and RMB” in this prospectus.

Set out below is a scenario analysis on the effect of different movements of the foreign exchange rate between USD and THB has on our Group’s foreign exchange rate discount income:

	1	2	3
<b>Scenario</b>	No movement in the exchange rate of USD against THB from transaction date to settlement date.	Adverse movement in the exchange rate of USD against THB (USD fell relative to THB) from the transaction date to settlement date.	Positive movement in the exchange rate of USD against THB (USD rose relative to THB) from the transaction date to settlement date.
<b>Result</b>	The exchange rate on transaction date and settlement date are the same and our Group can earn the full discount on the transaction value offered by CUP as foreign exchange rate discount income.	If the loss from the adverse exchange rate movement is less than the discount, our Group can earn the discount offered by CUP less the exchange loss as foreign exchange rate discount income. If the loss from the adverse exchange rate movement is more than the discount, the exchange loss is lessened by the discount offered by CUP.	The Group can earn exchange income from the positive movement in the exchange rate in addition to the full discount on the transaction value offered by CUP as foreign exchange rate discount income.

We have developed foreign exchange risk management procedures to manage our exposure to foreign exchange risk in relation to the possible volatility of THB/USD. Please refer to the section headed “Business – Internal control and risk management – Foreign exchange risk control” in this prospectus for further details regarding the workflow of how we enter into the foreign currency forward contract.

**(iii) Marketing service income**

In line with the widespread adoption of new technologies with customers weave in and out of digital and physical channels, we have developed an online-to-offline (O2O) marketing strategy in collaboration with a PRC-based coupon promotion platform developer to drive Chinese tourists from the online platform to an offline shopping experience by directing their digital footprints to physical stores of our merchants in Thailand. Specifically, the coupons downloaded online via the coupon promotion platform will be able to be redeemed in our designated merchant stores.

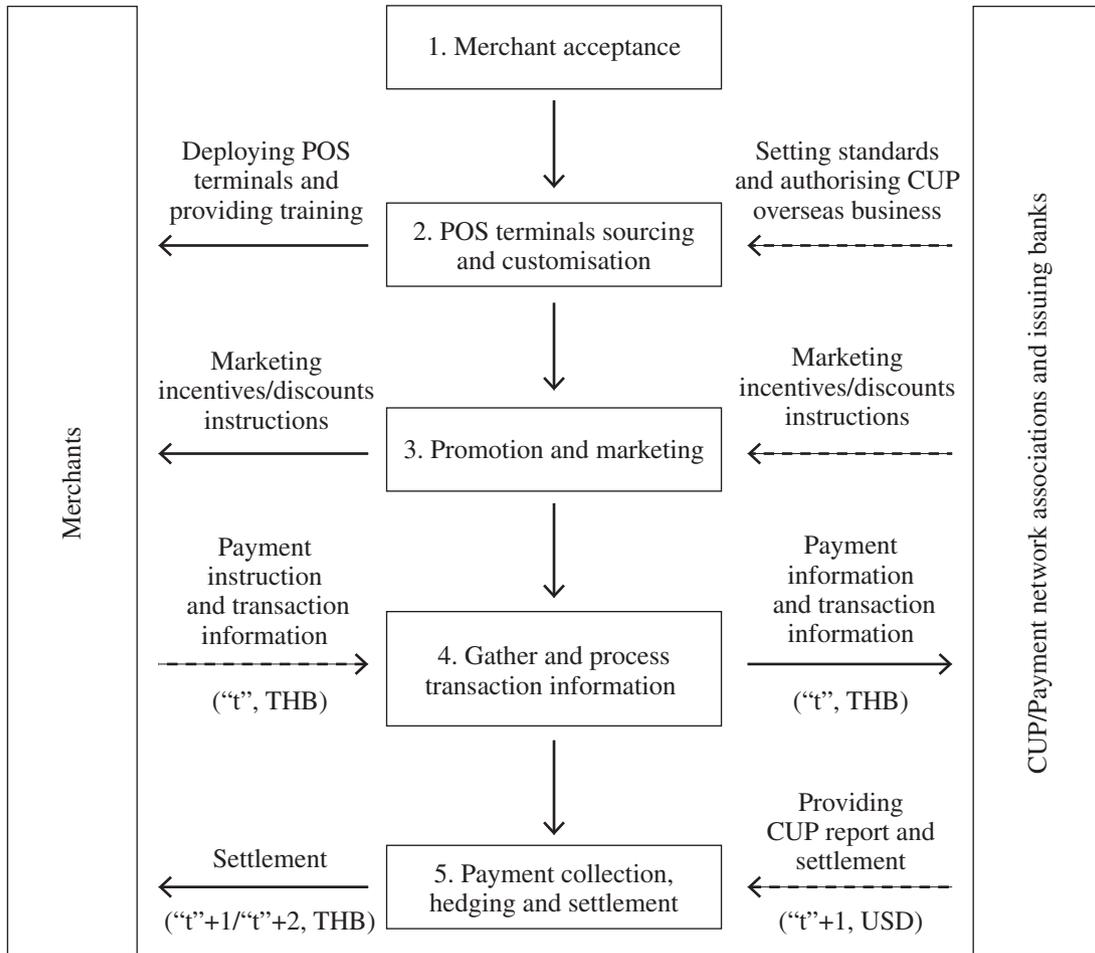
With such collaboration, the PRC-based coupon promotion developer will be responsible for promoting and distributing the coupons to the Chinese tourists through its local coupon distribution networks, which include its online channels and travel agencies. Our Group is responsible for (i) inviting and soliciting our merchants in Thailand to offer in-store shopping discounts and benefits to the Chinese tourists; (ii) converting our merchants' offers into QR Code coupons; and (iii) ensuring our POS terminals at our participating merchants are able to process the shopping discounts and benefits. As such, a comprehensive system evaluation is needed between our Group and the PRC-based coupon promotion platform developer to assess the feasibility, technological specifications and time required to modify our POS terminals to support such function. During the Track Record Period, our marketing service income represents income derived from the PRC-based coupon promotion developer for system evaluation and initial integration.

Upon the successful development and completion of the coupon promotion program, we expect to further generate marketing service income in terms of a portion of coupons-related transaction value from the participating merchants for the coupons marketing programs, which is expected to be shared among the PRC-based coupon promotion developer and our Group.

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## Our Business Model

The business flow of our Group is set out below:



- Solid lines represent processes and functions conducted by our Group
- Dotted lines represent processes and functions conducted by our merchants, CUP/payment network associations and issuing banks

*Note:* “t” refers to the business day in the PRC, which is subject to the regulations of the PRC and the publication of PRC State Council.

**1. *Merchant acceptance***

*(a) Merchant assessment*

We consider our merchant network as a significant and constant source of our revenue as we charge our merchants based on a percentage of the amount of each successful transaction via our POS terminals. In general, our sales and marketing department is responsible for (i) identifying and selecting prospective merchants, (ii) cultivating and maintaining a collaborative relationship with our merchants, and (iii) keeping abreast of the market developments and potential business opportunities. We rely on our direct sales force, referrals and agent network for sourcing new merchants while the provision of our high quality services is the key factor to the retention of our existing merchants. The marketing team of our sales and marketing department follows our Group's internal screening procedures, CUP's acceptance standards and the policy of the Anti-Money Laundering (AML) Office of Thailand to identify prospective merchants for our high quality payment processing services in Thailand. We have adopted a stringent approach and implemented a know-your-client (KYC) internal procedures for new merchant acceptance, including (i) estimating the merchant's daily transaction value of our partner payment network association; (ii) conducting a preliminary check on merchant's business licenses, bank statements, incorporation status and relevant certificates; (iii) analysing the projected return with respect to the input of our investment in POS terminals, IT and customer service supports; and (iv) assessing the business opportunities and referrals from building up a relationship with such prospective merchant.

While the daily transaction value of the prospective merchant is our key consideration when identifying and selecting prospective merchants, our management also takes into account the expected MDR we would be able to charge from such prospective merchant as well as a series of factors in order to select merchants with nature that matches with our business strategies and expansion plans such as the merchant type, location and frequency of visiting by Chinese tourists. Our Directors believe that careful selection and precise planning are required to efficiently allocate our resources. For details on our considerations in determining our MDR, please refer to section headed "Business – Sales and marketing – Pricing strategy" in this prospectus.

*(b) Approval procedures*

After conducting the abovementioned merchant assessment procedures, our merchant servicing team of our sales and marketing department will further conduct due diligence on the prospective merchants by (i) performing litigation, media and background checks to ascertain the prospective merchant's background, reputation and its legality to operate under the relevant laws and regulations; and (ii) conducting a physical inspection to ensure that the prospective merchant sells goods and/or provides services as stated and possesses the required facilities, staffing, appropriate inventory level and business licenses to operate. The proposed merchant agreement will then be passed to our senior management in Thailand and Hong Kong for approval.

## ***2. POS terminals sourcing and customisation***

Upon entering into the merchant agreement with our approved merchant, our Group will register and activate the identification of the merchant on our system, and instruct our service vendors to install our POS terminals at the merchant's site(s) as well as to provide continuous maintenance and IT supports. Such installation, normal maintenance and IT support costs are generally to be borne by our Group. In general, installation of POS terminals takes within 24 hours for area surrounding Bangkok and 48 hours for other area upon issuing work order. After installation, our service vendors will provide training to the cashiers of our merchants on how to operate the POS terminals to accept CUP payments.

Our merchant servicing team provides 24×7 high quality services to our merchants. When a merchant reports a problem on our POS terminals and our IT and operation team cannot resolve such problem over the phone, we will send a work order to our service vendors for on-site services. We receive weekly report from our service vendors with respect to the number of POS terminals on hands and on-site service reporting.

We have been sourcing our POS terminals with hardware certified by CUP directly from our POS manufacturers and engaged a PRC-based software developer to develop a CUP certified POS terminals software according to our specifications and CUP's standard requirements. During the Track Record Period, the models of POS terminals we distributed to our merchants are broadly classified into smart POS terminals and traditional POS terminals. The amount of purchases of POS terminal amounted to approximately HK\$0.5 million, HK\$5.8 million and HK\$5.1 million for FY2016, FY2017 and FY2018, respectively. As at the Latest Practicable Date, we owned 1,050 units of traditional POS terminals and 3,200 units of smart POS terminals, respectively.

Currently, the majority of POS terminals deployed in Thailand are traditional POS terminals and stationary POS terminals while smart POS terminals only accounted for a limited market share according to the CIC Report. However, since traditional POS terminals cannot process alternative payment technologies such as mobile payment methods and electronic wallets, the market is switching to smart POS terminals as the demand for mobile payment methods is rising. Currently, only our Group is equipped with large number of smart POS terminals, which is a rather big competitive advantage against our competitor, according to the CIC Report.

Occasionally, we enter into participation agreements with banks and POS terminal providers, whereby these banks and POS terminal providers allow our Group to participate in the use of their POS terminals located and installed at a list of mutually agreed merchants in Thailand. Our Group is responsible for enabling corresponding POS terminals to accept payments from CUP cardholders, by (i) setting, preparing and documenting all rules and regulations for the use of CUP Cards, and (ii) entering into all relevant contracts with CUP and CUP cardholders. Such banks and POS terminal providers are responsible for the proper functioning of their POS terminals and correcting any error or malfunction on them. Upon such arrangement, such banks and POS terminal providers are entitled to 50% of the MDR net of

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interchange fee in THB and the settlement of which is on a monthly basis. During the Track Record Period, approximately HK\$0.9 million, HK\$0.8 million and HK\$0.1 million, representing approximately 0.8%, 0.8% and 0.1% of our total revenue, respectively, were attributed to the participation agreements. As at the Latest Practicable Date, we shared 269 units of POS terminals with banks and POS terminal providers. We also rented POS terminals from POS terminal providers during the transitional period of our migration into our acquiring host system. The rental fee of POS terminals amounted to approximately nil, HK\$0.3 million and HK\$0.8 million for FY2016, FY2017 and FY2018, respectively. As at the Latest Practicable Date, we rented 4 units of traditional POS terminals.

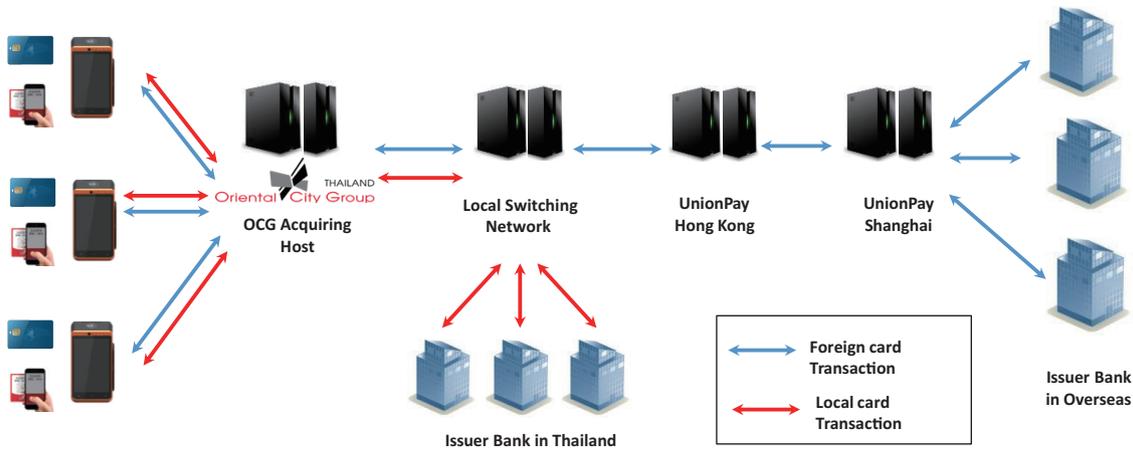
### ***3. Promotion and marketing***

Our marketing strategy focuses on brand awareness and promotion of our merchant acquiring services. Our total advertising and promotion expenses were approximately HK\$0.1 million, HK\$1.5 million and HK\$4.9 million for FY2016, FY2017 and FY2018, respectively. During the Track Record Period, our Group launched a series of promotion and marketing campaigns in partnership with CUP in order to (i) stimulate the transaction value with CUP payment in our merchants' stores, and (ii) expand our CUP merchant network, which are considered highly complementary to our payment processing services, and in return, we received certain marketing expenses reimbursement from CUP from time to time. We have received approximately nil, HK\$0.6 million and HK\$0.3 million incentives from CUP during FY2016, FY2017 and FY2018, respectively, for our joint promotion and marketing campaigns. The joint promotion and marketing campaigns include coupons and discounts to customers who settle their purchase with CUP payment methods and incentives are offered to our Group for every new merchant joining our CUP merchant network. Through transmitting data of cardholders' daily shopping experience, CUP was able to set up personalised marketing strategies upon big data analysis. Our Directors believe that CUP selectively provides sponsorship fees to business partners where CUP believes they would help to promote the usage of CUP payment methods effectively. Our Group has been and will continue to be CUP's first batch of Merchant Acquirers to partner for any new program and/or activities of CUP.

According to the CIC Report, in order to recruit merchants and maintain the existing merchant network, Merchant Acquirers usually offer incentives to merchants, in the form of cash incentives, cash back and cash reward programs, which form an essential part of a competitive offer to the merchants and part of the selling and distribution expenses of the Merchant Acquirers. As such, in line with the industry practice, in addition to the joint promotion and marketing campaigns with CUP, we also offer incentives to our merchants in order to encourage and provide marketing supports for our merchants to promote the usage of CUP payment methods in their stores as well as to make our merchant acquiring business competitive. A small percentage in cash rewards and marketing incentives will be paid to our merchants if certain amount of transaction value target is reached as well as allowing our Group to place the promotional materials in their counters. Such incentive offered to our merchants accounted for approximately nil, HK\$1.7 million and HK\$4.9 million for FY2016, FY2017 and FY2018, respectively.

**4. Gather and process transaction information**

The following diagram sets forth the operation flow of our payment processing services:



When a CUP cardholder makes payment at our merchants’ stores in Thailand, the transaction information will be captured and transmitted to our acquiring host system located at the data centre rented by our Group through our POS terminals and automatically connect to the Local Switching Network in Thailand. Our acquiring host system is developed and maintained by a local third-party system developer in Thailand. The servicing agreement covers the development and maintenance of both the hardware and software of the acquiring host system.

For local card transactions, the data is transmitted to local issuer bank in Thailand for authorisation. For foreign card transactions, the data is transmitted all the way to the CUP host in Hong Kong, then to Shanghai and further to issuer bank in order to receive authorisation of the transaction. For a credit card transaction, authorisation services generally refer to the process in which the card issuer indicates whether a particular credit card is authentic and whether the impending transaction value will cause the cardholder to exceed defined credit limits. In a debit card transaction, we obtain authorisation for the transaction from the issuer bank through the payment network verifying that the cardholder has sufficient funds for the transaction value. The entire transaction message is encrypted by triple data encryption standard (3DES) by total data encryption key which is renewed daily upon login. Inside the encrypted message, the pin encryption key and MAC encryption key are also 3DES encrypted until it reaches the CUP host. For details of our IT risk management, please refer to the section head “Business – Internal control and risk management – IT risk management” in this prospectus.

The authorisation request will either be approved or declined by the issuer bank and the authorisation result will then be sent back to our POS terminals, upon which the electronic transaction is completed. When the transaction is approved and duly takes place, CUP will collect the payment from the respective cardholders through CUP Card issuing banks.

### **5. *Payment collection, hedging, and settlement***

In general, CUP summarises the transaction value of the transactions conducted daily and produce a daily CUP report which shows, among others, (i) total transaction value in THB and in USD; (ii) exchange rate of THB to USD; (iii) credit adjustments (if any); and (iv) net settlement amount in USD.

Within one business day from the transaction date (the “**settlement date**”), our Group will be able to download the abovementioned CUP report from the CUP system to our server and collect the net settlement funds (transaction value net of interchange fee) in USD from CUP. If the transaction date is followed by Saturday, Sunday and/or public holidays, the net settlement amount will be transferred to our Group by the first working day after Saturday, Sunday and/or public holidays. The net settlement funds will be directly deposited into our designated settlement account with our settlement bank.

Based on the CUP report and the data in our acquiring host system, our staff will prepare a transaction summary report which shows, among others, (i) transaction value by merchants; (ii) our service charges at the agreed MDR; (iii) interchange fee charged by CUP; (iv) net amount to be paid to the merchants; and (v) credit adjustment from the CUP system (if any). Upon receipts of the net settlement funds in USD from CUP, our Group will convert the funds into THB and makes the required payments to the respective merchants, based on the transaction summary report, through our settlement bank, after deducting our service charges at the agreed MDR. Our settlement bank will then be responsible to settle the respective amount to merchants in accordance with the instructions from our Group. Depending on where the merchants hold the settlement bank accounts, it takes approximately one to two days after the transaction day to transfer the money from our settlement bank to our merchants.

As the settlement currency of CUP is denominated in USD, while our Group requires to distribute funds to our merchants in THB using the market rate, we are exposed to foreign exchange risk. For details, please refer to the section headed “Risk Factors – Risks relating to our business and operations – Our business is exposed to foreign exchange risk” in this prospectus. As such, CUP offered a favourable discount to the spot exchange rate of the USD against THB to cover our Group from the possible exchange volatility of THB that may arise between the date of the transaction and the settlement date for successful transactions. For details of the favourable discount rate, refer to the section headed “Business – Our merchant acquiring business – (ii) Foreign exchange rate discount income” in this prospectus.

Pursuant to the cooperation agreement between our Group and CUP in 2006, CUP adopts the daily exchange rate between THB and USD at 10:00 a.m. (Beijing time) as the exchange rate to be used on that business day between THB and USD for transaction settlement purpose between CUP and our Group. At the same time, CUP provides an additional discount to our Group on such daily rate used by CUP for settlement so as to minimise the impact of the foreign exchange fluctuations on our Group.

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### *Hedging*

In order to better manage our exposure to the foreign exchange risk in relation to THB, we have developed foreign exchange risk management procedures. For details, please refer to the sections headed “Business – Our merchant acquiring business – (ii) foreign exchange rate discount income” and “Business – Internal control and risk management – Foreign exchange risk control” in this prospectus. Benefiting from (i) relatively stable movement in THB/USD, (ii) the favourable discount rate, and (iii) the effective use of our hedging policy to lock in our discount income, our foreign exchange rate discount income were approximately HK\$23.8 million, HK\$22.7 million, HK\$24.1 million, respectively, during the Track Record Period.

### *Settlement*

CUP system cuts off the transactions at Beijing time 23:00 on a daily basis. This point of time shall be used to determine the settlement day. All transactions conducted before Beijing time 23:00 will be settled on the next business day. Business days and public holiday is subject to the regulations of the PRC and the publication of the PRC State Council.

On the settlement day, CUP will provide our Group with the CUP report for the last transaction day and remit the total payable amount specified in the CUP report to our settlement account. When the settlement funds are credited into our settlement account, we will instruct our settlement bank to transfer the payable amounts into our merchants’ accounts according to the transaction summary report.

### **Our business partnership with and reliance on CUP**

During the Track Record Period, our revenue is principally generated from the transaction value from our merchant network via our POS terminals and is settled by CUP.

### ***Background of CUP***

CUP is a bankcard and global payment network association established under the approval of the State Council and the People’s Bank of China. According to the CIC Report, in 2017, the total transaction value of CUP amounted to approximately USD14.7 trillion, accounting for approximately 43.2% of the total transaction value globally. In Thailand, the total transaction value of mobile payment methods and card payment methods was approximately THB3,886 billion in 2017, while CUP’s transaction value was approximately THB97 billion, accounting for approximately 2.5% of the total transaction value accordingly.

In 2012, CUP established its subsidiary, UPI, in order to build up its global payment networks and promote its international payment brand as well as to meet the growing demand of its Chinese cardholders in overseas business, travel and study, and to extend the services of domestic commercial banks abroad via CUP network.

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### *Stable and complementary partnership between CUP and our Group*

We consider that it is commercially beneficial for both CUP and us to maintain a close and long-term business relationship with each other, for the following reasons:

*(i) Our niches over other CUP Merchant Acquirers*

Our Directors believe that our stable and long-term relationship with CUP is mainly due to our reputation in the industry, our strategically developed merchant network and our success in providing CUP payment processing services in Thailand. As compared to other existing CUP Merchant Acquirers who already obtained all relevant licenses and developed its own merchant network to operate payment processing services in Thailand, our Directors are of the view that our niches were derived from (i) our strategically developed merchant network in Thailand to capture the continuous growth of Chinese tourists travelling to Thailand; (ii) our quality services, advanced POS terminals and competitive pricing strategy, in order to cultivate on-going relationships with our major merchants and develop an established merchant network; and (iii) our longstanding and complementary business partnership with CUP. For details, please refer to section headed “Business – Our competitive strengths” in this prospectus. Being among the leading CUP Merchant Acquirers in Thailand, our Group’s contribution to CUP’s transaction value in Thailand was approximately 24.4%, 27.2%, and 24.0% for FY2016, FY2017 and FY2018, respectively, according to the CIC Report. We believe CUP needs our Group’s established merchant network to carry out CUP promotion activities to raise brand awareness and maintain a broad market reach. Our Directors are of the view that CUP is a valued business partner and believe both CUP and us have developed a stable and complementary partnership and are benefited from which in terms of economies of scales and cost-effectiveness on communication, distribution and compatibility. As one of the leading CUP Merchant Acquirers in Thailand, our Group has been and will continue to be CUP’s first batch of Merchant Acquirers to partner for any new programs and/or activities of CUP to incentivise CUP cardholders to spend more, which will eventually become the source of our revenue. CUP also refers merchants to join our network from time to time. Our Group will be able to offer added payment convenience and promotion activities for the growing number of Chinese tourists, who are mainly CUP cardholders.

*(ii) Difficulties faced by CUP in engaging another sizable Merchant Acquirer in Thailand in replace of our Group*

Our Directors concur with the CIC Report that (i) the need for licenses to provide payment processing services in Thailand, (ii) the high capital investment required to set up an acquiring business, and (iii) the advanced technological requirements for POS terminals pose significant entry barriers to new entrants of Thailand’s payment system market. Our Directors are of the view that for CUP to identify and engage another Merchant Acquirer to provide CUP payment processing services could be difficult as our Group has already obtained all relevant licenses to operate in Thailand, including the E-Payment License and the CUP membership license. For details of our licenses and permits, please refer to the

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section head “Business – Licenses and permits” in this prospectus. According to the CIC Report, the application for all these licenses involves a stringent process, which creates an entry barrier for new companies with limited experience as a Merchant Acquirer. In general, payment network associations will need to verify a Merchant Acquirer’s competency by test runs before granting the membership license. In order to complete a test run, a Merchant Acquirer needs to fully develop the software and hardware of the acquiring host system, as well as to form an operation team, which require relatively high capital investment. Further to the test run, a Merchant Acquirer also needs to demonstrate its competency to approach and recruit merchants. A certain amount of fee is required to obtain the license from a payment network association, which varies between different payment network associations and different Merchant Acquirers. A payment network association will also conduct thorough background check of the company and determine whether the company is suitable to operate as a Merchant Acquirer. Besides some compulsive standards, there are many other factors a payment network association considers crucial, such as the ability to follow the payment network association’s promotion strategies, the capability to expand the merchant network, the willingness to support the payment network association’s new technical standards, the capability to provide timely services for merchants, etc. For details of the requirements and procedures to obtain the E-Payment License, please refer to the section headed “Regulatory Overview – Regulatory framework in Thailand – Payment System Act” in this prospectus.

Apart from the licensing requirements, high capital investment is needed in order to set up a merchant acquiring business. According to the CIC Report, for a CUP Merchant Acquirer in Thailand, the initial capital investment could range between USD100,000 to USD400,000. The initial investment of a CUP Merchant Acquirer in Thailand is directed to three major fields. Firstly, a Merchant Acquirer needs to purchase hardware and software system, including POS terminals and the software that links to CUP’s database. The cost of hardware and software varies according to the type, quantity and quality of the POS terminals, as well as the quality of the software. Secondly, there is capital spending on CUP license and testing. This cost is around USD50,000. However, this cost can be varied depending on CUP’s promotion strategies. There could be substantial discount at certain point and at other times the fee could be even higher. Thirdly, the capital investment for sales activities, marketing efforts and maintenance services, etc. is also a large part of the initial investment. These spending varies significantly depending on the operation strategies of each Merchant Acquirer. Some Merchant Acquirers focus on promotions while others do not. As these three major parts of investment all vary depending on various factors, the overall initial capital investment of a CUP Merchant Acquirer in Thailand has a relatively wide range. In addition, in order to maintain the quality and manage the risk level of our merchant network, our Group also placed stringent internal control procedures to avoid, detect and control fraud transactions via our POS terminals and acquiring host system by terminating the merchants with high risk. Up to Latest Practicable Date, there was one incident where CUP detected an unusual amount of fraud transactions was derived from a few of our merchants. Our Group was able to immediately obtain the relevant sale slips and supporting documents from the reported merchants for review.

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Furthermore, with the emergence of alternative payment technologies, the technological requirements for POS terminals have increased. As such, market players with smart POS terminals are more likely to succeed since the market is shifting from traditional POS terminals to smart POS terminals, according to the CIC Report. Currently, the major POS terminals used in Thailand are traditional POS terminals and stationary POS terminals. Smart POS terminals only account for a limited market share. However, since the traditional POS terminals cannot process mobile payment methods such as NFC, contactless payment, Apple Pay, etc., the market is switching to smart POS terminals as the demand for supporting payment methods via mobile devices is rising. According to the CIC Report, our Group is the only CUP Merchant Acquirer in Thailand with large number of smart POS terminals. By the first quarter of 2018, our Group distributed more than 75% of the smart POS terminals among all smart POS terminals distributed by CUP Merchant Acquirers, thus the smart POS terminals possessed by CUP Merchant Acquirers is very concentrated. Other than CUP, Merchant Acquirers for Network A and Network W also distributed some smart POS terminals but the number is relatively low compared with our Group since Network A and Network W are supported in Thailand mostly by modifying current traditional POS terminals and stationary POS terminals. Compared with modified traditional POS terminals and stationary POS terminals, smart POS terminals are faster, wireless, user-friendly and easy to setup for supporting payment from different payment network associations. Other payment network associations currently are not promoting the use of their own mobile payment methods, thus the number of smart POS terminals distributed by other payment network associations' Merchant Acquirers is limited.

The transaction value proceeded by our Group's smart POS terminals amounted to approximately nil, THB6.6 billion and THB20.3 billion for FY2016, FY2017 and FY2018, representing approximately nil, 24.7% and 77.7% of our total transaction value, respectively. According to the CIC Report, the major barriers for other Merchant Acquirers to install smart POS terminals is, firstly, the relatively higher price for smart POS terminals. Currently, the price for a smart POS terminal is approximately USD350.0, about USD150.0 higher than the price for traditional POS terminal. Secondly, the technology requirement for smart POS terminals is different. The information system should be adjusted and reorganized to support smart POS terminals. The development of the information system is costly in terms of time and capital required. Our Group, with completed information system, large smart POS terminals network, and a team of professionals, has a rather large competitive advantage as a first mover in this market. In addition, with Chinese background, our Group is able to cooperate with CUP, a Chinese company, at a better level.

Currently, CUP is strongly promoting the use of QR Code in Southeast Asia, including the Thailand market. Only smart POS terminals support the use of QuickPass, including QR Code payment. CUP Merchant Acquirers with large number of smart POS terminals, like our Group, are more likely to receive more resources from CUP. As CUP only introduced mobile payment methods in Thailand in early 2018, our benefits derived from the promotion activities is expected to reflect after the full implementation of QuickPass for a certain period. According to the CIC Report, the implementation of QuickPass will

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stimulate the use of smart POS terminals. CUP Merchant Acquirers with limited number of or no smart POS terminals will see drop in CUP transaction value. In addition, there are more promotion and incentive programs from CUP to Merchant Acquirers to promote the smart POS terminals as to support its newly launched QuickPass. CUP therefore tends to refer merchants to Merchant Acquirers who possess more smart POS terminals, like our Group, to replace those who did not.

Currently, according to the CIC Report, only our Group is equipped with large number of smart POS terminals, if CUP were to engage another Merchant Acquirer in replace of our Group, there is possibility that CUP could not offer alternative payment methods with similar scale of coverage as our Group to its cardholders and will in turn devour market shares to other payment network associations.

### ***Reliance on CUP would not affect our business prospect***

Our Directors believe that our reliance on CUP can be explained by the commercial rationales as follows:

- (i) *the whole industry landscape is dominated by a few major players making it unlikely for Merchant Acquirers, such as our Group, to break off reliance on one or a few of these payment network associations*

According to the CIC Report, the industry of global payment network associations is highly concentrated with top three players. It is an industry norm for Merchant Acquirers to obtain the license from only one payment network association and cooperate with such payment network association at a time in order to establish a close relationship with the payment network association and to negotiate to minimise the interchange fee while maximise the favourable rate for the MDR and foreign exchange rate discount income.

As a result of its geographic proximity, favourable exchange rates offered, lower price levels, and a diversified selection of tourist's attractions, more and more Chinese tourists are expected to visit Thailand in the future. Due to the rapid growth of Chinese tourists in Thailand, the high penetration rate of CUP Cards among Chinese tourists and the fact that more Thai merchants are willing to accept CUP Cards as a payment method, the value of CUP's payment transaction grew rapidly. In addition, Chinese tourists were able to use their CUP Cards at more than 85% of merchants in Thailand. As such, CUP has been capturing market share from other payment network associations in Thailand, according to the CIC Report.

As CUP is one of the major payment network associations in the global market, our Directors are of the view that our business will be sustainable although we have reliance on one of the major payment network associations.

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*(ii) our accumulated industry reputation and business network were derived from our capacities in the provision of CUP payment processing services*

According to the CIC Report, building a business partnership with a payment network association is not easy, since payment network associations have strict rules and requirements when selecting Merchant Acquirers to become their business partners. According to the CIC Report, our Group was among the first three CUP Merchant Acquirers to provide CUP payment processing services in Thailand and therefore, our Directors and senior management have accumulated ample experience in providing a suite of comprehensive CUP payment processing services to merchants of all sizes in Thailand. Over the years, leveraging on our expertise and our strategically developed merchant network, our Group has established a reputation and become one of the leading players in the provision of CUP payment processing services in Thailand.

For the underlying risks associated with such reliance, please refer to section headed “Risk Factors – Risks relating to our business and operations – Placing of POS terminals in merchants frequently visited by Chinese tourists with large transaction value exposes us to customers concentration risk” in this prospectus. Our Directors considered our Group is capable of maintaining its revenue in the future despite our reliance as a result of the following considerations:

*(i) our operation is benefited from the sustainable business operation, strong market position and future prospect of CUP*

According to the CIC Report, CUP has been and is expected to remain as one of the top three global payment network associations. The major competitive advantages of CUP include (i) its high penetration rate among Chinese tourists, with China being one of the major source of tourists in Thailand, (ii) a relatively lower interchange fee for Merchant Acquirers compared with other global payment network associations, and (iii) the relatively strong promotion strategy adopted by CUP. Between 2017 and 2022, it is expected that Chinese tourists’ transaction value for CUP payment will grow at a CAGR of 6.6% to reach RMB26.2 billion, this growth being supported by the increasing penetration rate for CUP among Thai merchants and the increasing overall number of Chinese tourists visiting Thailand.

In view of the fierce competition in the market as a result of the emergence of alternative payment technologies, CUP introduced QuickPass in the PRC in late 2017. According to the CIC Report, QuickPass has been gaining popularity since its launch, with more and more functions going live and more banks cooperating, the number of active users are growing at about 150.8% and the transaction value via the app is growing by about 179.3% every day. In early 2018, QuickPass was also introduced to the Southeast Asian market, including Thailand market, with a focus on QR Code payment. According to the CIC Report, (i) it is expected that QuickPass will become one of the major payment methods for Chinese tourist in Thailand, (ii) the security measures with CUP Cards is relatively high compared with mobile payment methods, which is more suitable for making

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payments with higher value, and (iii) CUP will remain competitive due to its established and dominant position in China as well as its effort to expand overseas over the years. In addition, it has gained a strong base of cardholders throughout the years of operations. As such, there is a minimum risk of adverse changes or decline materially in the near future.

*(ii) our stable merchant base was the results of our high quality services*

According to the CIC Report, Merchant Acquirers need to be able to service their merchants well in order to maintain their loyalty and discourage them from switching over to another Merchant Acquirer. Being able to quickly trouble-shoot and fix problems with our POS terminals is a key performance indicator of our high quality service, as any delay associated with POS terminal downtime would have a serious impact on the checkout speed. We have committed and well-trained front-line staff with multilingual background who can provide high quality services to tackle and serve different types of approved and potential merchants.

Apart from our competitive MDR, our Directors are of the view that (i) the smart POS terminals we sourced and widely distributed which can support multiple payment methods; (ii) the user-friendly interface of our POS terminals and the stable software we developed with our software developer; (iii) the speed and quality of our services; and (iv) our timely marketing and promotion efforts, added value to the mutual and complementary relationship between our merchants and us. For FY2016, FY2017 and FY2018, on the basis that all related merchants are consolidated, our five largest merchants which has established a business relationship with our Group from 2 years to 13 years, accounting for approximately 83.2%, 86.3% and 79.0% of our total MDR income, respectively.

### ***Our strategies in coping with the underlying risks associated with such reliance***

Our Directors believe that our Group has the ability to replicate our business under other payment network associations with our established merchant network. Our Directors are of the view that our success is attributed to our reputation, experience and network in the industry. Alongside with strengthening our reputation and expanding our merchant networks, we have, from time to time, explore business opportunities to provide payment processing services under other payment network associations. Although our Group has been accustomed to provide CUP payment processing services, our Directors considered that our Group also maintain a flexible strategy to cope with future changes in market demand and conditions by ensuring our Group has possessed the network and experience in providing payment processing services under other payment network associations as alternatives. Our Directors are of the view that, if, for any reason our Group has to process a vast majority of payment from other payment network associations, we would be able to replicate our business model with the following reasons:

*(i) Existing merchant network*

Our principle strategy in developing our merchant network has been targeting to merchants who are located in the venues visited by Chinese tourists in Thailand to

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ensure high transaction value. As at the Latest Practicable Date, we have provide payment processing services to over 1,000 merchants. In addition, we also have a diversified merchant types including Malls & general stores and Specialist stores. For details of our merchant types, please refer to the section headed “Business – Customers” in this prospectus. According to the CIC Report, the size of the merchant network and the mix of merchant types are crucial factors to compete in the industry.

Our Directors are of the view that our established Chinese tourists focused merchant network are attractive to the other payment network associations. Should our Group ceased our partnership with CUP, our Directors believe that our Group will be able to maintain considerable transaction value from our merchant network by transferring to other payment network associations.

According to the CIC Report, to switch to other payment network associations, a Merchant Acquirer needs to obtain license from the payment network associations. It requires relatively complicated and time-consuming procedures to apply for a license. For details, please refer to the section headed “Business – Our business partnership with and reliance on CUP – Stable and complementary partnership between CUP and our Group – (ii) Difficulties faced by CUP in engaging another sizable Merchant Acquirers in Thailand in replace of our Group” in this prospectus.

According to the CIC Report, Chinese tourists were able to use their CUP Cards at more than 85% of merchants in Thailand suggests that more than 85% of the merchants in Thailand have at least one POS terminal that can accept CUP Cards. A merchant in Thailand usually possesses two to three POS terminals in order to provide multiple choices of payment for their shoppers since some Merchant Acquirers only cooperate with one payment network association. However, a POS terminal can theoretically accept payment from different payment network associations if the Merchant Acquirer distributing the POS terminal has licenses from different payment network associations. As a result, a merchant can possess multiple POS terminals that support the same card or mobile payment network association.

*(ii) Continuously identifying potential payment network associations*

According to the CIC Report, it is industry norm that Merchant Acquirers obtain license from only one payment network association. However, there is no rule or regulation to restrict a Merchant Acquirer to cooperate with only one payment network association. The contracts signed between payment network association and Merchant Acquirers normally do not include any exclusive clause. Most of the banks in Thailand possess licenses from multiple payment network associations.

In view of the high level of competitions in Thailand’s merchant acquiring market in recent years, our Group has been actively identifying opportunities to collaborate with other payment network associations. While we have (a) entered into an agreement with existing licensee of Network M and Network V during the Track Record Period, up to the

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Latest Practicable Date, our Group has also been (b) building collaborations with some major mobile payment network associations through its existing licensee/application of direct partnerships.

(a) Agreement with existing licensee of Network M and Network V

During the Track Record Period, despite our Group derived all our MDR income and foreign exchange rate discount income from CUP, our Directors are of the view that our Group is also able to provide payment processing services under other payment network associations. During the Track Record Period, we have entered into an agreement with a medium-sized licensed local bank (“**Bank A**”), being a direct principal member of Network M and Network V. Network M and Network V are both well-established and well-recognised global payment network associations which enable electronic payments in more than 200 countries and territories, both with corporate headquarter in the United States. Such collaboration allows our Group to provide payment processing services within our existing merchant network via our POS terminals for other payment network associations while clearing the payment through Bank A’s host.

In compliance with the UPI Operating Regulations issued by CUP to its Merchant Acquirers, the collaboration with Bank A and to establish direct business partnership with other payment network associations is not prohibited. Our Directors are of the view that such collaborations will not affect our Group’s relationship with CUP. For the underlying risk related to the collaboration with other payment network associations, please refer to the section headed “Risk Factors – Risks relating to our business and operations – Our operation and the profitability may be materially and adversely affected if CUP, who is the single supplier and also one of our major customers, ceases to partner with us” in this prospectus. During the Track Record Period, our Group has yet to derive any revenue from the arrangement with Bank A. In view of our future plan and expected capital expenditure yet to be implemented as detailed under the section headed “Business Objectives, Future Plans and Use of Proceeds – Business strategies and future plans – (2) Further penetrate into the existing markets and strategically expand into new regions” in this prospectus, our Directors do not project any revenue to be generated from Bank A for the year ending 31 March 2019. Upon implementation of our future plan, our Directors expect that we will in turn be able to derive revenue from processing payment via Network M and Network V, rather than solely from CUP’s.

*Date of agreement:* 16 October 2017

*Terms of agreement:*

- OCG Thailand shall enable its POS terminals, its website or its other electronic media accepted by Bank A to accept payment from cardholders of Network M and Network V for the sale of goods/services of its merchants.

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- Bank A shall provide OCG Thailand with money collection service of transactions carried out as abovementioned from Network M and Network V.
- In case the sale volume of goods/services of all OCG Thailand's merchants in any year fall under THB10,000,000 per annum, OCG Thailand shall pay a penalty fee of THB10,000.

*Termination:*

In addition to the termination or cancellation under any other provision specified in the agreement, the agreement shall become effective since 16 October 2017 and may be terminated or expired as follows:

- (i) either party wishes to terminate the agreement, it shall notify another party with a notice of at least 30 days in advance; and
- (ii) in case OCG Thailand is breach of any provision of terms and conditions under the agreement, Bank A may immediately terminate the agreement without any prior notice and the agreement shall be terminated promptly.

Upon such arrangement, Bank A will charge us an interchange rate ranging from 0.55% to 2.5% of the transaction value on each successful transaction, depending on the type of cards the customers presented, which is slightly higher than the interchange fee standard range from 0.3% to 2.1% generally charged by CUP. According to the CIC Report, it is an industry norm for other global payment network associations' Merchant Acquirers to charge a relatively higher MDR than CUP Merchant Acquirers, as such our Directors believe that we will be able to pass on the cost to our merchants, should the interchange fee for providing payment processing services under other payment network associations increase. According to the CIC Report, it is an industry norm for a Merchant Acquirer, especially a third-party Merchant Acquirer, to obtain the license from and to cooperate with one payment network association, as they are competing with one another and trying to gain higher transaction value. However, it is possible for a Merchant Acquirer to use the license obtained by banks and cooperate with other payment network associations. Currently, the competition between CUP and Network A and Network W is fierce, in which Network A and Network W impose a very low interchange fee on Merchant Acquirers, which in turn affects the MDR Merchant Acquirers impose on merchants. Besides lower interchange fee, Network A and Network W also carried out promotions with subsidies. With these efforts, Network A and Network W are able to expand their coverage in Thailand rapidly. With respect to our established merchant network frequently visited by Chinese tourists in Thailand, as detailed under the section headed "Business – Our competitive strengths – (1) Our Group possessed a strategically developed merchant network in Thailand to capture the continuous growth of Chinese tourists travelling to Thailand" in this prospectus, our Directors are of the view that

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our Group possessed significant bargaining power in negotiating a lower interchange fee and subsidies with Network A and Network W to achieve comparable profitability.

According to the CIC Report, technically, the switching cost for a Merchant Acquirer to support another payment network association is relatively low as a Merchant Acquirer is only required to connect with such payment network association's data base. Through entering direct partnerships with other payment network associations, which generally will take six months time, it is convenient for those Merchant Acquirers with smart POS terminals already distributed to merchants to switch to support other payment network associations without significant capital investment or manpower by using the license obtained by banks and cooperate with other payment network associations.

(b) Building collaborations with some major mobile payment network associations through their existing licensee/applications of direct partnerships

It is expected that the large quantity of smart POS terminals possessed by our Group could be easily switched to support major mobile payment network associations in the merchant acquiring industry without incurring significant amount of cost and time in software alternations and enhancement by our smart POS terminals suppliers.

Our Group has built collaboration with Network A through its existing licensee (“**Merchant Acquirer A**”). Upon making some enhancement on our POS terminal's interface and software upgrade at a cost of less than HK\$0.2 million within two-months time recently, our smart POS terminals are able to process the payments for Network A. As at the Latest Practicable Date, we have already provided payment processing service via Network A to over 80 merchants of our Group in Thailand and is continuously promoting which within our existing merchant network. Meanwhile, our Group has also successfully established a direct partnership with Network L, a South Korean-based payment network association with a capital alliance with Thailand's leading payment platform which allows its worldwide users to make payments in merchants' stores in Thailand through its mobile application. We are in the progress of making software alternations at a cost of less than HK\$0.1 million to connect to their settlement and clearing system and have been receiving applications from our merchants to process the payment from Network L up to August 2018. Also, our Group has successfully entered into an agreement of direct partnership with Network W, we are pending for Network W's further instructions with respect to the access connection to its settlement and clearing system. The capital expenditure of which is expected to be less than HK\$2.0 million to be funded by our Group's internal generated fund and is expected to take approximately three to four months to process. It is expected that our POS terminals will be able to process payments from Network W by FY2019.

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While our business partnership with CUP will remain as the major focus of our operation, our Directors are of the view that our collaboration with other mobile payment network associations can simply share our existing manpower and resources to enable our Group to grow within our existing merchant network without incurring significant additional marketing costs at this early stage.

Although existing Merchant Acquirers of the major PRC-based mobile payment network associations can also modify their traditional and stationary POS terminals to connect with CUP system upon obtaining the relevant CUP license, our Directors are of the view that extending our payment processing services to cover other payment network associations will create economies of scale, strengthen our bargaining power towards merchants and multiply our profitability. In view of the number of smart POS terminals we possessed, existing merchant network we developed as well as our quality services as detailed under the section headed “Business – Competitive strengths” in this prospectus, it is expected that we will be able to capture the market share from other Merchant Acquirers, further increase the transaction value derived from our merchant network and share the growth in Chinese tourist’s transaction value of Network A and Network W. As our Group has already been deploying large number of smart POS terminals to our merchants, our Directors expect that the profitability with the provision of payment processing services under which will be similar to the provision of payment processing services under CUP.

Recently, it is also noted that a third-party CUP Merchant Acquirer in Thailand has also started to support Network W, which indicates the trend that third-party CUP Merchant Acquirers will also be able to support mobile payment network association via their smart POS terminals in the near future and enjoy the growth in Chinese tourist’s transaction value for mobile payment network associations. It is expected that a Merchant Acquirer with large quantity of smart POS terminals will have the opportunity to further increasing their transaction value by supporting Network A and Network W.

In addition, starting from July 2018, all direct links between mobile payment network associations and banks will no longer be allowed in China, which means all mobile payment network associations need to cooperate with an official settlement and clearing organisation in order to operate, according to the CIC Report. This regulation aims to standardise and supervise the mobile payment industry. NUCC and CUP are the two major settlement and clearing organisations in China.

According to the CIC Report, since April 2018, Network A and Network W have successively entered into cooperation agreements with both settlement and clearing service providers, i.e. CUP and NUCC, in mainland China. The rule of no direct link between mobile payment network associations and banks is expected to apply to overseas payments in the future. This new policy which is still relatively new and only effective in mainland China, has not yet been introduced to CUP’s overseas operations. In overseas countries, the settlement and clearing services of Network A and Network W are still independent from CUP currently. For details, please refer to the section headed “Industry Overview – Recent changes in regulation in mainland China” in this prospectus.

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### MAJOR TERMS OF THE AGREEMENTS WITH CUP

#### OCG Thailand cooperation agreement with CUP dated 1 April 2006

##### *Duration of agreement:*

- subject to certain conditions stipulated in the agreement, a term of three-year period, and renewal automatically for successive three-year period upon expiry

##### *Terms of agreement:*

- (i) CUP will provide services including access to CUP system, transactions interchange, settlement clearance, consulting and remedial action; and OCG Thailand will install and connect its POS terminals via its network access controller to the CUP system;
- (ii) OCG Thailand will also be responsible for the installation, deploying and repair of its POS terminals in its merchants in Thailand; provide training and management to its merchants; install, purchase and repair of its network access controller; and follow-up complaints from CUP cardholders in relation to transactions;
- (iii) With the approval of CUP, a bank in Thailand will be appointed for the clearance of the CUP Card transactions. Such bank will act as the agent of OCG Thailand and OCG Thailand shall be responsible for the acts of such bank in relation to the clearance of the CUP Card transactions;
- (iv) If the card transaction is successfully carried out through a POS terminal, OCG Thailand will pay CUP a transaction fee including 1% IT network service fee and 0.2% franchise license fee, being the fee for recognising OCG Thailand as the merchant acquiring partner of CUP;
- (v) CUP shall be responsible for notifying OCG Thailand within 10 business days of any new, or change in existing, PRC laws, rules or regulations that restrict the scope of the class of merchants and shall give OCG Thailand at least one month to adjust its eligible business merchants according to the new or amended law or regulation. If OCG Thailand fails to adjust the eligible business merchants within the prescribed time, it shall be responsible for any losses that may be incurred or suffered by CUP; and
- (vi) OCG Thailand undertakes not to explore or market the merchant acquiring business to merchants that were prohibited by CUP and OCG Thailand shall only connect the system through the transmission system of CUP in Hong Kong.

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### ***Termination:***

- both parties do not wish to continue the agreement after review in six months before the expiration of the agreement
- both parties agree to amend the agreement due to market condition
- either party notify another party in written form at least in six months before the expiration of the agreement
- Either party is entitled (but not obliged) to terminate the agreement unilaterally after written notice to another party at all times, if
  - (i) a party is incapable of performing its obligations as a result of the commencement of the winding up proceedings of such party;
  - (ii) there exists laws, rules or regulations that require the termination of the agreement;
  - (iii) a party commits any act that is seriously detrimental to the reputation of the other party or brings irreparable damage to the cooperation leading the agreement unenforceable; or
  - (iv) a party commits a material breach of any terms and conditions of the agreement.

### **CUSTOMERS**

As at Latest Practicable Date, we had over 1,000 customers. Our customer base primarily consists of (i) our merchants; (ii) CUP; and (iii) coupon promotion platform developer.

During the Track Record Period, MDR income derived from our merchant network accounted for over 75% of our overall revenue, and foreign exchange rate discount income derived from CUP remained stable and accounted for over 20% of our overall revenue. Our marketing service income derived from a PRC-based coupon promotion platform developer was introduced to our Group in June 2017 and only accounted for approximately 0.5% of our revenue for FY2018.

We are of the view that maintaining stable and long-term business relationship with our customers creates economies of scale and cost-effectiveness on communication, distribution and compatibility. For FY2016, FY2017, FY2018 and as at the Latest Practicable Date, we maintained a total of 693, 691, 1,019 and 1,112 active merchants, respectively. The overall increasing number of merchants during the Track Record Period was mainly contributed by the effort of our direct sales forces, agent network as well as CUP's merchant referrals in view of our high quality service and the large quantity of smart POS terminals we possessed in supporting CUP's promotion to compete with the emergence of Network A and Network W. The

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significant increase in merchant number in FY2018 included some reputable companies that operate a number of sizable malls and shopping centres across Thailand and a pool of individual brand-name merchants with many branches in different locations. On the basis that all related merchants are consolidated, our five largest merchants which has established a business relationship with our Group from 2 years to 13 years, accounting for approximately 83.2%, 86.3% and 79.0% of our total MDR income for FY2016, FY2017 and FY2018, respectively.

During the Track Record Period, our Group has strategically developed an established merchant network with both domestic and international renowned merchants in Thailand. Over the years, we have developed and maintained a strategically developed merchant network with leading travel retail group, jewelry retailers, and fertility clinics. As at the Latest Practicable Date, our Group has had over 1,000 merchants. Our Directors believe that such strategical allocation of our manpower and resources in developing our merchant network allows us to capture the continuous growing trend of Chinese tourists travelling to Thailand effectively in the long run. During the Track Record Period, our merchant network covers retailers and service providers of all sizes in Thailand. We have broadly categorised our merchants into two major types: (i) Malls & general stores and (ii) Specialist stores.

### **(i) Malls & general stores**

Our Malls & general stores refers to merchants which operate malls and/or general stores, offering multiple categories of products and services (ranging from apparel, durables, cosmetics, to electronics) under one roof. During the Track Record Period, there are different scales and types of Malls & general stores that our merchants operates, including: shopping malls, department stores, supermarkets, grocery stores and duty-free stores. Malls & general stores are also featured as the places where multiple brands are available according to the CIC Report. In view of our merchant acquiring business, our Directors considered that engaging with merchants which operates Malls & general stores allow our sales and marketing team to capture their connection of multiple shops and brands under the same roof at once as well as their corresponding transaction value via our POS terminals.

### **(ii) Specialist stores**

Our Specialist stores generally refer to the merchant stores that specialise in offering one specific type of products and/or services. During the Track Record Period, our Group has strategically acquired a wide range of individual merchants which offer different products and services. Highlights of Specialist stores of our merchants include jewelry stores, infertility clinics, property developers, pharmacies, spas & massages, hotels, and restaurants.

### **Major Customers**

According to the CIC Report, the demand for CUP payment processing services is expected to increase as (i) the number of Chinese tourists travelling to Thailand is expected to increase at a CAGR of 7.3% from 2017 to 2022; (ii) the transaction value of Chinese tourists via CUP network is expected to increase at a CAGR of 6.6%; (iii) cash payments have been and will be

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gradually replaced by credit cards, debit cards and other payment methods; (iv) high penetration rate of CUP Cards among Chinese tourists; and (v) the usage of CUP Cards by Chinese tourists in Thailand is expected to grow. Accordingly, we expect a steady growth in the demand for our CUP payment processing services.

During the Track Record Period, our aggregate sales revenue from our five largest customers, who were Independent Third Parties, represented approximately HK\$84.4 million, HK\$85.9 million and HK\$86.9 million of our total revenue, respectively, accounting for approximately 83.3%, 88.1% and 81.9% of our total revenue, respectively. We expect that these customers will remain as our major customers in the foreseeable future. During the Track Record Period, the total revenue attributable to our largest merchant amounted to approximately HK\$28.2 million, HK\$47.7 million and HK\$51.3 million, respectively, representing approximately 27.8%, 49.0% and 48.4% of our total revenue, respectively.

### *Zero-dollar tour incident*

Since August 2016, Thai Police had taken actions to crack down on zero-dollar tours and there was a case filed by the Public Prosecutor with a Thai Criminal Court charging a number of business owners, including Merchant B, with racketeering, money laundering and violating tourism and tour guide laws.

As advised by our Thailand Legal Adviser, the Court of First Instance of the Thai Criminal Court ruled that these business owners, including Merchant B, were not tour operators who required the license under the Tour Act, but merely provided bus/coach services or sale of products to the tour operators. Therefore, these business owners, including Merchant B, did not fall within the definition of “tourism business” under section 4 of the Tour Act. The case was dismissed, and all the business owners, including Merchant B, were acquitted. In addition, as advised by our Thailand Legal Adviser, dealing with merchants who deal with some Chinese tour companies providing zero-dollar packages would not regard as a breach of any applicable laws in Thailand.

Nevertheless, the actions to crack down zero-dollar tours in Thailand had reduced the number of Chinese tourists visiting Thailand and their expenditure and transaction value in general. In particular, merchants who are mainly operating in Bangkok saw a significant drop in the transaction value, as the major destination of these zero-dollar tours is Bangkok, according to the CIC Report. Furthermore, as advised by our Thailand Legal Adviser, there were other companies and merchants, who have been operating businesses in tourism, hotel and restaurant industries, under the investigations of the Department of Business Development with a cooperation of the Department of Special Investigation, the Ministry of Justice. However, the list of such merchants and companies is not publicly disclosed. In general, according to the CIC Report, the Chinese tourist-focused merchants who are mainly operating in Bangkok saw a significant drop in transaction value after such incident, and being one of the factors that decreased our revenue during the Track Record Period. For details, please refer to the section headed “Financial Information – Discussion and analysis of financial performance of our Group – Revenue” in this prospectus.

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As at the Latest Practicable Date, our business relationships with our five largest customers of the Track Record Period ranged from approximately 2 years to 14 years. The following tables set forth our revenue attributable, and background information of, our five largest customers during the Track Record Period:

FY2016	Principal business	Head Office	Relationship with the customer since	Credit term <i>(Note 6)</i>	Revenue derived from customer <i>(HK\$ million)</i>	Approximate percentage of our Group's total revenue <i>(%)</i>
Merchant A <i>(Note 1)</i>	Malls & general stores	Thailand	2006	Daily basis	28.2	27.8
CUP	Payment network association	China	2004	Daily basis	23.8	23.5
Merchant B <i>(Note 2)</i>	Specialist stores	Thailand	2010	Daily basis	17.7	17.5
Merchant C <i>(Note 3)</i>	Specialist stores	Thailand	2005	Daily basis	9.3	9.2
Merchant D <i>(Note 4)</i>	Specialist stores	Thailand	2015	Daily basis	5.4	5.3
FY2017	Principal business	Head Office	Relationship with the customer since	Credit term <i>(Note 6)</i>	Revenue derived from customer <i>(HK\$ million)</i>	Approximate percentage of our Group's total revenue <i>(%)</i>
Merchant A <i>(Note 1)</i>	Malls & general stores	Thailand	2006	Daily basis	47.7	49.0
CUP	Payment network association	China	2004	Daily basis	22.7	23.3
Merchant B <i>(Note 2)</i>	Specialist stores	Thailand	2010	Daily basis	7.2	7.4
Merchant D <i>(Note 4)</i>	Specialist stores	Thailand	2015	Daily basis	5.3	5.4
Merchant C <i>(Note 3)</i>	Specialist stores	Thailand	2005	Daily basis	3.0	3.0

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FY2018	Principal business	Head Office	Relationship with the customer since	Credit term (Note 6)	Revenue derived from customer (HK\$ million)	Approximate percentage of our Group's total revenue (%)
Merchant A (Note 1)	Malls & general stores	Thailand	2006	Daily basis	51.3	48.4
CUP	Payment network association	China	2004	Daily basis	24.1	22.7
Merchant E (Note 5)	Specialist stores	Thailand	2016	Daily basis	4.4	4.1
Merchant C (Note 3)	Specialist stores	Thailand	2005	Daily basis	3.9	3.7
Merchant D (Note 4)	Specialist stores	Thailand	2015	Daily basis	3.2	3.0

*Notes:*

1. Merchant A is a private group company founded in 1989 and the largest duty-free retailer in Thailand. It has nine stores located at five Thailand airports and other major tourist venues. In 2015, the merchant launched an online site selling duty-free and duty-paid items.
2. Merchant B is a group of merchants engaging in the business of selling latex goods, jewelry, snacks and souvenirs. The earliest one had its commercial registration issued in 2001.
3. Merchant C is a group of merchants engaging in the business of (i) selling leather goods, jewelry and souvenirs and (ii) dining service, with the earliest one incorporated in 1987.
4. Merchant D is a group of merchants incorporated in Thailand and principally engaging in selling latex beddings products and souvenirs. One of it had approximately THB150 million of net profit for the year ended 31 December 2017.
5. Merchant E is a private company incorporated in 1994 in Bangkok, Thailand. It principally engages in the business of private hospital specialising in infertility treatment and embryonic growth.
6. Payments will be settled to merchants within one business day after each transaction date or the first working day followed by weekends and/or public holidays after it. For details, please refer to section headed "Business – Our merchant acquiring business – Our business model – 5. Payment collection, hedging and settlement" in this prospectus.
7. Certain information and statistics of the top five customers during the Track Record Period were extracted from their annual reports or the information provided by an independent search agent. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

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To the best knowledge of our Directors, none of our Directors or chief executives or their respective close associates or any Shareholder who owned more than 5% of the issued Shares immediately after completion of the Share Offer had any interest in any of our top five customers during the Track Record Period.

### *Our business relationship with Merchant A*

Our Group has maintained a long and substantial business relationship with Merchant A for over 10 years. Same as other merchants, we have entered into a merchant agreement with Merchant A which shall remain effective until such time that it is terminated or amended by our Group or superseded by written agreement signed by both parties. For details of the salient terms of the merchant agreement, please refer to the section headed “Business – Customers – Merchant service agreement” in this prospectus. Our Directors consider that the ongoing cooperation with Merchant A is favourable to our business operations.

Merchant A, being the leading travel retail group in Thailand, operates nine retail outlets located at downtown areas and major airports in Thailand as well as an online platform selling both duty-free and non-duty-free items. Regarding Merchant A as the largest merchant of our Group during the Track Record Period, our Group can leverage on its extensive travel retail network across Thailand to capture the transaction value from international travellers, in particular, the Chinese tourists who deploy CUP payment methods. During the Track Record Period, the MDR we charged Merchant A ranged from 1.2% to 2.2% of the value of each successful transaction, which is within the MDR range of 1.2% to 2.8% we generally charged on our merchants’ transaction value.

Considering our (i) competitive MDR, (ii) high quality services, (iii) the smart POS terminals we distributed which are able to accelerate checkout speeds, improve the level of engagement with customers, and support alternative payment technologies, and (iv) the long-term business relationship with our Group, Merchant A will usually deploy our smart POS terminals for CUP transactions. Our Group has been the largest CUP Merchant Acquirer for Merchant A in terms of transaction value while Merchant A has been one of the largest merchants in CUP in terms of transaction value with CUP. According to the CIC Report, there has been not less than four CUP Merchant Acquirers for Merchant A during the Track Record Period. Our Group was the dominant CUP Merchant Acquirer for Merchant A, accounting for the majority of Merchant A’s transaction value during the Track Record Period. As such, our Directors are of the view that it would be in the interest of our Group to continue our business relationship with Merchant A. Our Group will seek every opportunity to further expand our merchant network with suitable merchants.

For the underlying risks associated with such reliance, please refer to section headed “Risk Factors – Risks relating to our business and operations – Placing of POS terminals in merchants frequented by Chinese tourists with large transaction value exposes us to customers concentration risk” in this prospectus.

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### Merchant service agreement

As part of our normal operation process, we are responsible to make the required payment to the respective merchants after deducting our service charges at the agreed MDR. To set out the rights and obligations between our Group and our merchants, we generally enter into service agreement with our merchants upon our final merchant approval procedures. The salient terms under the service agreements are the same except for the MDR to be charged.

#### *Salient terms of the merchant agreements entered into during the Track Record Period*

Period of the agreement:	Effective and continued to be effective since the date of signature affixation by both our Group and the merchant until the agreement has been terminated
Scope of services:	OCG Thailand to provide POS terminals and relevant service for the merchant to accept CUP Card payment on its goods and services
Pricing:	Agreed MDR to each successful transaction
Obligations:	<p>The merchant shall perform in accordance to procedures set out in the agreement for accepting of CUP Card payment, receiving of transaction payment and requesting refund</p> <p>OCG Thailand shall pay the merchant after deduction of MDR and VAT to the merchant's designated bank account</p>
Liabilities:	The merchant is liable for any damage and lost of our POS terminals and its mistakes or faults in accepting CUP Card payment
Confidentiality:	Our merchant shall keep the agreement and procedures therein confidential unless received consent from OCG Thailand while OCG Thailand shall have the right to reveal merchant's information to representative or successor who has been appointed or hired by OCG Thailand

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Amendment and termination: Our Group may terminate or amend the agreement by written notice via mail without merchant's acknowledgement or consent. Generally, there is no specific notice period required for the termination of merchant service agreements and OCG Thailand can terminate or amend the agreement in whole or in part any time by sending written notice by post without requiring to notify or receive consent from the merchant

### SALES AND MARKETING

Our Group hires experienced sales and marketing personnel from across the Asian region. As at the Latest Practicable Date, our sales and marketing department consisted of ten members mainly based in Thailand. Our sales and marketing department is responsible for (i) identifying and selecting prospective merchants; (ii) cultivating and maintaining a collaborative relationship with our merchants; and (iii) keeping abreast of the market developments and potential business opportunities. Our frontline marketing staff are equipped with multilingual background who could work closely with merchants of different background to understand their requirements and effectively cater their needs and specifications. Our Group imposes sales target for our sales and marketing staff. As an incentive, sales commission and/or bonus are provided in accordance with their individual performance.

Our marketing team pays regular visits to our merchants. During the visits, they would discuss with the merchants on the performance of our POS terminals and their transaction value as well as the introduction of any new marketing campaigns. Our marketing strategy focuses on brand awareness and promotion of our payment processing services. We rely on our direct sales force, referrals and agent network for sourcing new merchants while the provision of our high quality services and supports is the key to the retention of our existing merchants.

#### **Pricing strategy**

Our pricing is determined on a merchant-by-merchant basis. We adopted a cost-plus pricing model and when determining the appropriate mark-up, we take into account the merchants' transaction value, risk level and a number of other factors, such as the business relationship with our merchants, the interchange fee charged by CUP (which mainly represents the network service fee and franchise license fee), the market price and the competition in the market. In general, for non-branded merchants and/or small and medium sized merchant with monthly transaction value not more than THB1 million, we charge a higher MDR range while for branded merchants and or merchants with monthly transaction value more than THB1 million, a lower MDR range will be charged.

The cost-plus model involves calculations of our Group's cost of services rendered, overall administrative expenses, finance costs, and operating expenses. In any event, our Group shall pass any increase in our costs to our merchants by raising the MDR of our services. However, the MDR of our services are eventually determined based on our negotiations with merchants,

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the economic characteristics of the transactions, and the competition in the market. During the Track Record Period, our Group charged a MDR ranging from 1.2% to 2.8% of the total transaction value on each successful transaction.

### Seasonality

Chinese tourists' transaction value in Thailand is subject to seasonality factors of the tourism industry in Thailand and Chinese tourists' travel habits, according to the CIC Report. As such our Group experiences seasonal fluctuations in revenue from our merchant acquiring business in Thailand. Our Group generally records higher sales revenue during holiday periods such as during New Year's Day, Chinese New Year, the traditional Songkran festivals in Thailand, and schools summer holiday in July to August. For details, please refer to the section headed "Risk Factors – Risks relating to our business and operations – Our Group's revenue from our merchant acquiring business is subject to seasonal fluctuations" in this prospectus.

## SENSITIVITY AND BREAKEVEN ANALYSIS

### Sensitivity analysis

For FY2016, FY2017 and FY2018, the cost of service rendered were approximately HK\$74.8 million, HK\$72.1 million and HK\$75.7 million respectively. Fluctuation in interchange fee would affect our Group's profit margin. In such an event, our interchange fee charged by our partner payment network association may increase unexpectedly to the extent that our Group has to incur substantial extra costs of service rendered without sufficient compensations, and the financial performance and profitability of our Group will be adversely affected. Assuming all other variables remained constant, the following sensitivity analyses illustrated the impact of hypothetical fluctuations in our cost of service rendered on our profit before income tax during the Track Record Period. Based on the extent of fluctuation in gross profit margin less than 5% during Track Record Period (with reference to our Group's historical gross profit margins ranging from 26.0% to 28.7% throughout the Track Record Period), fluctuations are assumed to be 1.25%, 2.5% and 5.0%, for each of FY2016, FY2017 and FY2018, respectively.

<b>Hypothetical fluctuation in interchange fee</b>	<b>+/-1.25%</b>	<b>+/-2.5%</b>	<b>+/-5.0%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in profit before income tax			
FY2016	-/+935	-/+1,871	-/+3,741
FY2017	-/+901	-/+1,802	-/+3,603
FY2018	-/+946	-/+1,892	-/+3,784

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For FY2016, FY2017 and FY2018, our foreign exchange rate discount income were approximately HK\$23.8 million, HK\$22.7 million and HK\$24.1 million respectively. Fluctuation in currency exchange rate of THB/USD would affect our foreign exchange rate discount income and profit margin. In such an event, the daily currency exchange rate of THB/USD may increase unexpectedly to the extent that exceeding the favourable spread of currency exchange rate of THB/USD offered by our partner payment network association without sufficient compensations and that our Group did not enter additional foreign currency forward contract to hedge the underlying transaction value, the financial performance and profitability of our Group will be adversely affected. Assuming all other variables remained constant, the following sensitivity analyses illustrated the impact of hypothetical fluctuations in our foreign exchange rate discount income based on CUP Rate on our profit before income tax during the Track Record Period. Based on the extent of fluctuation in the rate of THB/USD less than 5% during Track Record Period. Fluctuations are assumed to be 1.25%, 2.5% and 5.0%, for each of FY2016, FY2017 and FY2018, respectively.

<b>Hypothetical fluctuation in foreign exchange rate discount income</b>	<b>+/-1.25%</b>	<b>+/-2.5%</b>	<b>+/-5.0%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in profit before income tax			
FY2016	+/-297	+/-594	+/-1,188
FY2017	+/-284	+/-568	+/-1,137
FY2018	+/-301	+/-601	+/-1,203

### **Breakeven analysis**

For FY2016, FY2017 and FY2018, it is estimated that, holding all other variables constant, our Group would achieve breakeven with an increase in interchange fee of approximately 19.6%, 15.1% and 2.4% respectively. For FY2016, FY2017 and FY2018, it is estimated that, holding all other variables constant, our Group would achieve breakeven with an decrease in foreign exchange rate discount income of approximately 61.7%, 47.9% and 7.7% respectively.

### **SUPPLIERS**

During the Track Record Period, our payment processing services was mainly carried out through our partnership with CUP. CUP is our network service provider and principal supplier. For details, please refer to the section headed “Business – Our merchant acquiring business – Our business partnership with and reliance on CUP” in this prospectus. The services provided by CUP to our operation mainly include transaction processing services including (i) routing the payment transactions obtained from our acquiring host system to the issuing banks and ensure that the issuing banks’ authorisation approvals are routed back to us and (ii) ensuring transactions are appropriately cleared and settled from the originating bank accounts. Since the CUP system is a real time transaction system, if errors or failures occur during a transaction, the transaction will be rejected and the transaction will not be authorised. The transaction will thus

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become invalid and our Group will not incur any liability. In addition, issuing bank is responsible for the authorisation process and therefore our Group is not liable for any failure or error in the transaction authorisation process.

The largest supplier for each of the FY2016, FY2017 and FY2018 is CUP, which is the same entity which provided payment processing services to our Group.

As at the Latest Practicable Date, none of our Directors, their close associates or any Shareholders of our Company (who to the knowledge of our Directors owned more than 5% of our Company's issued share capital) had any interest in CUP.

The service of CUP is charged at a certain percentage of each transaction in terms of interchange fee, which comprise of a network service fee and franchise license fee. The cost of services rendered from CUP for each of FY2016, FY2017 and FY2018 amounted to approximately HK\$74.8 million, HK\$72.1 million and HK\$75.7 million respectively, representing approximately 100%, 100% and 100% of our Group's cost of services rendered during those respective years. The interchange fee is deducted by CUP before it makes the payment of settlement funds to our Group on each settlement date.

Name of supplier	Principal business	Head Office	Relationship since	Approximate total amount of cost of services rendered					
				FY2016		FY2017		FY2018	
				(HK\$' million)	(%)	(HK\$' million)	(%)	(HK\$' million)	(%)
CUP	Payment network association	China	2004	74.8	100	72.1	100	75.7	100

### Overlapping of major customer and supplier

Due to the business nature of our partnership with CUP during the Track Record Period, CUP was our major customer and supplier during the same period. During the Track Record Period, we generated foreign exchange rate discount income from CUP while it was also our payment network association. During the Track Record Period, our foreign exchange discount income generated from CUP as an overlapping customer and supplier was approximately HK\$23.8 million, HK\$22.7 million and HK\$24.1 million, respectively, representing approximately 23.5%, 23.3% and 22.7% of our total revenue, while our cost of services rendered paid to CUP, being the interchange fee, was approximately HK\$74.8 million, HK\$72.1 million and HK\$75.7 million, respectively, representing approximately 100%, 100% and 100% of our total cost of services rendered for the respective periods. Our Group would benefit from this customer-supplier relationship with CUP where we can make use of our partnership with CUP to maintain and secure a stable merchant network to derive (i) MDR income from our merchant as well as (ii) the compensation of foreign exchange discount income, eventually resulting in an overall positive gross profit margin, for detailed analysis of our gross profit margin, please refer to the section headed "Financial Information – Gross profit and gross profit margin" in this prospectus.

### QUALITY CONTROL

We place strong emphasis on the quality and reliability of our payment processing services. To this end, we have established internal operating guidelines to set out and manage the quality control procedures and standards required for our business. We have established guidelines setting out the procedures to follow in relation to various aspects of our day-to-day operations. The operation procedures are subject to periodic review. Ms. Ching Hui Lin, our Country Manager, is responsible for overseeing the quality control functions of our Group. For further details of the background of Ms. Ching Hui Lin, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

To ensure that our payment processing services meet our merchants’ requirements, we strictly adhere to the service standards set out in the merchant agreement. We provide 24x7 high quality services to our merchants. During the Track Record Period, our Directors confirmed that we did not receive any material complaints in relation to our service standards.

As POS terminals are designed to endure heavy use in retail environment, the product quality is high and the chance for damage is relatively low. Although we rely on the quality control of our suppliers who are typically POS terminals manufacturers possessing stringent quality control standards, we also conduct random sampling check on POS terminals to ensure that they are working on arrival. We perform full check when we loaded the software to the POS terminals before deployment to merchants. Our IT team is responsible for the quality of our software solution services by conducting a series of internal tests.

### INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors confirmed that during the ordinary course of our business, we are primarily exposed to (i) control risk relating to our overall monitoring system; (ii) regulatory risk in relation to our business; (iii) operational risk; (iv) IT risk; and (v) foreign exchange risk. The following sets out the key risks for our business and the mitigating internal control procedures thereof:

#### **Risk control**

Our risk register has identified certain risks that require management, including inappropriate and inconsistent practices, failure to detect unethical behaviour, wrongdoings or potential frauds and unauthorised access to confidential information. In order to control such risk, our Group has endorsed staff handbook and Company policies which require all Directors and employees of our Group to observe.

#### **Regulatory risk management**

Our Group may be exposed to the risk of non-compliance with regard to the applicable laws and regulations. For example, if an occupational injury happens, our Group may have liability for such matter under relevant Thai laws. In addition, upon Listing, our

Group may be exposed to the risks of non-compliance with the GEM Listing Rules, such as the failure to despatch and publish on time its accounts in breach of Rule 18.03 and 18.49 of the GEM Listing Rules, and the failure to announce any material variation of the terms of a transaction previously announced. We have assigned designated personnel to update the context of Company policies at least annually and to distribute to all Directors and employees new amendments of the GEM Listing Rules. We have appointed Ample Capital Limited as the compliance adviser to advise us on compliance issues. All Directors and employees will be required to attend training to refresh their understanding of the staff handbook and Company policies at least once annually. Our Group will also retain a legal adviser to advise us on compliance matters with applicable Hong Kong laws and regulations.

### **Operational risk management**

Our executive Directors and senior management are responsible for maintaining the operation and assessing the operational risks of our business. They are responsible for implementing our internal policies and procedures. Our Group emphasises on ethical value and prevention of fraud and bribery. We have established a whistleblower program, which will allow and facilitate communication among departments and business units to report any irregularities.

### **IT risk management**

Any interruption or termination in the services or deterioration in the performance of our acquiring host servers may seriously disrupt our business operation, our service quality and our ability to provide real time link between our POS terminals and CUP host. If at any time a communication failure arises, the transaction would not be completed. Under such circumstances, our Group does not bear any responsibility in respect of the failed transaction. For the risk associated with our reliance on third-party providers on IT systems and services, please refer to the section headed “Risk Factors – Risks relating to our business and operations – Failure of third-party software and equipment used in the operation of our Group may cause interruptions to our business” in this prospectus.

As our Group relies on the operation system fully to conduct our business, we utilise a private security room for the acquiring host server with backup leased lines for emergencies such as in the event of communication failure. The CUP reports and data are also kept in the security room which requires access card for entry. Our Group has set passwords to prevent unauthorised access to confidential documents and customer data. Access to the passwords and information may only be authorised by our Group’s senior management only.

Our Group backs up its email data and electronic files on a weekly basis. Our Group has adopted the following security measures to manage confidential information:

- (i) password protection for accessing to confidential information;

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- (ii) physical access restriction – only our Group’s senior management can access the password and confidential information;
- (iii) internal use of data only – all confidential documents are unavailable to external parties;
- (iv) computing systems involved in confidential documents/data storage are locked by password in conjunction with blockage in the use of removable media (e.g. flash media & network transferring);
- (v) a hardware firewall has been set up over the internet and anti-virus software is installed on each computer; and
- (vi) files are regularly backed up.

Our Directors confirmed that there has not been any incident of leakage of customer data by our Group during the Track Record Period and up to the Latest Practicable Date.

### **Foreign exchange risk control**

As the settlement currency of CUP is denominated in USD, while our Group requires to distribute funds to our merchants in THB using the market rate, we are therefore exposed to foreign exchange risk.

We have developed foreign exchange risk management procedures to manage our exposure to foreign exchange risk in relation to the possible volatility of THB/USD. Our goal is to control our foreign exchange risk to an acceptable level by ensuring that we are able to exchange THB at acceptable exchange rate for meeting our payment obligations to our merchants. Our accounting and finance department estimates the transaction value every business day with reference to (i) transaction value per CUP transaction summary report for the past 30 days; (ii) past experience for any seasonal/holiday factors; and (iii) unutilised foreign currency forward contract sums to ensure that such estimation is fairly accurate. We will then enter into foreign currency forward contracts with banks in Thailand according to such estimation as long as (i) the forward currency exchange rates quotes by them are more favourable than the CUP Rate as provided by CUP; or (ii) if we are advised by the banks that the USD will become weak and we want to limit our loss. In general, if the forward currency exchange rates quotes by the banks in Thailand are less favourable than the CUP Rate, we might not enter into any foreign currency forward contracts.

This policy enables us to determine the appropriate amount of THB to procure in order to sufficiently cover our payment obligation while preventing us from carrying excessive cash balance of THB, which may lead to foreign exchange loss. Our foreign exchange risk management procedures do not intend to exercise any judgement over or speculate on the future direction of foreign exchange fluctuation. Since the THB is volatile, any speculation on the future direction of the exchange rate would subject our Group to

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great financial risks. Therefore, our Directors consider the appropriate foreign exchange risk control measure is to accurately estimate the transaction value and limit purchases of THB to sufficiently cover our payment obligation while minimising excess balances. Our Directors consider our foreign exchange risk control measures are in line with market practice.

Our foreign exchange risk management procedures involve the following steps:

1. Ms. Ching Hui Lin, the Country Manager of our Group in Thailand, receives the CUP Rate via email at 10:00 a.m. (Bangkok time).
2. Mrs. Raweerat Kongrod, the Accounting Manager of our Group in Thailand, checks with the banks in Thailand of forward currency exchange rates and identifies the most favourable rate.
3. Mrs. Raweerat Kongrod estimates the settlement amount on the settlement date and confirms the selection of bank for entering into the foreign currency forward contracts. The nominal sums for the foreign currency forward contracts entered by our Group with banks for each transaction date shall not be more than the pre-approved limit, currently USD3,000,000 per day, unless prior approval is obtained from our senior management in our Hong Kong headquarter.
4. If there are any events reportable to the senior management in the Hong Kong headquarter in accordance with the procedure above, Ms. Ching Hui Lin/Mrs. Raweerat Kongrod, shall send an email to our senior management in our Hong Kong headquarter with detailed information about the event.
5. If either Ms. Ching Hui Lin or Mrs. Raweerat Kongrod is satisfied that the requirements of our foreign exchange risk management procedures are fulfilled, our Group shall enter into foreign currency forward contracts with the selected bank. Our Group shall enter into foreign currency forward contracts with the shortest duration, currently 7–10 day forward during holiday.

Our Directors believe that by adopting the above procedures, our exposure to foreign exchange risk can be properly managed to an acceptable level.

At present, we are mainly exposed to foreign exchange risk in relation to THB. Our Directors will regularly monitor our foreign exchange risk and should they find our exposure to foreign exchange risk in respect of other currencies increase or arise, we will adopt such risk management measures with respect to other currencies to ensure that our exposure is kept to an acceptable level.

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### PROPERTIES

As at the Latest Practicable Date, our Group did not own any property but has leased 3 properties in Hong Kong, Thailand and Cambodia, respectively, the details of which are summarized as follows:

#### Leased Properties

Address	Landlord/Lessor	Use of property	Approximate Floor Area (sq.m.)	Term of Lease
1. Unit 2606, 26/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	Far East Marine Surveyors, Limited	Office	175.8	24 January 2018 to 14 October 2018 <sup>Note</sup> 15 October 2018 to 23 January 2019
2. 24th Floor, A5 Zone, TST Building, No. 21, Choei Phuang Alley, Vibhavadi Rangsit Road, Chomphon Sub-district, Chatuchak District, Bangkok Metropolis 10900	Unison One Company Limited	Office	133	1 July 2018 to 30 June 2021
3. 3rd floor Shop Number 03-27 of Canadia Tower, No.315, Preah Ang Duong (St.110), corner of Preah Monivong (St.93), Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia	Mega Asset Management Co., Ltd	Office	22	1 July 2017 to 30 June 2019

*Note:* During the period from 24 January 2018 to 14 October 2018, our Group shared the premises with China Smartpay. On 21 September 2018, our Company entered into a new lease with the same landlord of the same premises which superseded the lease entered into by China Smartpay. For details, please refer to the section headed “Relationship with Controlling Shareholders and Non-competition Undertaking – Historical sharing of leased premises with China Smartpay” in this prospectus.

During the Track Record Period, we have not experienced any difficulty in renewing our leases. Our Directors confirmed that all of our current leases were negotiated on an arm’s length basis with reference to the prevailing market rates and/or other factor (including location of the property). As at the Latest Practicable Date, we had complied with all the applicable laws in respect of our leased properties in all material respects.

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### INTELLECTUAL PROPERTIES

Our Group recognises the importance of protecting and enforcing our intellectual property rights. Therefore, we take necessary steps to protect our intellectual property rights. As at the Latest Practicable Date, our Group has applied for registration of one trademark in Hong Kong and has registered two trademarks in Hong Kong and Thailand. We are also the owner of the domain name **www.ocg.com.hk**. Please refer to the section headed “Statutory and General Information – B. Further information about our Business – 2. Intellectual property rights” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement or unauthorized use of our intellectual property rights by any third party. We are also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

### AWARD AND RECOGNITION

Since our establishment, we have received an award from CUP for our merchant acquiring business as set forth below.

<b>Year of award</b>	<b>Award</b>	<b>Issuing Authority</b>
2007	Best Performance Acquirer award	CUP

### LICENSES AND PERMITS

<b>Awarding organization or authority</b>	<b>Description</b>	<b>Qualification</b>	<b>Holder</b>	<b>Period of validity</b>
The Electronic Transactions Commission	E-Payment service provider’s license	Type Khor (3)	OCG Thailand	From 13 May 2009 to 12 May 2019
UnionPay International Co., Ltd	License to use the licensed trademarks in connection with the approved service area(s) in the licensed territory	Acquiring Only Principal Member	OCG Thailand	Automatic renewal for every five years since 30 October 2013

Our Thailand Legal Adviser has confirmed that our Group has obtained all requisite business licenses, approvals, certificates and permits for conducting its registered businesses, all of which are presently in force and in compliance with all material applicable laws and regulations in Thailand. Currently, we have not commence our business operation in Cambodia. As at the Latest Practicable Date, we have obtained approval in principle dated 6 June 2018

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from the National Bank of Cambodia on the establishment of the payment service provider. For details, please refer to the section headed “Regulatory Overview – Regulatory framework in Cambodia – Law and regulations in relation to payment service transactions” in this prospectus.

### EMPLOYEES

As at the Latest Practicable Date, our Group had 21 employees. All of our staff are full-time employees and located in Hong Kong and Thailand. The following sets forth the functional distribution of our employees as at the Latest Practicable Date:

<b>Functions</b>	<b>Number of employees</b>
<i>Hong Kong office</i>	
Directors and senior management	4
<i>Thailand office</i>	
Senior management	1
Sales and marketing	10
IT and operation	3
Accounting and administration	3
Total	21

Our Directors believe that our employees’ industry experience and practical understanding of the merchant acquiring business are important factors to ensure our business development. We provide on-the-job training and encourage our employees to expand their knowledge. We also conduct regular sales training programme in conjunction with CUP for our sales staff to keep abreast of the development and changes in the industry.

We recruit employees primarily from the open market, internal reference and advertise openings through advertisements online and through our own website. We may rely on professional recruiters for senior positions. In general, we determine employee salaries based on each employee’s qualifications, position and seniority.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our employees or disruption to our operations due to labour dispute and we have not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel.

As advised by our Thailand Legal Adviser, according to confirmations from the relevant authorities, to the best of their knowledge, we have been in compliance in all material aspects with applicable employment laws during the Track Record Period.

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### OCCUPATIONAL SAFETY AND HEALTH MEASURES

Pursuant to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Occupational Safety, Health and Environment Act B.E. 2554 (2011) in Thailand, Article 229 and 242 of the Labour Law in Cambodia, employers are required, so far as reasonably practicable, to ensure the safety and health at work of all the employees. Our Directors consider our Group has managed its business operations with due consideration to workplace safety and health concerns and comply with the relevant rules and regulations requirements relating to health and safety.

Our Group has not committed any material breach of non-compliance in relation to health and safety matters and our Group did not receive any improvement notice or suspension notice issued by the Commissioner for Labour and the Bureau of Occupational Safety and Health against activity of workplace which may create an imminent hazard to its employees during the Track Record Period and up to the Latest Practicable Date.

### ENVIRONMENTAL PROTECTION

We are not required to obtain approval or license from any environmental protection bureau in respect of our principal operations under the applicable national or local environmental laws and regulations in the jurisdictions where we operate.

Due to the nature of our business, our Group's operational activities do not cause material pollution to the environment, and our Group did not incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors do not expect our Group to incur significant costs for compliance with applicable environmental protection rules and regulations directly during the Track Record Period and in the future. Our Group currently does not have any plans to address potential future risk on environmental protection. According to our Thailand Legal Adviser, our Group's business activities are not subject to the relevant law, namely Promotion and Preservation of National Environmental Act and they did not find that our Group is subject to any material claims or penalties in relation to environmental protection. According to our Cambodia Legal Advisers, our Group's business activities does not fit into any of the following categories (industry, agriculture, tourism or infrastructure) which require an Environmental Impact Assessment ("EIA") under the Law on Environmental Protection and Natural Resources Management (24 December 1996) and the Sub-Decree No. 72 on Procedures for EIA (11 August 1999). As at the Latest Practicable Date, our Group was not involved in any material non-compliance of any applicable laws and regulations on environmental protection.

### INSURANCE

Our Directors believe that the insurance policies coverage subscribed by our Group is adequate and is in line with the standard industry practice in the jurisdictions where we operate. Our Group maintains a range of insurance policies that are crucial to our Group's operations in Hong Kong and Thailand, including fire insurance policies for our properties, employees' compensation insurance and group medical insurance relating to our employees.

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### MARKET AND COMPETITION

According to the CIC Report, the CUP merchant acquiring business in Thailand is highly concentrated, with the top six players accounting for approximately 91.9% of the total transaction value in 2017. There were about ten major CUP Merchant Acquirers in Thailand in 2017 and we are one of the leading CUP Merchant Acquirers in Thailand in calendar year of 2017 in terms of transaction value, with market share of approximately 24.9%. The factors of competition for the Merchant Acquirers include (i) the relationship with the partner payment network association; (ii) quality of the services; (iii) the base of the merchant network and (iv) the technology advancement of the POS terminals.

In view of the competition in the CUP merchant acquiring business, we believe that our competitive strengths have contributed to the success of our Group and under the management of our experienced Directors and senior managements, our Group is well positioned to capture the growing demand for the CUP merchant acquiring business in Thailand. For further details of our competitive strengths, please refer to the section headed “Business – Our competitive strengths” in this prospectus.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal proceedings

As at the Latest Practicable Date, none of our Company and Directors is a party to any outstanding litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations, and no material litigation, arbitration or administrative proceedings has been threatened against our Company.

#### Regulatory compliance

Our Directors confirmed that there had been no material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.

### CORPORATE GOVERNANCE MEASURES

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the CG Code. The section headed “Directors, Senior Management and Staff – Board committees” in this prospectus set out further information;

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- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders' communication policy in accordance with the code provisions of the CG Code;
- (iii) we have appointed three independent non-executive Directors representing more than one third of the Board and at least one of them has accounting expertise;
- (iv) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless otherwise provided in the Articles;
- (v) pursuant to the CG Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (vi) our Company will adopt a comprehensive company policies covering legal and regulatory compliance with reference to the CG Code;
- (vii) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing;
- (viii) our Directors will attend professional development seminar including the corporate governance to ensure on-going compliance after Listing;
- (ix) our Group will engage a Hong Kong law firm on a continual basis upon the listing of the Shares on GEM to provide continued guidance to our Directors on various compliance obligations of our Group under the laws and regulations in Hong Kong; and
- (x) our Group will also retain the services of legal advisers in Thailand upon the listing of the Shares on GEM so as to provide continual guidance on the compliance with the laws and regulations applicable to our Group in Thailand and in particular, compliance of our Group's preference shares structure arrangements in relation to OCG Thailand.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### BOARD OF DIRECTORS

Our Board is responsible for and has general powers over the management and conduct of our business. It consists of five Directors including one executive Director, one non-executive Director and three independent non-executive Directors.

The following table sets out certain information concerning our Directors:

Name	Age	Time of joining our Group	Current position in our Company	Time of appointment as director	Key role and responsibilities	Relationship with other Directors and senior management
<i>Directors</i>						
Mr. Yu Chun Fai (余振輝)	56	November 2004	Founder, Chairman, chief executive officer and executive Director	19 January 2018	Responsible for overall management, strategic planning	Nil
Mr. Xiong Wensen (熊文森)	51	19 January 2018	Non-executive Director	19 January 2018	Responsible for providing professional advice to our Group in respect of management and corporate governance	Nil
Mr. Chung, Wai Chuen Alfred (鍾偉全)	43	18 September 2018	Independent non-executive Director	18 September 2018	Responsible for providing independent advice to our Board	Nil
Ms. Huang Ping (黃萍)	44	18 September 2018	Independent non-executive Director	18 September 2018	Responsible for providing independent advice to our Board	Nil
Mr. Ng Ka Po (吳家保)	42	18 September 2018	Independent non-executive Director	18 September 2018	Responsible for providing independent advice to our Board	Nil

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Executive Director

**Mr. Yu Chun Fai (余振輝)**, aged 56, was the founder of our Group, the Chairman of our Board, chief executive officer and an executive Director. Mr. Yu is responsible for our Group's strategic business development as well as day-to-day management. Mr. Yu has over 16 years of experience in the card payment industry.

Mr. Yu started his card and payment career with American Express International, Inc. from November 1988 to January 1990. Mr. Yu was employed as Service Establishment Relations Manager. From February 1990 to July 1992, Mr. Yu was employed by the Visa International Consumer Products Group as Project Manager. From September 1993 to May 1994, he worked in Manhattan Card Co. Limited (a subsidiary of The Chase Manhattan Bank, N.A.) as Senior Manager. In May 1994, Mr. Yu worked in Dresdner RCM Global Investors Asia Ltd., as a sales manager and was promoted to head of unit trust marketing in July 1997. Mr. Yu left Dresdner RCM Global Investors Asia Ltd. in January 1998. From January 1998 to July 1999, he was a vice president and marketing director of AIG Asset Management Co. (Asia) Ltd, where he was responsible for the financial investment and insurance services through consumer finance marketing with financial advisers. From July 1999 to February 2002, he was a vice president at Morgan Stanley Asia Limited. Since November 2004, Mr. Yu had been appointed as the director of OCG Thailand. From August 2009 to November 2011, Mr. Yu had been the chairman, chief executive officer and executive director of China Smartpay, our Controlling Shareholder. From June 2012 to October 2013, Mr. Yu was employed as an independent non-executive director of Jun Yang Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 397).

Mr. Yu obtained a bachelor of business administration degree from University of North Texas, United States in December 1986. He was admitted as a member of Hong Kong Securities Institute in December 1998. Mr. Yu is an independent non-executive director of New World Department Store China Limited, a company listed on the Main Board of the Stock Exchange (stock code: 825).

Mr. Yu was the director of the following companies which were incorporated in Hong Kong and were deregistered under section 751(3) of the Companies Ordinance (section 291AA of the Predecessor Companies Ordinance) and the relevant details are as follows:

<b>Company name</b>	<b>Nature of business</b>	<b>Date of deregistration</b>	<b>Reasons of dissolution</b>
OCG China Company Limited	Provision of marketing and administrative support to our Group	20 March 2015	Cessation of business
Insurance Union Company Limited	Not carry on business	30 December 2016	Never Commenced business

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Company name	Nature of business	Date of deregistration	Reasons of dissolution
OCG Payment Services Limited	Not carry on business	1 April 2005	Never Commenced business
Oriental City Group Limited	Payment card related business	14 March 2014	Cessation of business

Mr. Yu has confirmed that the above deregistrations were voluntary by way of submitting applications to the Companies Registry of Hong Kong and all of such companies were solvent at the time of being dissolved by deregistration.

### Non-executive Director

**Mr. Xiong Wensen (熊文森)**, aged 51, was redesignated as our non-executive Director on 6 February 2018 and is primarily responsible for providing professional advice to our Group in respect of management and corporate governance.

Mr. Xiong was the deputy general manager (副總經理) of 上海銀商資訊有限公司 (China Union Loyalty Co. Ltd.\*) from September 2006 to September 2007. From October 2008 to May 2014, Mr. Xiong had been the assistant vice president and was later promoted as the vice president and senior vice president, respectively, of 通聯支付網絡服務股份有限公司 (Allinpay Network Service Co., Ltd.\*). Mr. Xiong had been an executive director of China Smartpay, our Controlling Shareholder, from June 2014 to July 2018.

Mr. Xiong obtained a bachelor's degree in engineering (Computer Science and Technology) (計算機科學與技術) from Tsinghua University (清華大學) in July 1990. Mr. Xiong also obtained a master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in August 2005.

Mr. Xiong was the director or manager of the following companies which were incorporated in the PRC and were revoked or cancelled and the relevant details are as follows:

1. Shanghai Cailin Information Technology Co., Ltd. (上海財林資訊技術有限公司)
2. Shenzhen Maite Computer Technology Co., Ltd. (深圳市邁特星電腦技術有限公司)
3. Shenzhen Aozun Electric Commerce Co., Ltd. (深圳市奧尊電子商務有限公司)
4. Shanghai Kecong Kailiantong Intelligence Technology Development Co., Ltd. (上海可充開聯通智慧科技發展有限公司)

\* For identification purpose only

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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According to Mr. Xiong, the business licenses of Shanghai Cailin Information Technology Co., Ltd., Shenzhen Maite Computer Technology Co., Ltd. and Shenzhen Aozun Electric Commerce Co., Ltd., were revoked because the companies did not renew their business licenses as the companies had ceased operation. The business license of Shanghai Kecong Kailiantong Intelligence Technology Development Co., Ltd. had been voluntarily cancelled because the company had ceased operation.

### **Independent non-executive Directors**

**Mr. Chung, Wai Chuen Alfred (鍾偉全)**, aged 43, was appointed as an independent non-executive Director on 18 September 2018. He is primarily responsible for providing independent advice to our Board. He is also the chairman of our Group's audit committee, a member of our Group's nomination committee and remuneration committee.

Mr. Chung has over 19 years of experience in accounting and auditing. From August 1998 to March 2004, Mr. Chung served PKF, Certified Public Accountants in Hong Kong, with his last position as supervisor. From March 2004 to September 2007, he served KPMG, Certified Public Accountants in Hong Kong, with his last position as manager. In September 2007, Mr. Chung returned to PKF as senior audit manager and became a partner of PKF since July 2011. During 2017, PKF was reorganised to PKF Hong Kong Limited, Certified Public Accountants in Hong Kong, and Mr. Chung became a director of PKF Hong Kong Limited and is responsible for providing audit assurance services.

Mr. Chung graduated with a bachelor's degree in business administration from Lingnan College, now known as Lingnan University, in November 1998. He has been a member of Hong Kong Institute of Certified Public Accountants since January 2004 and a fellow member of The Association of Chartered Certified Accountants since November 2007.

**Ms. Huang Ping (黃萍)**, aged 44, was appointed as an independent non-executive Director on 18 September 2018. She is primarily responsible for providing independent advice to our Board. She is also the chairman of our Group's nomination committee, a member of our Group's audit committee and remuneration committee.

Ms. Huang worked in the People's Bank of China after graduation, she worked as the Deputy Division Chief of the Payment and Settlement Department from May 2008 to November 2010. She was later promoted as the Division Chief of Bank Card Business Management Office from November 2010 to August 2012 and as the Division Chief of Clearing Regulatory Office since August 2012. In August 2016, Ms. Huang was employed as the president of JJJ Bill Exchange (京津冀協同票據交易中心股份有限公司).

Ms. Huang graduated from Renmin University of China with a Doctorate of Political Economics in July 2002.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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**Mr. Ng Ka Po (吳家保)**, aged 42, was appointed as an independent non-executive Director on 18 September 2018. He is primarily responsible for providing independent advice to our Board. He is also the chairman of our Group's remuneration committee, a member of our Group's audit committee and nomination committee.

Mr. Ng has over 17 years of experience in corporate finance industry. He has joined Optima Capital Limited, a licensed corporation under the SFO principally engaged in provision of corporate finance and related services, in August 2007. He is currently a director of Optima Capital Limited, and a responsible officer for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has involved in a wide range of takeover, merger and acquisition, corporate restructuring, initial public offering, privatization and other corporate financial advisory work for Hong Kong listed companies. Prior to joining Optima Capital Limited, he had worked in Shang International Finance Limited (formerly known as Somerley Limited and Somerley International Limited, respectively) until May 2007. From September 1998 to December 2000, he worked in assurance and advisory business services department of Ernst & Young, and was primarily responsible for providing auditing services.

Mr. Ng graduated from the Chinese University of Hong Kong with a bachelor of business administration degree in December 1998. He obtained a master of business administration degree from the Columbia University in May 2010. He has been a CPA-Inactive certificate holder in the Washington State of the United States of America since October 2000. He has also been a chartered financial analyst of the CFA Institute since September 2002.

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO; (ii) is independent from, and not related to any of our Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Save as disclosed in this prospectus, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

None of our Directors has any interests in any business apart from our Group's business which competes or is likely to compete, whether directly or indirectly, with our Group's business.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets out certain information concerning the senior management personnel of our Group:

Name	Age	Time of joining our Group	Current position in our Company	Responsibilities	Relationship with other Directors and senior management
<i>Senior management</i>					
Mr. Lai Wing Hong (黎永康)	40	13 February 2018	Financial controller and company secretary	Responsible for overall accounting and financial management functions, company secretarial and internal control matters of our Group	Nil
Ms. Ching Hui Lin	35	23 October 2015	Country Manager	Responsible for achieving business targets, managing and coordinating between business and team	Nil
Mrs. Raweerat Kongrod	52	16 March 2015	Accounting Manager	All payment and receipt transactions, monthly financial report, financial statement and accounting system	Nil

**Mr. Lai Wing Hong (黎永康)**, aged 40, joined our Group in February 2018. Mr. Lai was appointed as the financial controller and company secretary of our Company on 13 February 2018. He is responsible for overall accounting and financial management functions, company secretarial matters and internal control matters of our Group. Mr. Lai has over 15 years' experience in audit, financial, accounting and internal control matters. Before joining our Group, he worked as an audit and accounting clerk in Creation Secretaries & Consultants Limited from July 2001 to August 2003 and was principally responsible for auditing, bookkeeping, company secretarial works and office clerical duties. From August 2003 to February 2004, Mr. Lai was employed as an audit semi-senior by K.K. Chan & Company, *Certified Public Accountants* and

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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his duties included performing audits, tax compliance, bookkeeping, supervising and reviewing the jobs of other junior staff and assisting the company to develop consulting business. Mr. Lai joined Ting, Hui & Co., *Certified Public Accountants* in March 2004 as an Audit Semi-Senior and was promoted to Audit Senior in October 2005. In Ting, Hui & Co., *Certified Public Accountants*, he was responsible for statutory audit, taxation and accounting services, and led a small team, he left the firm in February 2006. From February 2006 to July 2006, Mr. Lai was employed as an assistant to financial controller by Sun Wah Kadokawa (Hong Kong) Group Limited, a media company, and was responsible for consolidating and segmenting management reports, budgets, conducting performance analysis, internal financial auditing, supervising accounting staff. From August 2006 to June 2017, Mr. Lai worked as a financial manager and was later promoted as financial controller in Yan Tin Chemicals Co., Ltd, a manufacturing and hi-tech company and he was responsible for financial and management of the group. From October 2016 to January 2018, Mr. Lai was employed as financial controller by Grant Tour Bus Services Limited and was responsible for the preparation of financial statements and financial reports, setting accounting policies, providing internal auditing, supervising the accounting staffs.

Mr. Lai obtained a bachelor of arts in accountancy from the Hong Kong Polytechnic University in November 2001. He obtained a master of business administration from the Holmes Institute in April 2017. He was admitted as a member and a fellow member of the Association of Chartered Certified Accountants in July 2006 and July 2011, respectively. He became a member of the Hong Kong Institute of Certified Public Accountants in May 2011.

**Ms. Ching Hui Lin**, aged 35, joined our Group in October 2015. She is the Country Manager of OCG Thailand and is responsible for achieving business targets, managing and coordinating between business and team. Before joining our Group, she worked in Sinopay (Malaysia) Sdn Bhd and Sinopay (Singapore) Ptd Ltd., which are principally engaged in the provision of professional bankcard services to CUP, banks and other financial institutes in Malaysia, Singapore and Vietnam, from 2006 to 2015 as IT payment system support, technical and merchant support and IT executive, respectively.

Ms. Ching obtained the advanced diploma in science from Tunku Abdul Rahman College in Malaysia in March 2005. She obtained the bachelor degree in science from Campbell University in June 2005.

**Mrs. Raweerat Kongrod** (with former name Pranom Kongrod), aged 52, joined our Group in March 2015. She is the Accounting Manager of OCG Thailand and is responsible for all payment and receipt transactions, monthly financial report, financial statement and accounting system. Mrs. Raweerat Kongrod has more than 24 years of experience in accounting. Prior to joining our Group, she worked in several companies as an accountant and was mainly responsible for handling payment and receipt transactions and dealing with taxation issues: Benetone Co., Ltd. from January 1994 to October 1996; Grant Thornton Thailand from December 1996 to October 1997; Natee International Law Office Limited from March 1998 to

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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June 2000; and Advertising International Company Limited from December 2002 to July 2012 with her last position as the manager of planning and budgeting department. From July 2012 to March 2015, Mrs. Raweerat Kongrod worked in VGI Global Media Public Co. Ltd. as an asset and logistic supervisor.

Mrs. Raweerat Kongrod obtained a bachelor of business administration from Ramkhamhaeng University in Thailand in March 1989.

### COMPANY SECRETARY

**Mr. Lai Wing Hong (黎永康)**, aged 41, our financial controller, was appointed as the company secretary of our Company on 13 February 2018. Mr. Lai ordinarily resides in Hong Kong. Please refer to the sub-section headed “Senior Management” above in this section for further information about Mr. Lai.

### AUTHORISED REPRESENTATIVES

Mr. Yu and Mr. Lai Wing Hong have been appointed as our authorised representatives under Rule 5.24 of the GEM Listing Rules. The authorised representatives will act as the principal communication channel with the Stock Exchange and will make themselves readily available in Hong Kong whenever necessary to deal with inquiries from the Stock Exchange. When the Stock Exchange contacts the authorised representatives, they will be able to contact all members of the Board immediately, ensuring an effective communication channel with the Stock Exchange.

In addition to appointing the authorised representatives, we have also retained the services of a compliance adviser which, in addition to the authorised representatives of our Company, will act as the principal channel of communication with the Stock Exchange from the Listing Date until the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year following Listing.

### COMPLIANCE OFFICER

Mr. Yu was appointed as the compliance officer of our Company on 6 February 2018. Please refer to the sub-section headed “Executive Director” above in this section for further information about Mr. Yu.

### BOARD COMMITTEES

We have established the following committees in our Board, of which their operations are in accordance with terms of reference established by our Board:

#### **Audit committee**

We have established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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review and supervise the financial reporting process and internal control and risk management system of our Group, oversee the audit process, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by the Board.

The audit committee consists of three members, namely Mr. Chung, Wai Chuen Alfred, Ms. Huang Ping and Mr. Ng Ka Po. The chairman of the audit committee is Mr. Chung, Wai Chuen Alfred who is the independent non-executive Director with the appropriate professional qualifications as required under Rules 5.05(2) and 5.29 of the GEM Listing Rules.

### **Remuneration committee**

We have established a remuneration committee with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of our Directors and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The remuneration committee consists of three members, namely Mr. Chung, Wai Chuen Alfred, Ms. Huang Ping and Mr. Ng Ka Po. The chairman of the remuneration committee is Mr. Ng Ka Po.

### **Nomination committee**

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to formulate our nomination policy and make recommendations to any proposed changes to our Board.

The nomination committee consists of three members, namely Mr. Chung, Wai Chuen Alfred, Ms. Huang Ping and Mr. Ng Ka Po. The chairman of the remuneration committee is Ms. Huang Ping.

## **CORPORATE GOVERNANCE**

Our Company has adopted principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “**CG Code**”). Except for the deviation from paragraph A.2.1 of the CG Code as stated below, our Company’s corporate governance practises have complied with the CG Code.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yu is the Chairman and the chief executive officer of our Company. Taking into account that Mr. Yu is the founder of our Group and has been managing the business of our Group since its establishment, with the extensive experience and knowledge in the business of our Group, the Board believes that it is in the best interest of our Group to have Mr. Yu taking up both the roles of Chairman and chief executive officer for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the CG Code to be appropriate in such circumstance.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors by any member of our Group for FY2016, FY2017 and FY2018 were HK\$120,000, HK\$120,000 and HK\$120,000.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Group's five highest paid individuals for FY2016, FY2017 and FY2018 were approximately HK\$1,723,000, HK\$1,994,000 and HK\$1,787,000, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the aggregate amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 March 2019 is estimated to be HK\$396,000.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to Notes 9 and 10 to the Accountants' Report set out in Appendix I to this prospectus.

### **COMPLIANCE ADVISER**

Our Company has appointed Ample Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us on the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, subject to termination.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix IV to this prospectus.

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## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING**

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### **OUR CONTROLLING SHAREHOLDERS**

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and options that may be granted under the Share Option Scheme), China Smartpay, through Charm Act, will own 52.50% interest in the enlarged issued share capital of our Company and hence will, together with Charm Act, be our Controlling Shareholders after Listing. Save as mentioned above, there is no other person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and options that may be granted under the Share Option Scheme), be directly or indirectly interested in more than 30% or more of the Shares in issue.

### **Competing interests**

Save and except for their respective interest in our Company, none of the Controlling Shareholders nor any of their respective close associates had interests in any other companies that compete or are likely to compete, either directly or indirectly, with the business of our Company during Track Record Period and as at the Latest Practicable Date.

### **Undertakings**

Our Controlling Shareholders have given certain undertakings in respect of the Shares to, among others, our Company, the Sponsor, the Sole Global Coordinator and the Underwriters. Please refer to the section headed “Underwriting” in this prospectus for further details.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Save for Mr. Yu, a director of Charm Act which is wholly-owned by China Smartpay and does not have any principal business other than investment holding, our Directors and the senior management of our Group do not have any role in the Remaining China Smartpay Group.

Our Directors consider that we are capable of carrying our business independent of the Controlling Shareholders and their respective close associates following the Listing.

### **Management independence**

Our Board comprises one executive Director, one non-executive Director and three independent non-executive Directors. Save as disclosed in the section headed “Directors, Senior Management and Staff” in this prospectus, there is no other relationship among our Directors. Our Directors are of the view that our Company is capable of maintaining management independence as:

- our Group’s strategies, management, operations and affairs are formulated, led, managed and/or supervised by our Board and not by any individual Director nor our Controlling Shareholder. All major and important corporate actions of our Company

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

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are and will be fully deliberated and determined by our Board collectively and objectively as a collective body;

- pursuant to the terms of the service contracts entered into between our Company and Mr. Yu, our Chairman, chief executive officer and executive Director, he is required to devote substantially the whole of his time, attention and abilities during normal business hours and such additional hours as may reasonably be requisite to our Group;
- in the event that there is a potential conflict of interest in or arising out of any transaction to be considered and approved by our Board, the interested Director(s) shall abstain from voting at the relevant meeting of our Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the GEM Listing Rules;
- we have three independent non-executive Directors, who are not associated with the Controlling Shareholders or their respective associates. Resolutions of our Board approving any matters in which our executive Director has a potential conflict of interest and/or material interest will, only be considered and approved by the independent non-executive Directors (as under the provisions of the Articles and the GEM Listing Rules, our executive Director will then be prohibited from voting on the resolution(s) and will not be counted towards the quorum of the relevant Board meetings at which the relevant resolution(s) is/are approved). The independence of our Board's decisions in respect of any matters in which our executive Director has a potential conflict of interest and/or material interest is and can be ensured;
- our Company has established corporate governance procedures in safeguarding the interests of the Shareholders and enhancing Shareholders' value. Each Director is fully aware of his/her fiduciary duty to our Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the applicable Articles and the GEM Listing Rules; and
- our Board from time to time delegates certain functions to, and is assisted by its senior management in the implementation of the business plan and strategy as laid down by our Board. The day-to-day management and operations of our Group is operated independently from the influence of our Controlling Shareholders and their respective close associates.

### **Operational independence**

Our Group has our own organisational structure made up of divisions including management and administration, finance and accounting, sales and marketing, production, design and development, quality control and other divisions. Each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our Group's business.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

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We have independent access to sources of suppliers or materials necessary for the operation of its business as well as customers which are all Independent Third Parties. All our operating subsidiaries of our Company hold the licenses necessary for the operation of our Group's business in their own names.

### **Financial independence**

We have established a financial system (including bank accounts) that operate independently. As such, upon Listing, our Group will have independent access to third party financing without relying on any guarantee from our Controlling Shareholders, certain Directors and their respective close associates. All loans and advances due to our Controlling Shareholders, certain Directors, related parties and their respective close associates had been fully settled immediately before the Listing. Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for our business operations as and when required and is not financially dependent on our Controlling Shareholders, Directors, related parties or any of their respective close associates in the operation of its business.

### **Historical sharing of leased premises with China Smartpay**

During the Track Record Period, our Group had shared the use of the premises of Unit 2606, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong with China Smartpay, our Controlling Shareholder, which was leased from the landlord under the name of China Smartpay and renewed yearly. Our Group had to bear certain rental payment of the premises with China Smartpay. For FY2016, FY2017 and FY2018, our Group paid in aggregate approximately nil, HK\$0.15 million and HK\$0.62 million as the share of the rental payments. Immediately before the Listing, our Group had ceased sharing the use of the above premises with China Smartpay. On 21 September 2018, our Company entered into a new lease with the same landlord of the same premises which superseded the lease entered into by China Smartpay.

### **DEED OF NON-COMPETITION**

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which each of the covenantors has undertaken to us (for ourselves and for the benefit of our subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of our Group) shall, except through their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of our Group in Thailand, Cambodia, or such other places (save for Hong Kong and PRC) as our Group may conduct or carry on business from time to time including but not limited to the merchant acquiring business (the "**Restricted Business**").

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

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Each of our Controlling Shareholders has further undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that, with effect from the Listing Date, in the event that any of them and/or any of their associates (except any members of our Group) is offered or becomes aware of any future business opportunity that may, directly or indirectly, compete with the Restricted Business (the “**Competing Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, they:

- shall promptly notify our Company in writing and refer such Competing Business Opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to enable it to come to an informed assessment of such Competing Business Opportunity; and
- shall not, and shall procure their associates (other than members of our Group) not to, invest or participate in the Competing Business Opportunity unless the Competing Business Opportunity has been rejected by our Company and in respect of such Competing Business Opportunity, the principal terms on which the Controlling Shareholders or their respective close associates shall invest or participate are no more favourable than those made available to our Company.

Each of our Controlling Shareholders has further undertaken to our Company (for ourselves and for the benefit of our subsidiaries from time to time) that, with effect from the Listing Date, they shall not and shall procure that none of their close associate (except for any members of our Group) shall directly or indirectly:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as applicable); or
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person through or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or to reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

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The above undertakings do not apply where our Controlling Shareholders and/or their respective close associates have interests in the shares or any securities of a company that engages in the Restricted Business whose shares are listed on a recognised stock exchange provided that (a) the total number of shares held by our Controlling Shareholders and/or their respective close associates in aggregate shall not exceed 10% of the issued shares of that class of our Company in question, (b) our Controlling Shareholders and their respective close associates are not entitled to appoint a majority of the directors of that company, and (c) at any time there should exist at least another shareholder of that company whose shareholdings in that company is more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate.

Further, our Controlling Shareholders have undertaken that they will use their best endeavours and will procure their close associates (except for members of our Group) to use their best endeavours to procure that their respective employees and any company under their control, whether individually or jointly, directly or indirectly (except for those within our Group), to observe the restrictions and undertakings contained in the Deed of Non-competition.

Our Controlling Shareholders represented and warranted that, as of the date of the Deed of Non-competition, none of them or any of the persons or companies in their control is currently interested or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise through our Group or is otherwise engaged in any business which is in competition or material competition to those of our Group.

Under the Deed of Non-competition, our Controlling Shareholders further undertake to and covenant with our Company that during the period for which the Deed of Non-competition is in force:

- they shall allow, and shall procure that the relevant close associates (excluding members of our Group) to allow the independent non-executive Directors to review, at least on an annual basis, whether our Controlling Shareholders are in compliance with the Deed of Non-competition;
- they shall provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcement to the public; and
- they shall provide our Company with a confirmation annually for inclusion by our Company in the annual report, in respect of their compliance with the terms of the Deed of Non-competition.

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## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING**

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The undertakings given by each of our Controlling Shareholders under the Deed of Non-competition shall lapse and the Controlling Shareholders shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- the day on which the Shares cease to be listed on the Stock Exchange;
- the day on which the relevant Controlling Shareholder and/or his/its close associates cease to hold, taken together, 30% or more of the issued share capital of our Company or otherwise the relevant Controlling Shareholder ceases to be a controlling shareholder of our Company; or
- the day on which the relevant Controlling Shareholder beneficially owns or is interested in the entire issued share capital of our Company.

### **CORPORATE GOVERNANCE MEASURES**

To further protect the interests of the minority Shareholders of our Company, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

- our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders; each of our Controlling Shareholders undertakes to provide all information requested by us which is necessary for fulfilment of the Deed of Non-competition, including the annual review by the independent non-executive Directors;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with the Deed of Non-competition in our Company's annual reports; and
- our Controlling Shareholders will make an annual declaration in relation to compliance with the Deed of Non-competition in the annual reports of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and/or their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the Capitalisation Issue and completion of the Spin-off and the Share Offer (without taking into account any allotment and issue of Shares pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held as at the date of this Application Proof		Shares held immediately following the Capitalisation Issue, the Spin-off and the Share Offer (assuming the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme are not exercised)	
		Number <sup>(Note 1)</sup>	Approximate percentage	Number <sup>(Note 1)</sup>	Approximate percentage
Charm Act <sup>(Note 2)</sup>	Beneficial owner	70(L)	70%	525,000,000(L)	52.50%
China Smartpay <sup>(Note 2)</sup>	Interest in a controlled corporation	70(L)	70%	525,000,000(L)	52.50%
Straum Investments <sup>(Note 3)</sup>	Beneficial owner	21(L)	21%	157,500,000(L)	15.75%
Mr. Yu <sup>(Note 3)</sup>	Interest in a controlled corporation	21(L)	21%	157,500,000(L)	15.75%
Ms. Choi Hiu Wa <sup>(Note 4)</sup>	Interests of spouse	21(L)	21%	157,500,000(L)	15.75%
Original Fortune <sup>(Note 5)</sup>	Beneficial owner	9(L)	9%	67,500,000(L)	6.75%
Mr. Sung <sup>(Note 5)</sup>	Interest in a controlled corporation	9(L)	9%	67,500,000(L)	6.75%

*Notes:*

- (1) The letter “L” denotes a long position in the shareholder’s interests in the share capital of our Company.
- (2) Charm Act is wholly owned by China Smartpay. Accordingly, China Smartpay is deemed to be interested in the Shares held by Charm Act for the purpose of SFO.
- (3) Straum Investments is wholly owned by Mr. Yu. Accordingly, Mr. Yu is deemed to be interested in the Shares held by Straum Investments for the purpose of SFO.
- (4) Ms. Choi Hiu Wa is the wife of Mr. Yu. Accordingly, Ms. Choi Hiu Wa is deemed to be interested in the Shares held by Mr. Yu for the purpose of SFO.
- (5) Original Fortune is wholly owned by Mr. Sung. Accordingly, Mr. Sung is deemed to be interested in the Shares held by Original Fortune for the purpose of SFO.

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## SUBSTANTIAL SHAREHOLDERS

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Save as disclosed above and in the section headed “Statutory and General Information – D. Further information about our Directors” in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the Capitalisation Issue, the Spin-off and the Share Offer and assuming that the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme are not exercised, have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the Capitalisation Issue and completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

<i>Authorised Share Capital</i>	<i>Aggregate nominal value</i>	
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>HK\$100,000,000</u>	
<i>Issued and to be issued, fully paid or credited as fully paid (assuming no exercise of the Offer Size Adjustment Option):</i>		
	<i>HK\$</i>	
200	Shares in issue as of the date of this prospectus	2
749,999,800	Shares to be issued pursuant to the Capitalisation Issue	7,499,998
<u>250,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>
<u>1,000,000,000</u>	Total	<u>10,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid (assuming full exercise of the Offer Size Adjustment Option):</i>		
		<i>HK\$</i>
200	Shares in issue as of the date of this prospectus	2
749,999,800	Shares to be issued pursuant to the Capitalisation Issue	7,499,998
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000
37,500,000	Shares to be issued upon full exercise of the Offer Size Adjustment Option	375,000
<u>1,037,500,000</u>	Total	<u>10,375,000</u>

### ASSUMPTIONS

The above table assumes that the Share Offer has become unconditional. It takes no account of any Shares (a) which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; or (b) which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

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## SHARE CAPITAL

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### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the total issued share capital of our Company upon Listing (without taking into account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme).

### RANKING

The Shares are ordinary Shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus (save for entitlements to the Capitalisation Issue).

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by Shareholders' ordinary resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by Shareholders' special resolution. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – (a) (iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – (a) (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares, securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible

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## SHARE CAPITAL

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securities and to make or grant offers, agreements or options which might require such Shares, securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities to be allotted and issued or dealt with at any time subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme); and
- (ii) the total number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This mandate to issue Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information – A. Further information about our Company – 4. Resolutions in writing of our Shareholders” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the total number of Shares in issue immediately following the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme.

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## SHARE CAPITAL

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This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information – A. Further Information About Our Company – 6. Repurchase of our Shares” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information – A. Further Information about Our Company – 4. Resolutions in writing of our Shareholders” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

On 18 September 2018, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Statutory and General Information – E. Share Option Scheme” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus (the "Combined Financial Information"). Our Group's Combined Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").*

*You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are an established Merchant Acquirer in providing a suite of comprehensive payment processing services to merchants of all sizes frequently visited by Chinese tourists in Thailand. Since the commencement of our business in 2004, our Group has been adopting and deploying financial technology into our business model to enable our merchants in Thailand to accept various cross-border electronic payment methods including credit cards, debit cards, QR Codes, NFC and other alternative payment technologies. We position ourselves as a bridge to link and collaborate among our partner payment network associations, our merchants and shoppers.

During the Track Record Period, our payment processing services was mainly carried out through our partnership with CUP. Our Group has three sources of income derived from our merchant acquiring business, including (i) MDR income; (ii) foreign exchange rate discount income; and (iii) marketing service income.

The following discussion and analyses are based on the financial results of our Group during the Track Record Period as presented in the section headed "Accountants' Report" in Appendix I to this prospectus.

### BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Cayman Islands on 19 January 2018. Immediately prior to and after the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus,

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our Company and our subsidiaries now comprising our Group are ultimately controlled by China Smartpay, through Charm Act. Our Group's business is mainly conducted through OCG Thailand and OCG HK while our Company and other entities within our Group have not been involved in any other significant activities prior to the Reorganisation. Because the Reorganisation did not result in any change in the ultimate control of our Group's business and the resources employed by our Group's business, our Group is regarded as a continuing entity and, therefore the Reorganisation is considered to be a restructuring of entities and business under common control.

Accordingly, our combined financial information set out in the Accountants' Report contained in Appendix I to this prospectus has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed "Merger accounting for business combinations involving entities under common control" in Note 3 to the Historical Financial Information set out in the Accountants' Report in Appendix I to this prospectus, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising our Group as if our current group structure had always been in existence throughout the Track Record Period or since their respective date of establishment or incorporation where applicable.

Transactions, balances and unrealised gains or losses on transactions between companies within our Group are eliminated on combination.

Our combined financial information has been prepared by our Directors based on the audited financial statements or, where appropriate, unaudited management accounts of our companies now comprising our Group in accordance with HKFRSs issued by the HKICPA, on the basis set out in the section headed "Accountants' Report – Historical financial information – Note 2. Basis of preparation and presentation" in Appendix I to this prospectus.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations and financial position have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus. Factors other than those set forth below could also have a significant impact on our results of operations and financial position in future.

#### **Changes in political, social, business, legal, regulatory or economic conditions in Thailand**

Our Group's merchant acquiring business is principally operated in Thailand and the revenue is directly related to the Chinese tourists everyday expenditure in Thailand. Our Group's business and profitability depend heavily on Thailand's tourism industry and, in particular, the number of Chinese tourists visiting Thailand. Any succession crisis in Thailand could directly or indirectly lead to new or increased political turmoil, as well as exchange rate fluctuations in THB. In the event that a violent coup were to occur or the current political turmoil were to continue or worsen, such activity could affect the number of Chinese tourist arrivals in Thailand. Further, a new Thai government might repeal existing laws and regulations and implement new

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ones, which could prevent us from engaging in our current or anticipated activities or subject us to higher tax rates. There can be no assurance that the political environment in Thailand will be stable or that the current or any future government will adopt economic policies conducive to sustain economic growth. Any changes in political, social, business, legal, regulatory or economic conditions in Thailand, including any future political and/or economic crisis, terrorism, outbreaks of hostility and political turmoil, may materially and adversely affect our Group's business, financial conditions and results of operations.

Our Group experiences seasonal fluctuations in the revenue relating to the CUP merchant acquiring business. For details, please refer to the section headed "Business – Sales and marketing – Seasonality" in this prospectus. As a result of these fluctuations, sales and operating results for any particular period will not necessarily be indicative of our Group's results for the full year or future periods. The seasonal nature of our merchant acquiring business would also affect the cash flows available to our Group.

### **Market competition and changes in market conditions among merchant network and payment network associations in Thailand**

Our Group's ability to generate revenue and achieve profitability will depend on the performance in terms of transaction value derived from our merchants network. Our profitability of service rendered depends on our MDR charged. We relied on a few major merchants during the Track Record Period. Any significant reduction of our transaction value from our major merchants or any termination of business relationship between our major merchants, us and our partner payment network association, our businesses, financial position and results of operations might be adversely affected. Competitors may compete in MDR charges and provide extra benefits to our merchants so as to capture more transaction value and market share from it.

Although our Group is one of the first Merchant Acquirers of CUP with a leading position among CUP Merchant Acquirers and has maintained a long and good business partnership with CUP, it should be noted that our Group is not the exclusive partner of CUP. Other Merchant Acquirers and market players who would provide similar services to those being offered by our Group will increase competition in the market. There is no certainty that our Group will be able to sustain its market leadership among CUP's Merchant Acquirers in Thailand. If we are unable to adopt to our merchants/payment network associations' needs in a timely manner in response to changing market conditions, market preferences and changes in technology advancement, we may not be able to maintain our competitiveness and market share. In particular, our business expansion and revenue growth have been, and we expect them to continue to be, affected by the growth of the transaction value of our merchant network and the competitiveness of CUPs' network against other major payment network associations.

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### **Cost of service rendered and gross profit margin**

Fluctuations in our cost of services rendered and our ability to pass on any increase in the cost of services rendered to our merchants will affect our total cost of services rendered and our gross profit margins. Our interchange fee paid to our partner payment network association is the major component of our cost of services rendered, representing approximately 100.0%, 100.0% and 100.0% of our total cost of services rendered for FY2016, FY2017 and FY2018, respectively. Our Group adopts a cost-plus pricing strategy, for details, please refer to the section headed “Business – Sales and marketing – Pricing strategy” in this prospectus. Our MDR is hugely affected by the interchange fee charged by CUP, which is beyond our control, and our Group may be unable to maintain historical revenue and profit margins in the future. Interchange fee might fluctuate after we set the MDR with our merchants and varies among different types of credit cards and issuers. If the bargaining power of our merchants is relatively higher, we may not be able to pass any increase in the interchange fee to our merchants and this could adversely affect our profitability and financial performances. Our operational results might be therefore indirectly affected by our partner payment network association. Any increase in our interchange fee would cause a raise in our charge of MDR. Consequentially, our services rendered would be less competitive in the market and this could be a possible damage to our merchant network. The transaction value derived from our merchants is generally volatile substantially on market demand and the market conditions for the products and/or services provided by our merchants, which is beyond the control of our Group. According to the CIC Report, it is important for successful CUP Merchant Acquirer to offer a competitive MDR to merchants, which will in turn leave a thinner margin for Merchant Acquirers.

Although our Group’s gross profit margin is susceptible to movements of the interchange fee and other market factors, our Group also benefited from a stable foreign exchange rate discount income arising from the daily transaction value from our merchants as a result of a favourable discount to the spot exchange rate offered by CUP to cover our Group from possible exchange volatility of USD against THB that may arise between the transaction date and the settlement date. Our gross profit margin remained relatively stable ranging from approximately 26.0% to 28.7% during the Track Record Period. Our Group generally maintains our gross profit margin level by adopting a cost-plus pricing model.

### **Foreign exchange discount rate income**

Our foreign exchange rate discount income represented a stream of income derived from our arrangement with CUP whereby we may earn foreign exchange rate discount income through a favourable exchange rate offered by CUP to cover our Group from possible exchange volatility of USD against THB that may arise between the transaction date and the settlement date. This foreign exchange rate discount income is considered as originating from our merchant acquiring business, which is a major source of income to our Group accounting for approximately 23.5%, 23.3% and 22.7% of our revenue for FY2016, FY2017 and FY2018, respectively. Such income is exposed to the daily fluctuation of THB against USD. Pursuant to the cooperation agreement entered between CUP and us in 2004 and subsequently replaced in 2006, CUP settles the

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transaction value with our Group in USD with reference to the spot exchange rate at 10:00 a.m. (Beijing Time), except Saturday and Sunday. Our Group is exposed to foreign exchange risk in relation to the daily possible volatility of THB/USD.

### **Fluctuation of foreign exchange rate**

Considering the fact that (i) the transaction value net of interchange fee transfers to us from CUP is primarily denominated in USD (ii) the settlement amount to our merchants and major operating expenses are denominated in THB; and (iii) our reporting currency are denominated in HKD, we are exposed to the exchange rates risk. Any significant fluctuations in the exchange rates in the future will have an impact on our reported costs and earnings, and subsequently, our operation results. The difference in the exchange rates at which the payables are recorded and finally settled may give rise to transactional foreign currency exchange gain or loss. Moreover, certain of our financial assets and liabilities, are denominated in THB, and are therefore subject to translation differences at year/period end exchange rates. Accordingly, we are exposed to foreign currency risk mainly arising from transactions, assets and liabilities denominated in THB. If there are significant fluctuations in the exchange rate of THB against HKD, being the functional currency of our major operating subsidiary and presentation currency in our combined financial information, we could experience material exchange differences in our combined statements of profit or loss and other comprehensive income, which could in turn materially and adversely affect our financial conditions and results of operation.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our combined financial information has been prepared in accordance with HKFRSs which comprise all accounting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. Please refer to the section headed “Accountants’ Report – Historical financial information – Note 3. Summary of significant accounting policies” in Appendix I to this prospectus for details of the significant accounting policies relating to our combined financial information and the critical accounting judgments and estimates.

### **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

Significant accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. The section headed “Accountant’s Report – Historical financial information – Note 3. Summary of significant accounting policies” in Appendix I to this prospectus sets forth certain significant accounting policies. Our combined financial information has been prepared in accordance with the HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our financial performance and financial position. Estimates and judgements are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into

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account of the changing environment and circumstances. Highlights of significant accounting policies of our Group are discussed as follow:

### **Revenue recognition**

Our revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue and cost of services rendered, if applicable, can be measured reliably and on the following bases:

MDR income is generally recognised on an accruals basis when our payment processing service has been provided, which generally coincides with the time when the transactions are approved and executed.

Our foreign exchange rate discount income is recognised when the foreign currency denominated funds are received from our partner payment network association who offered a favourable exchange rate in settling its outstanding payable to our Group and converted into local currency which is usually on every business day.

Our marketing service income is recognised when our services are rendered.

### **Financial instruments**

Our financial assets and financial liabilities are recognised when and only when our Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) our Group's contractual rights to future cash flows from the financial asset expire or (ii) our Group transfers the financial asset and either (a) we transfers substantially all the risks and rewards of ownership of the financial asset, or (b) we neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but we do not retain control of the financial asset.

If our Group retains substantially all the risks and rewards of ownership of a transferred financial asset, our Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If our Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, our Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when our obligation specified in the relevant contract is discharged, cancelled or expires.

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### Foreign currency translation

Items included in the combined financial information of each of our Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). Our combined financial information is presented in the currency of HKD, which is also our functional currency, and rounded to the nearest thousands unless otherwise stated.

Our foreign currency transactions are translated into our functional currency using the exchange rates prevailing at the dates of the transactions. Our foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Subsidiary – OCG Thailand

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the “**FBA**”), OCG Thailand, being a company engaged in merchant acquiring business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the capital and voting rights structure of ordinary shares and preference shares (together the “**Preference Shares Structure**”) of OCG Thailand as described in the section headed “Accountants’ Report – Historical financial information – Note 1. General information” in Appendix I to this prospectus, the majority of OCG Thailand's issued capital, including ordinary and preference share capital, is owned by a Thai citizen. However, our Company is able to exercise more than 50% voting power in any shareholders' meetings of OCG Thailand.

Our Thailand Legal Adviser has confirmed that our Preference Shares Structure is in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of similar capital structure of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, our management assesses and concludes that our Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon our management's judgement on the Preference Shares Structure, our Company accounts for OCG Thailand as a subsidiary on the ground that it is able to control OCG Thailand by exercising its majority voting power in any shareholders' meetings of OCG Thailand.

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### SUMMARY OF FINANCIAL INFORMATION

#### Combined Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth the selected financial information extracted from our combined statements of profit or loss and other comprehensive income for FY2016, FY2017 and FY2018 which have been extracted from, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus:

	<b>FY2016</b> <i>HK\$'000</i>	<b>FY2017</b> <i>HK\$'000</i>	<b>FY2018</b> <i>HK\$'000</i>
<b>Revenue</b>	101,250	97,427	106,083
Cost of services rendered	<u>(74,821)</u>	<u>(72,068)</u>	<u>(75,676)</u>
<b>Gross Profit</b>	26,429	25,359	30,407
Other income	87	31	61
General administrative expenses	(9,050)	(9,342)	(8,317)
Selling and distribution costs	(2,775)	(4,992)	(10,138)
Finance costs	(33)	(163)	(172)
Listing expenses	<u>–</u>	<u>–</u>	<u>(9,988)</u>
<b>Profit before tax</b>	14,658	10,893	1,853
Income tax expenses	<u>(4,358)</u>	<u>(2,300)</u>	<u>(2,947)</u>
<b>Profit (Loss) for the year</b>	<u>10,300</u>	<u>8,593</u>	<u>(1,094)</u>
<b>Attributable to:</b>			
Equity holders of our Company	7,635	8,593	(1,094)
Non-controlling interests	<u>2,665</u>	<u>–</u>	<u>–</u>
	<u>10,300</u>	<u>8,593</u>	<u>(1,094)</u>

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	<b>FY2016</b> <i>HK\$'000</i>	<b>FY2017</b> <i>HK\$'000</i>	<b>FY2018</b> <i>HK\$'000</i>
<b>Profit (Loss) for the year</b>	10,300	8,593	(1,094)
<b>Other comprehensive (loss) income</b>			
<i>Item that may be reclassified</i>			
<i>subsequently to profit or loss:</i>			
Exchange difference on translation of foreign subsidiaries	(1,416)	601	2,518
<b>Total comprehensive income for the year</b>	<u>8,884</u>	<u>9,194</u>	<u>1,424</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of our Company	6,699	9,194	1,424
Non-controlling interests	<u>2,185</u>	<u>–</u>	<u>–</u>
	<u>8,884</u>	<u>9,194</u>	<u>1,424</u>

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### Combined Statements of Financial Position

	At 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	2,806	7,936	11,999
Intangible assets	474	886	1,335
Deferred tax assets	–	–	279
	3,280	8,822	13,613
<b>Current assets</b>			
Trade receivables	16,624	10,265	42,311
Other receivables	8,331	3,373	7,740
Due from related parties	606	606	–
Tax recoverable	–	70	666
Restricted funds	1,582	616	1,963
Bank balances and cash	11,173	15,150	21,664
	38,316	30,080	74,344
<b>Current liabilities</b>			
Trade payables	18,188	10,873	44,274
Other payables	3,677	1,462	2,650
Due to ultimate holding company	6,194	4,539	5,684
Withholding tax payable	–	–	582
Income Tax payable	760	–	–
	28,819	16,874	53,190
<b>Net current assets</b>	9,497	13,206	21,154
<b>Total assets less current liabilities</b>	12,777	22,028	34,767
<b>Non-current liabilities</b>			
Deferred tax liabilities	1,213	1,213	1,213
Other long term liabilities	1,690	1,747	1,936
	2,903	2,960	3,149
<b>NET ASSETS</b>	9,874	19,068	31,618
<b>Capital and reserves</b>			
Share capital	–	–	–
Reserves	9,874	19,068	31,618
<b>TOTAL EQUITY</b>	9,874	19,068	31,618

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### DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE OF OUR GROUP

#### Revenue

Our merchant acquiring business principally refers to our business partnership with CUP, whereby our Group provides a suite of comprehensive payment processing services to merchants of all sizes in Thailand frequently visited by Chinese tourists to accept CUP payment via the POS terminals we distributed. During the Track Record Period, we have three principal revenue streams derived from our merchant acquiring business, including (i) MDR income, (ii) foreign exchange rate discount income, and (iii) marketing service income. Our revenue amounted to approximately HK\$101.3 million, HK\$97.4 million, and HK\$106.1 million for FY2016, FY2017, and FY2018, respectively.

The following table sets forth our transaction value and MDR range during the Track Record Period:

	FY2016	FY2017	FY2018
Transaction value (THB in billion)	28.1	26.5	26.1
MDR range (%)	1.2 to 2.8	1.2 to 2.5	1.2 to 2.6

The following tables set forth the transaction value of our five largest merchants during the Track Record Period:

	<i>THB in billion</i>	%
<b>FY2016</b>		
Merchant A	10.5	37.3
Merchant B	6.6	23.4
Merchant C	3.4	12.3
Merchant D	2.0	7.1
Merchant F	1.4	5.2

	<i>THB in billion</i>	%
<b>FY2017</b>		
Merchant A	17.4	65.4
Merchant B	2.7	10.0
Merchant D	2.0	7.4
Merchant C	1.1	4.1
Merchant E	0.4	1.4

	<i>THB in billion</i>	%
<b>FY2018</b>		
Merchant A	17.0	65.1
Merchant E	1.3	5.0
Merchant C	1.4	5.2
Merchant D	1.1	4.4
Merchant G	0.5	1.8

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The following table sets forth a breakdown of our revenue by nature during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
MDR income	77,491	76.5	74,688	76.7	81,457	76.8
Foreign exchange rate discount income	23,759	23.5	22,739	23.3	24,050	22.7
Marketing service income	-	-	-	-	576	0.5
<b>Total revenue</b>	101,250	100	97,427	100	106,083	100

**(i) MDR income**

For each CUP transaction via our POS terminals, we will charge our merchants on the basis of certain percentage to each successful transaction i.e. MDR. We adopt a cost-plus pricing strategy. For details, please refer to the section headed “Business – Sales and marketing – Pricing strategy” in this prospectus.

During the Track Record Period, our MDR income is net of 7% of VAT and accounted for approximately HK\$77.5 million, HK\$74.7 million, and HK\$81.5 million, representing approximately 76.5%, 76.7%, and 76.8% of our overall revenue, respectively.

*Revenue by nature of merchant*

The following table sets forth the breakdown of our MDR income derived from our merchants by nature during the Track Record Period:

Nature of merchants	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Malls & general stores	28,896	37.3	48,634	65.1	52,561	64.5
Specialist stores	48,595	62.7	26,054	34.9	28,896	35.5
<b>Total MDR income</b>	77,491	100	74,688	100	81,457	100

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(i) Malls & general stores

During the Track Record Period, there are different scales and types of Malls & general stores that our merchants operate, including: shopping malls, department stores, supermarkets, grocery stores and duty-free stores.

During the Track Record Period, MDR income derived from our merchants who operates Malls & general stores accounted for approximately HK\$28.9 million, HK\$48.6 million, and HK\$52.6 million, representing approximately 37.3%, 65.1%, and 64.5% of our MDR income, respectively.

(ii) Specialist stores

During the Track Record Period, our Group has strategically acquired a wide range of individual merchants which offer different products and services. Highlights of Specialist stores of our merchants include jewelry stores, infertility clinics, property developers, pharmacies, spas & massages, hotels, and restaurants.

During the Track Record Period, the MDR income derived from our merchants who operates Specialist store accounted for approximately HK\$48.6 million, HK\$26.1 million, and HK\$28.9 million, representing approximately 62.7%, 34.9%, and 35.5% of our MDR income, respectively.

According to the CIC Report, between 2013 and 2017, Chinese tourists' retail expenditure in Thailand grew at a CAGR of 37.0% from THB35.6 billion to THB125.5 billion. In this same period, the fastest expenditure growth was seen in duty-free shops, which grew at a CAGR of 40.1% to THB48.7 billion in 2017. On the other hand, in October 2016, Thailand's Royal Palace announced a year of mourning period following the passing of Thailand's beloved King Bhumibol Adulyadej, which meant that tourists in Thailand were temporarily affected by the mourning period for the passing of former King of Thailand. Widely welcomed entertainment events were cancelled or reduced in scale, which reduced the number of tourists coming to Thailand. Since August 2016, the "Zero-dollar" tour incident in Thailand also significantly reduce Chinese tourists' expenditure and transaction value in the affected retail outlets which are mainly located in Bangkok, for details, please refer to the section headed "Business – Customers – Major customers – Zero-dollar tour incident" in this prospectus. As a result, Merchant Acquirers who are mainly operating in Bangkok saw a significant drop in transaction value after the incident. Since 2016, Network A and Network W had entered the Thailand market, affecting the card payment method. The expansion of which in Thailand has been fairly aggressive with market shares accounted for about 28.1% and 16.3% in 2017, respectively, despite their relative late entrance into the Thailand market as compared with CUP. With our merchant network focused on mainly Chinese tourists with majority of transaction value derived from most tourist destinations, including Bangkok and Pattaya, we had severally experienced the impacts of the aforementioned events. Our MDR income derived from merchants who operated Specialist stores dropped significantly from approximately

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HK\$48.6 million from FY2016 to approximately HK\$26.1 million in FY2017. In view of the fact that some of our Chinese tourist-focused merchants were severally affected by the zero-dollar tour incident since August 2016, we had therefore, recorded a significant drop in our MDR income derived from our merchants who operate Specialist stores. The portion of our MDR income derived from Specialist stores dropped from approximately 62.7% for FY2016 to 34.9% for FY2017. On the other hand, having concluded that the MDR income we derived from Mall & general stores merchants was relative low for FY2016, our Group had strategically strengthened our promotion and marketing campaigns to encourage and incentivise mainly a major duty-free stores merchant, Merchant A, being Thailand's leading travel retail group based in Thailand to boost its transaction value via our POS terminals. Such efforts had resulted in a significant growth in our MDR income derived from merchant who operated Malls & general stores, which grew from approximately HK\$28.9 million in FY2016 to HK\$48.6 million in FY2017. As a result of the above, the portion of our MDR income derived from Mall & general stores increased from approximately 37.3% in FY2016 to 65.1% in FY2017.

According to the CIC Report, instead of travelling in tourists groups, more and more Chinese tourists choose to travel individually with their family and friends. With the change in the travelling pattern, the retail spending of Chinese tourists are shifting from Malls & general stores to Specialist stores in the cities. While the portion of our revenue derived from Specialist stores increased slightly, the portion of our revenue derived from Mall & general stores decreased slightly to approximately 64.5% of our MDR income as the results of (i) a significant rise of some issuers' charge on certain premium-class CUP Cards and our Group had to transfer such cost to our merchant by rising the MDR accordingly and became less competitive, which had severely affected our transaction value especially from April to June 2017. For FY2018, despite of the emergence of Network A and Network W in the Thailand market, our revenue derived from Mall & general stores and Specialist stores have improved slightly after further strengthening our promotion and marketing campaigns to incentivise Merchant A and the rebound of transaction value from our merchant network since October 2017 after the one-year mourning period of the passing of the former King of Thailand. Despite our transaction value remained stable during FY2018, the growth in our revenue was mainly attributable to a higher MDR was charged by our Group for transactions in our merchant network using premium-class CUP Cards and some of our speciality stores merchants.

**(ii) Foreign exchange rate discount income**

Our foreign exchange rate discount income is derived from our daily settlement with CUP whereby a favourable spot exchange rate in THB/USD is offered by CUP in translating the nominated transaction value in THB derived from our merchant network in CUP report. The settlement fund in USD containing our foreign exchange rate discount income which covers our Group from possible exchange volatility of USD against THB that may arise between the transaction date and the settlement date. This foreign exchange rate discount income is considered as originating from our merchant acquiring business, which is an additional source of income to our Group.

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With reference to our past experience, our management considered that the daily currency exchange rate for THB might be volatile. As such, substantial foreign exchange risk could arise on a daily basis when the total amount of settlement fund received from CUP are converted from USD into THB on every business day in order to settle with our merchants. Therefore, we enter into foreign currency forward contracts with banks in Thailand for hedging the underlying daily settlement fund amounts that will be remitted to our respective merchants. Please refer to the section headed “Business – Internal control and risk management – Foreign exchange risk control” in this prospectus for further details in relation to our foreign currency forward contracts. We intend to lock up our foreign exchange rate discount income in USD from CUP by entering forward settlement contracts based on our settlement fund amount in THB/USD in order to minimise the foreign exchange risk between transaction date and settlement date, especially, between PRC public holidays.

The follow table sets forth the breakdown of our foreign exchange rate discount income during the Track Record Period:

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Foreign exchange rate discount income based on CUP Rate	25,226	23,620	22,083
(Loss)/Gain from foreign currency forward contracts	(1,467)	(881)	1,967
	23,759	22,739	24,050
<b>Foreign exchange rate discount income</b>	<b>23,759</b>	<b>22,739</b>	<b>24,050</b>

During the Track Record Period, the revenue derived from our foreign exchange rate discount income accounted for approximately HK\$23.8 million, HK\$22.7 million and HK\$24.1 million, representing approximately 23.5%, 23.3% and 22.7% of our overall revenue, respectively. Our Directors consider our foreign currency hedging policy had effectively locked in our income stream in view of the relatively stable portion of our revenue derived from the foreign exchange rate discount income during the Track Record Period. Such hedging policy was adopted since December 2015 with a pre-approved limit of our hedging arrangement to assist the local management to monitor and manage the relevant foreign exchange risks.

For FY2016, FY2017 and FY2018, our Group had a gross exposure of foreign currency forward contracts in terms of total value of foreign currency forward contracts entered during the Track Record Period of approximately USD207.8 million, USD564.0 million, and USD624.6 million (equivalent to approximately HK\$1,620.9 million, HK\$4,399.6 million, and HK\$4,872.2 million), which had all been subsequently settled.

### *(iii) Marketing service income*

During the Track Record Period, the revenue derived from our marketing service income accounted for approximately nil, nil, and HK\$0.6 million, representing approximately nil, nil, and 0.5% of our overall revenue, respectively.

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### *Revenue by geographic locations*

The following table sets forth a breakdown of our revenue by geographic locations of our customers during the Track Record Period:

Location	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Thailand – merchant network</b>						
– Bangkok	38,692	38.2	45,496	46.7	53,230	50.2
– Phuket	16,582	16.4	17,374	17.9	18,331	17.3
– Pattaya	19,141	18.9	8,559	8.8	5,554	5.3
– Chiang Mai	1,861	1.8	1,894	1.9	2,354	2.2
– Chiang Rai	826	0.8	893	0.9	1,305	1.2
– Chonburi	–	–	–	–	464	0.4
– Others <sup>(1)</sup>	389	0.4	472	0.5	219	0.2
subtotal	77,491	76.5	74,688	76.7	81,457	76.8
<b>Thailand – CUP</b>	23,759	23.5	22,739	23.3	24,050	22.7
<b>The PRC</b>	–	–	–	–	576	0.5
<b>Total revenue</b>	<b>101,250</b>	<b>100</b>	<b>97,427</b>	<b>100</b>	<b>106,083</b>	<b>100</b>

*Note:*

(1) Others include Ko Samui, Songkhla, Krabi and etc.

During the Track Record Period, our revenue was principally generated from the transaction value from our merchant network via our POS terminals and was settled by CUP. As a result, a vast majority of our revenue were generated in Thailand and our revenue derived from our PRC-based coupon platform developer was relatively small. For FY2017, our revenue derived from Thailand was severally affected by (i) the aforementioned one-year mourning period for the passing of the former King of Thailand; (ii) the significant reduction of the Chinese tourists' transaction value in certain retail outlets which are mainly located in Bangkok due of the aforementioned zero-dollar tour incident in Thailand; and (iii) the aforementioned emergence of Network A and Network W. Although our revenue derived from Pattaya dropped significantly, our Group managed to record an overall growth in our revenue derived from Bangkok and Phuket after netting off the abovementioned impacts through strengthening our promotion and marketing campaigns since June 2016 to incentivise our major duty-free store merchant, Merchant A, being Thailand's leading travel retail group based in Thailand, which boosted the transaction value via our POS terminals. Our revenue derived from merchants located in other cities remained relatively stable. For FY2018, there was a significant rise of some issuers' charge on certain premium-class CUP Cards and our Group had to transfer such cost to our merchants by rising the MDR accordingly and became less competitive which had

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severely affected our transaction value from April to June 2017. Along with (i) the recognition of the full year effect of the aforementioned zero-dollar tour incident in Thailand; and (ii) the emergence of Network A and Network W in the Thailand market, we have further recorded a drop in our revenue derived from Pattaya. After (i) our effort in further strengthening our promotion and marketing campaign to incentivise our major duty-free store merchants and, (ii) the rebound in the transaction value from our merchant network since October 2017 after the one-year mourning period for the passing of the former King of Thailand, we had recorded a slight increase in our revenue derived from Bangkok and Phuket for FY2018.

During the Track Record Period, we have derived foreign exchange rate discount income from CUP. Through effectively locking in a favourable exchange rate provided by CUP to secure a stable portion of foreign exchange discount rate income, the decreasing trend of which during the Track Record Period was in line with total amount of our MDR income.

### *FY2016 compared to FY2017*

For FY2016 and FY2017, our overall revenue decreased from approximately HK\$101.3 million to HK\$97.4 million. The decrease in our revenue by approximately 3.8% was mainly as a result of the drop in our revenue derived from our MDR income and foreign exchange rate discount income. Such drop was principally due to the drop in transaction value generated from our merchant network driven by (i) the aforementioned zero-dollar tour incident since August 2016; (ii) the one-year mourning period following the passing of the former King of Thailand in October 2016; and (iii) the emergence of Network A and Network W which have been actively capturing the overall CUP market shares of Chinese tourists' expenditure in Thailand since 2016. The impacts of the above events were partially offset by the boost in transaction value mainly from our major duty-free stores merchant, Merchant A, incentivised by our promotion and marketing campaigns since June 2016.

### *FY2017 compared to FY2018*

For FY2017 and FY2018, our overall revenue increased from approximately HK\$97.4 million to HK\$106.1 million. Our transaction value remained stable which dropped slightly from approximately THB26.5 billion in FY2017 to approximately THB26.1 billion in FY2018, which was mainly as a result of the net effect of (i) a boost in transaction value from our Malls & general stores merchants which was driven by our major duty-free store merchant, Merchant A, after further strengthening our promotion and marketing campaigns; (ii) a rebound of transaction value from our merchant network since October 2017 after the one-year mourning period for the passing of the former King of Thailand and a growth in our merchant number, mainly being some shopping malls operators, during FY2018; (iii) a significant rise of some issuer's charge on certain premium-class CUP Cards whereby our Group had to transfer such additional cost to our merchants by rising the MDR accordingly and became less competitive, which had severely affected our transaction value, especially for the period from April to June 2017; (iv) the recognition of the full year effect of the aforementioned zero-dollar tour incident; and (v) the aforementioned emergence of Network A and Network W in the Thailand market. Despite our overall transaction value during FY2017 and FY2018 remained relatively stable, the overall

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increase in our revenue by approximately 8.9% was mainly attributable to a higher MDR was charged by our Group for transactions made via premium-class CUP Cards and some of our Specialist stores merchants.

### Cost of services rendered

	FY2016	FY2017	FY2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
IT network service fee	62,351	62,335	69,507
Franchise license fee	12,470	9,733	6,169
<b>Interchange fee</b>	<b>74,821</b>	<b>72,068</b>	<b>75,676</b>

Our cost of services rendered principally refers to the total of the interchange fee charged by CUP during the provision of our payment processing services to our merchants. Such interchange fee charged by CUP comprises of (i) IT network service fee and (ii) franchise license fee; and is subject to a withholding tax payable by CUP. Depending on the classes of the CUP Cards used by the cardholders, CUP charges the interchange fee at a percentage on each of the successful payment transaction via our POS terminals. During the Track Record Period, CUP generally charges the IT network service fee at a rate ranging from 0.3% to 2.0% (varies among different classes of CUP Cards) and franchise license fee at a rate ranging from 0.1% to 0.3%.

During the Track Record Period, the cost of services rendered accounted for approximately HK\$74.8 million, HK\$72.1 million and HK\$75.7 million. Our interchange fee is viewed as the cost of services rendered directly charged to our MDR income derived from the provision of our payment processing services to our merchants. The fluctuation in our cost of services rendered was principally in line with the aforementioned fluctuation in our MDR income during the Track Record Period. Our interchange fee accounted for approximately 96.6%, 96.5% and 92.9% of our MDR income.

### *FY2016 compared to FY2017*

For FY2016 and FY2017, our interchange fee dropped by approximately 3.7% was principally in line with the drop in our revenue. Also, our interchange fee was impacted by the fact that (i) a significant rise of some issuers' charge in terms of IT network service fee on certain premium-class CUP Cards, and (ii) CUP has lowered their charges on franchise fee from 0.2% to 0.1% since September 2016. As a result, while our MDR income dropped by approximately 3.6% during the period, our franchise license fee dropped by approximately 21.9% and IT network service fee remained stable.

### *FY2017 compared to FY2018*

For FY2017 compared to FY2018, our interchange fee increased by approximately 5.0% which was mainly as a result of the net effect of: (i) the aforementioned increase in our MDR

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income, (ii) the full year effect of the aforementioned rise in the IT network service fee rate on certain premium-class CUP Cards and, (iii) the full year effect of aforementioned drop in franchise license fee rate.

### Gross Profit and Gross Profit Margin

Gross profit represents the excess of revenue over cost of services rendered. The following table sets forth a breakdown of our Group's gross profit and gross profit margin from our types of income source during the Track Record Period:

	FY2016		FY2017		FY2018	
	Gross Profit <i>HK\$'000</i>	Margin %	Gross Profit <i>HK\$'000</i>	Margin %	Gross Profit <i>HK\$'000</i>	Margin %
MDR income						
– Malls & general stores	517	1.8	852	1.8	2,280	4.3
– Specialist stores	2,153	4.4	1,768	6.8	3,501	12.1
	<u>2,670</u>	<u>3.4</u>	<u>2,620</u>	<u>3.5</u>	<u>5,781</u>	<u>7.1</u>
Subtotal						
Foreign exchange rate discount income	23,759	100.0	22,739	100.0	24,050	100.0
Marketing service income	–	–	–	–	576	100.0
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>576</u>	<u>100.0</u>
Total	<u>26,429</u>	<u>26.1</u>	<u>25,359</u>	<u>26.0</u>	<u>30,407</u>	<u>28.7</u>

During the Track Record Period, our gross profit margin was subject to the proportion of revenue derived from our three income streams. The overall gross profit of our Group was approximately HK\$26.4 million, HK\$25.4 million and HK\$30.4 million for FY2016, FY2017, and FY2018, representing gross profit margin of approximately 26.1%, 26.0%, and 28.7%, respectively. The decrease in our gross profit for FY2016 and FY2017 was generally in line with the downward trend of our overall revenue and a slight decrease in our gross profit margin. Our gross profit increased by approximately 19.9% in FY2018 mainly as a result of the improvement in our gross profit margin and the aforementioned increase in our revenue during the year. Detailed analysis of our gross profit margin during the Trade Record Period are explained as follows:

#### *Analysis of our gross profit margin*

We adopt a cost-plus pricing strategy. For details, please refer to the section headed “Business – Sales and marketing – Pricing strategy” in this prospectus. During the Track Record Period, the fluctuation in our gross profit margin was affected by the proportion of revenue derived from each of our three income streams.

Our overall gross profit margin remain stable and slightly reduced from approximately 26.1% to 26.0% for FY2016 and FY2017, primarily due to the slight decrease in revenue generated from our foreign exchange rate discount income in FY2017, which was in line

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with the slight drop in our MDR income. Our gross profit margin increased significantly in FY2018 which was primarily driven by the net effect of: (i) a rise of charge on certain premium-class CUP Cards and (ii) the lower franchise license fee set by CUP.

Our gross profit margin generated from our foreign exchange rate discount income maintained at 100% throughout the Track Record Period. Our gross profit derived from our foreign exchange rate discount income accounted for majority of our overall gross profit which accounted for approximately 89.9%, 89.7%, and 79.1% of our overall gross profit for FY2016, FY2017, and FY2018, respectively. The portion of our gross profit derived from which for FY2016, FY2017 remained stable. The drop in the portion of our gross profit of foreign exchange rate discount income was driven by the significant improvement in gross profit margin derived from our MDR income as detailed below.

For FY2016, FY2017 and FY2018 our overall gross profit margin derived from our MDR income was approximately 3.4%, 3.5% and 7.1%, respectively, with the gross profit derived from which accounted for approximately 10.1%, 10.3% and 19.0% of our overall gross profit, respectively. During the Track Record Period, our interchange fee is viewed as the cost of service rendered directly charged to our MDR income derived from the provision of our payment processing services to our merchants. The gross profit of our MDR income represented the MDR net of interchange fee we charge to our merchants which varies from merchants who operate Malls & general stores and Specialist stores. Our Malls & general stores merchants were normally charged with a lower MDR in view of their higher bargaining power and connections they possessed after bundling the transaction value of a variety of stores, brands and different products under the same roof in their network. Our gross profit margin derived from which was approximately 1.8%, 1.8%, and 4.3%, respectively, of our overall revenue, accounting for approximately 2.0%, 3.4%, and 7.5%, respectively, of our gross profit for FY2016, FY2017, and FY2018. Relatively higher margins were derived from our Specialist stores merchants, for FY2016, FY2017, and FY2018, which were approximately 4.4%, 6.8%, and 12.1%, respectively, of our overall revenue and accounted for approximately 8.1%, 7.0%, and 11.5%, respectively, of our overall gross profit. The overall improving gross profit margin during the Track Record Period was mainly attributable to the net effect of: (i) a significant rise of some issuers' charge on certain premium-class CUP Cards, and (ii) CUP has lowered their charges on franchise license fee from 0.2% to 0.1% since September 2016.

### *FY2017 compared to FY2016*

For FY2016 and FY2017, our gross profit dropped by 4.0% from approximately HK\$26.4 million to HK\$25.4 million as the results of the (i) the aforementioned decreasing trend in our revenue; and (ii) the slight drop in our overall gross profit margin by approximately 0.1% as the result of a slight decrease in portion of our revenue derived from our foreign exchange rate discount income (from which our Group was able to derive higher gross profit margin).

### *FY2018 compared to FY2017*

For FY2017 and FY2018, our gross profit increased by approximately 19.9% from approximately HK\$25.4 million to HK\$30.4 million, which was mainly attributable to (i) aforementioned growth in our overall gross profit margin; (ii) the aforementioned increase in our revenue during the year.

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### Other income

Other income mainly consists of bank interest income and sundry income. For FY2016, FY2017, and FY2018, we had other income of approximately HK\$87,000, HK\$31,000, and HK\$61,000, respectively. Our other income remained immaterial to our Group during the Track Record Period.

### General administrative expenses

Our general administrative expenses mainly consist of salaries & other benefits, office & utilities expenses, withholding tax, rent & rates, and depreciation expenses.

The following table sets out the breakdown of our general administrative expenses by nature during the Track Record Period:

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries & other benefits	2,589	2,996	2,855
Office & utilities expenses	929	1,573	1,643
Withholding tax	2,201	1,709	1,083
Rent & rates	1,154	1,107	721
Depreciation	1,037	971	437
Legal & professional fee	401	3	4
Bank charges & interest	138	197	327
OCGC Payment preliminary expenses	–	–	291
Others	601	786	956
	<u>9,050</u>	<u>9,342</u>	<u>8,317</u>
Total	<u>9,050</u>	<u>9,342</u>	<u>8,317</u>

For FY2016, FY2017, and FY2018, our general administrative expenses accounted for approximately HK\$9.1 million, HK\$9.3 million, and HK\$8.3 million, respectively.

Our general administrative expenses remained relatively stable and increased slightly by approximately HK\$0.2 million for FY2016 and FY2017, salaries & other benefits mainly as a result of the net effect of: (i) the increase in our salaries & other benefits driven by a compensation fee paid to an operation manager; (ii) the drop in withholding tax as a result of a drop in franchise license fee charged by CUP, which is subject to withholding tax; (iii) the absence of the one-off legal & professional fee for our shareholding restructuring, for details, please refer to the section headed “History, Reorganisation and Corporate Structure – Shareholding restructuring in 2015” in this prospectus; and (iv) the increase in our office & utilities expenses as a result of the increase in maintenance fee for our POS terminals. Our general administrative expenses decreased by approximately HK\$1.0 million for FY2018 was mainly as a result of the net effect of: (i) the decrease in salaries & other benefits in the absence

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of the compensation fee; (ii) the decrease in our rental & rates in aggregate upon the completion of a cost restructuring in January 2017 which had reallocated certain Hong Kong office expenses to China Smartpay; and (iii) the preliminary expenses including rental expenses and consulting fee for OCGC Payment’s Cambodia office during FY2018.

### Selling and distribution costs

Our Group’s selling and distribution costs mainly consisted of salaries & other benefits, depreciation expenses, advertising & promotion expenses, merchant servicing costs and IT & hosting charges.

	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>
Advertising & promotion expenses	59	1,531	4,892
Depreciation and amortisation expenses	391	1,516	2,630
POS terminals rental expenses	–	328	814
IT & hosting charges	705	745	722
Salaries & other benefits	734	499	639
Merchant servicing costs	614	204	84
Others	272	169	357
	2,775	4,992	10,138
	2,775	4,992	10,138

For FY2016, FY2017, and FY2018, our selling and distribution costs were approximately HK\$2.8 million, HK\$5.0 million, and HK\$10.1 million, respectively. The significant increase in our selling and distribution costs during FY2017 and FY2018 was mainly attributable to: (i) the increase in our advertising & promotion expenses in providing incentives to our major duty-free merchants in boosting their transaction value via our POS terminals; (ii) the increase in depreciation and amortisation expenses as the results of purchasing more smart POS terminals and the development of our acquiring host system during FY2017 and FY2018 in order to support the increasing demand of our payment processing services.

### Finance costs

Our finance costs amounted to approximately HK\$33,000, HK\$163,000, and HK\$172,000, respectively, for FY2016, FY2017, and FY2018, which represents a cumulative dividend to our preference shares issued. The increasing trend of which was in line with the net increase in the amount of new preference shares issued and the rise of dividend rate from 9% per annum to 9.5% per annum since November 2015 after the shareholding restructuring in November 2015, as detailed under section headed “History, Reorganisation and Corporate Structures – Shareholding restructuring in 2015” in this prospectus.

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### **Listing Expenses**

Based on the Offer Price of HK\$0.26 (being the mid point of the Offer Price range stated in this prospectus), the estimated listing expenses in connection with the Share Offer are approximately HK\$39.0 million, of which approximately HK\$10.0 million has been charged to our combined statements of profit or loss for FY2018, and approximately HK\$15.3 million are expected to be charged to our combined statements of profit or loss for FY2019, and approximately HK\$13.7 million is expected to be directly attributable to issue of Shares and accounted for as a deduction from equity upon the successful listing in accordance with the relevant accounting standards. Starting from 1 April 2017, it was agreed with China Smartpay that 90% and 10% of such listing expenses were borne by China Smartpay and our Group, respectively. The portion of listing expenses borne and to be borne by China Smartpay during FY2018 and for FY2019 was recognised/will be recognised as our listing expenses for the respective years and capital contributions from China Smartpay as equity in our Group's statement of financial position with no impact on our cash flow for the respective years.

### **Income tax expenses**

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated.

The entities of our Group established in the Cayman Islands and the BVI are exempted from income tax.

Hong Kong Profits Tax at the rate of 16.5% has not been provided for FY2016, FY2017, and FY2018 as our Group has incurred a loss for taxation purpose for FY2016 and our estimated assessable profits arising in or derived from Hong Kong for FY2017 and FY2018 are wholly absorbed by unrelieved tax losses brought forward from previous years.

During the Track Record Period, our operations in Thailand are subject to Thailand Enterprise Income Tax at 20%. Dividends payable by a foreign invested enterprise in Thailand to its foreign investors are subject to a 10% withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with Thailand that provides for a different withholding tax arrangement. As a result, provision for deferred taxation is made with respect to undistributed retained earning available for distribution, with reference to the working capital level of our Group by our management.

Our Cambodian subsidiary is subject to Cambodia Corporate Income tax at 20%. From the date of incorporation to 31 March 2018, no such tax has been provided as our Cambodian subsidiary has not yet commenced its business.

For FY2016, FY2017, and FY2018, the effective tax rates to our Group were approximately 29.7%, 21.1%, and 159.0%, respectively. Our effective tax rates for FY2016 and FY2018 respectively, was significantly higher than the statutory enterprise income tax rate of 20%, which was mainly the results of (i) an additional 10% withholding tax in Thailand is imposed on a

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dividend declared/to be declared in FY2016 and FY2018, respectively; and (ii) the recognition of listing expenses of HK\$10.0 million in FY2018, which was not tax deductible. The effective tax rates for FY2017 was approximate to 20%.

### **Total comprehensive income, net profit/(loss) and net profit/(loss) margin**

Our net profit/(loss) was approximately HK\$10.3 million, HK\$8.6 million and HK\$(1.1) million, respectively, for FY2016, FY2017 and FY2018, representing a net profit/(loss) margin of approximately 10.2%, 8.8% and (1.0)%, respectively. Excluding the recognition of listing expenses of approximately HK\$10.0 million for FY2018, our adjusted net profit margin for FY2018 would have been 8.4%. The overall decreasing trend of our net profit margin was primarily due to the significant increase in selling and distribution costs during the Track Record Period.

For FY2016, FY2017 and FY2018, our Group had other comprehensive (loss) income of approximately HK\$(1.4) million, HK\$0.6 million and HK\$2.5 million, respectively, which are mainly the exchange difference on translation of OCG Thailand. Such exchange differences refer to our gain/(loss) in accounting treatment due to the difference between opening (or the transaction date) and closing exchange rates used in translating financial position of OCG Thailand (i.e. functional currency in THB) into our Group's consolidated statement of financial position (i.e. presentation currency in HK\$) as at each year end date during the Track Record Period. Before the shareholding restructuring in November 2015, as detailed under the section headed "History, Reorganisation and Corporate Structures – Shareholding restructuring in 2015" in this prospectus, the total comprehensive income attributable to the non-controlling interests for FY2016 approximately HK\$2.2 million; our total comprehensive income attributable to our equity holders of our Company for FY2016, FY2017 and FY2018 were approximately HK\$6.7 million, HK\$9.2 million and HK\$1.4 million, respectively.

### **LIQUIDITY AND CAPITAL RESOURCES**

Our Group had met its liquidity requirements principally through a combination of internal resources, advances from related parties and preference shares during the Track Record Period. Our Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs. Upon Listing, our sources of funding will be a combination of internal generated funds, preference shares, and net proceeds from the Share Offer. As at the Latest Practicable Date, we did not experience any liquidity problems in settling our payables in the normal course of business and repaying the interests for our preference shares when they fall due.

Our Directors are of the view, our Group will have sufficient working capital for our business operations for at least 12 months from the date of this prospectus under Rule 12.23A of the GEM Listing Rules.

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### Cash flows

The following table sets forth a summary of our combined statements of cash flows for Track Record Period:

	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>
Net cash generated from operating activities	9,164	11,829	11,758
Net cash used in investing activities	(1,343)	(7,961)	(6,836)
Net cash used in financing activities	<u>(11,352)</u>	<u>–</u>	<u>–</u>
Net (decrease)/increase in cash and cash equivalents	(3,531)	3,868	4,922
Cash and cash equivalents at the beginning of the year	15,647	11,173	15,150
Effect of exchange rate changes	<u>(943)</u>	<u>109</u>	<u>1,592</u>
Cash and cash equivalents at the end of the year	<u><u>11,173</u></u>	<u><u>15,150</u></u>	<u><u>21,664</u></u>
Operating cash flow before changes in working capital	<u><u>15,996</u></u>	<u><u>14,045</u></u>	<u><u>16,446</u></u>

### *Net cash from operating activities*

For FY2016, we had net cash generated from operating activities of approximately HK\$9.2 million while our net profit before tax was approximately HK\$14.7 million. The difference was mainly attributable to the net effect of (i) the increase in trade and other receivables of approximately HK\$6.8 million; (ii) the income tax paid of approximately HK\$3.8 million; (iii) the depreciation of approximately HK\$1.4 million; and (iv) the increase in trade and other payables of HK\$2.1 million.

For FY2017, we had net cash generated from operating activities of approximately HK\$11.8 million while our net profit before tax was approximately HK\$10.9 million. The difference was mainly attributable to the net effect of (i) the decrease in trade and other receivables of approximately HK\$12.0 million; (ii) the drop in trade and other payables of HK\$12.1 million; (iii) the income tax paid of approximately HK\$3.2 million; and (iv) the depreciation of approximately HK\$2.5 million.

For FY2018, we had net cash generated from operating activities of approximately HK\$11.8 million while our net profit before tax was approximately HK\$1.9 million. The difference was mainly attributable to the net effect of: (i) the increase in trade and other

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payables of HK\$35.2 million; (ii) the increase in trade and other receivables of approximately HK\$34.9 million; (iii) the income tax paid of approximately HK\$3.4 million; and (iv) the depreciation of approximately HK\$2.8 million.

### *Net cash used in investing activities*

For FY2016, we had net cash used in investing activities of approximately HK\$1.3 million, which was attributable to the purchase of property, plant and equipment, represented the acquisition costs of more smart POS terminals and the development costs of our acquiring host system.

For FY2017, we had net cash used in investing activities of approximately HK\$8.0 million, which was attributable to the purchase of property, plant and equipment and intangible assets, represented the acquisition costs of more smart POS terminals and the development costs of the acquiring host system.

For FY2018, we had net cash used in investing activities of approximately HK\$6.8 million, which was attributable to the purchase of property, plant and equipment and intangible assets, represented the acquisition costs of more smart POS terminals and the development costs of our acquiring host system.

### *Net cash used in financing activities*

For FY2016, our net cash used in financing activities was approximately HK\$11.4 million, which was mainly being (i) the interim dividend paid of HK\$11.6 million; (ii) the net consideration paid to non-controlling interests in the acquisition of additional interests in a subsidiary of HK\$1.1 million, along with the net proceeds from cancellation of old preference shares and issuance of new preference shares of HK\$1.3 million, as detailed under section headed “History, Reorganisation and Corporate Structures – Shareholding restructuring in 2015” in this prospectus. For FY2017 and FY2018, our Group did not have any net cash from/used in our financing activities.

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### NET CURRENT ASSETS

The following table sets forth the current assets and current liabilities as of the dates indicated:

	As at 31 March			As at
	2016	2017	2018	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>				
Trade receivables	16,624	10,265	42,311	18,490
Other receivables	8,331	3,373	7,740	6,921
Due from related parties	606	606	–	–
Tax recoverable	–	70	666	857
Restricted funds	1,582	616	1,963	4,071
Bank balances and cash	11,173	15,150	21,664	21,661
	<u>38,316</u>	<u>30,080</u>	<u>74,344</u>	<u>52,000</u>
<b>Current liabilities</b>				
Trade payables	18,188	10,873	44,274	22,562
Other payables	3,677	1,462	2,650	2,183
Due to ultimate holding company	6,194	4,539	5,684	4,940
Withholding tax payable	–	–	582	–
Income Tax payable	760	–	–	–
	<u>28,819</u>	<u>16,874</u>	<u>53,190</u>	<u>29,685</u>
<b>Net current assets</b>	<u>9,497</u>	<u>13,206</u>	<u>21,154</u>	<u>22,315</u>

Our net current assets increased by approximately HK\$3.7 million from approximately HK\$9.5 million as at 31 March 2016 to approximately HK\$13.2 million as at 31 March 2017, which was mainly due to the net effect of (i) our net profit for FY2017 of approximately HK\$8.6 million; (ii) the increase in our property, plant and equipment and intangible assets in aggregate of approximately HK\$5.5 million for the purpose of purchasing more smart POS terminals and developing our acquiring host system; (iii) the interim dividend paid of HK\$11.6 million; and (iv) the net consideration paid to non-controlling interests in the acquisition of additional interests in OCG Thailand of HK\$1.1 million, along with the net proceeds from cancellation of old preference shares and issuance of new preference shares of HK\$1.3 million, as detailed under section headed “History, Reorganisation and Corporate Structures – Shareholding restructuring in 2015” in this prospectus.

Our net current assets increased by approximately HK\$8.0 million from approximately HK\$13.2 million as at 31 March 2017 to approximately HK\$21.2 million as at 31 March 2018, which was mainly due to the net effect of: (i) our net loss for FY2018 of approximately HK\$1.1

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million; (ii) 90% of the listing expenses recognised was shared by China Smartpay by way of capital contribution; and (iii) the increase in property, plant and equipment and intangible assets in aggregate of approximately HK\$4.5 million for the purpose of purchasing more smart POS terminals and developing our acquiring host system.

Our net current assets remained stable and increased slightly by approximately HK\$1.1 million from approximately HK\$21.2 million as at 31 March 2018 to approximately HK\$22.3 million as at 31 July 2018, which was mainly due to the net profit for the four months ended 31 July 2018.

### **ANALYSIS OF VARIOUS ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION**

#### **Property, plant and equipment**

During the Track Record Period, our property plant and equipment mainly represented leasehold improvements, and office equipment (including our POS terminals) to support our operation. As at 31 March 2016, 31 March 2017 and 31 March 2018, our property, plant and equipment amounted to approximately HK\$2.8 million, HK\$7.9 million and HK\$12.0 million, respectively. The carrying amount of our property, plant and equipment increased significantly during the Track Record Period was mainly as the results of the continuous purchases of smart POS terminals and the hardware of the acquiring host system during the Track Record Period.

#### **Intangible assets**

Intangible assets mainly included computer software and payment network membership. As at 31 March 2016, 31 March 2017 and 31 March 2018, our intangible assets amounted to approximately HK\$0.4 million, HK\$0.9 million and HK\$1.3 million, respectively. The cost of our computer software is stated at cost less accumulated amortisation and impairment losses. The increasing trend during the Track Record Period represented the development cost of software for our acquiring host system.

Our payment network membership as at 31 March 2018 represented the cost to acquire a Thai payment network to connect our acquiring host system and the CUP system, which was considered as with indefinite useful lives and carried at cost less accumulated impairment losses. The useful life of our payment network membership is determined to be indefinite because our Group is able to renew the payment network membership without incurring significant cost and there is no foreseeable limit to the period over which our payment network membership is expected to generate net cash inflows for our Group.

At 31 March 2018, based on the projection of our Group, the total recoverable amount would be significantly higher than the total carrying amount of property, plant and equipment and intangible assets. Our management considered that no impairment loss for our property, plant and equipment and intangible assets (including payment network membership) was required.

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### Trade receivables

Our trade receivables mainly comprise of the daily settlement fund (including the transaction value derived from our merchants net of interchange fee charged by CUP) receivable from CUP as of the respective reporting dates.

The daily settlement fund includes a portion of our service charges (MDR net of interchange fee) and a substantial part of which was only maintained solely for the purpose of settlement of outstanding trade payables for our merchant acquiring business and the balance cannot be used by our Group for any other purposes.

	<b>At 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>16,624</u>	<u>10,265</u>	<u>42,311</u>

Our trade receivables as of 31 March 2016, 2017 and 2018 were approximately HK\$16.6 million, HK\$10.3 million and HK\$42.3 million, respectively.

Our Group normally allows a credit period from 1 business day (based on PRC calendar) up to 90 day to our trade debtors. On one hand, our Group allows a credit period up to 90 days to the PRC-based coupon promotion platform developer. On the other hand, in view of the business nature of our Group to collect settlement fund on every business day after the transaction date and is required to settle with our merchants on the next business day of the settlement date after deducting our service charges, our Directors considered that our trade receivables as at 31 March 2016, 31 March 2017 and 31 March 2018 were only the snapshots of our trade receivable as at each reporting date, which only indicated the transaction value (net of interchange fee) to be received on the next business day. Our Directors are of the view that the analysis of the movement of our trade receivables as at 31 March 2016, 31 March 2017 and 31 March 2018 and the trade receivable turnover days do not provide meaningful explanation to our Group's financial performance and liquidity measures.

The ageing analysis of trade receivables prepared based on the transaction date or date of service rendered as of the end of the reporting periods is as follows:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 1 month	<u>16,624</u>	<u>10,265</u>	<u>42,311</u>

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At the end of each reporting period, the ageing analysis of the trade receivables by due date, prepared based on contractual due date, is as follows:

	<b>At 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	16,624	10,265	42,311

Our trade receivables (including past due receivables) as of 31 March 2016, 31 March 2017 and 31 March 2018 are assessed not to be impaired as there has not been a significant change in credit quality and our Directors believe that the amounts are fully recoverable. Our Group does not hold any collateral over these balances.

As of 31 July 2018, all of our trade receivables as of 31 March 2018 had been subsequently settled.

### Other receivables

During the Track Record Period, our deposit, prepayments and other receivables mainly consisted of (i) deposits; (ii) prepayments; and (iii) other debtors.

The following table sets forth the details of our Group's other receivables as at the dates indicated:

	<b>At 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	5,758	436	695
Prepayments	2,366	2,188	5,658
Other debtors	207	749	1,387
	8,331	3,373	7,740

Our other receivables were approximately HK\$8.3 million, HK\$3.4 million and HK\$7.7 million as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively. Our other receivables as at 31 March 2017 decreased by approximately HK\$4.9 million compared with 31 March 2016, was mainly attributable to the subsequent settlement during FY2017 of the deposit withheld by CUP of approximately HK\$5.3 million as at 31 March 2016 for the set-up of our acquiring host system. Our other receivables as at 31 March 2018 increased by approximately HK\$4.3 million as compared with 31 March 2017, which was mainly attributable to the increase in prepayments for VAT and our listing expenses.

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### Due from related parties

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from intermediate holding company	1	1	–
Due from fellow subsidiaries	605	605	–
	<u>605</u>	<u>605</u>	<u>–</u>

As at 31 March 2016, 31 March 2017, these amounts due from related parties are non-trade in nature, unsecured, interest free and repayable on demand. The amounts are settled in full during FY2018.

### Restricted bank balances

Our amounts of restricted funds represent bank balances in Thailand maintained solely for the purpose of settlement of outstanding trade payables for our merchant acquiring business pursuant to the agreements signed with CUP and the balance cannot be used by our Group for other purposes other than settlement with our merchants. The restricted bank balances are denominated in THB.

### Trade payables

Our trade payables were approximately HK\$18.2 million, HK\$10.9 million and HK\$44.3 million as of 31 March 2016, 31 March 2017 and 31 March 2018, respectively. Our trade payables mainly represented the non-interest bearing payables to our merchants, but not yet settled as of the respective reporting dates.

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	18,188	10,873	44,274
	<u>18,188</u>	<u>10,873</u>	<u>44,274</u>

The general credit terms granted to our Group by our suppliers was one business day.

As our Group engaged in the merchant acquiring business, the trade payables balances mainly represented settlement fund net of our service charges and other taxes and expenses to be settled with our merchants, which was only the snapshots of our trade payables as at each report date and only indicated the transaction value to be paid one business day after. Accordingly, our Directors are of the view that, the analysis of the movement of our trade payables as at 31 March 2016, 31 March 2017 and 31 March 2018 does not provide meaningful explanation to our Group's financial performance and the trade payables turnover day was not applicable to our Group as at 31 March 2016, 31 March 2017 and 31 March 2018.

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The ageing analysis of trade payables, based on transaction date, as of the end of reporting period is as follows:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	<u>18,188</u>	<u>10,873</u>	<u>44,274</u>

As of 31 July 2018, all of our trade payables as of 31 March 2018 had been fully settled.

### Other payables

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals and other payables	<u>3,677</u>	<u>1,462</u>	<u>2,650</u>

During the Track Record Period, our other payables mainly consist of accruals and other payables. Our accruals and other payables mainly represented amount payable for accrued staff costs, and other creditors. The drop in our other payables as at 31 March 2017 by approximately HK\$2.2 million compared with 31 March 2016 was mainly attributable to the drop in the withholding tax, other tax payables and the payables of setting up acquiring host system. The increase in our other payables as at 31 March 2018 compared with 31 March 2017 was mainly driven by the increase in withholding tax, other tax payables and other accrued expenses to our POS terminals manufacturers.

### Due to ultimate holding company

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due to ultimate holding company	<u>6,194</u>	<u>4,539</u>	<u>5,684</u>

Our amounts due to ultimate holding company were unsecured, interest free and repayable on demand. The amount was fully settled by offsetting against the portion of listing expenses borne and to be borne by China Smartpay for the Listing.

### Other long-term liabilities

Other long-term liabilities represent preference shares issued by OCG Thailand. After the share holding restructuring, as detailed under section headed “History, Reorganisation and Corporate Structure – Shareholding restructuring in 2015” in this prospectus, as at 31 March

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2016, 31 March 2017 and 31 March 2018, our other long-term liabilities amounted to approximately HK\$1.7 million, HK\$1.7 million and HK\$1.9 million respectively in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum.

### SELECTED KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the year-end date/for the respective year indicated:

	As at/for the year ended		
	31 March		
	2016	2017	2018
Current ratio <sup>1</sup>	1.3 times	1.8 times	1.4 times
Quick ratio <sup>2</sup>	1.3 times	1.8 times	1.4 times
Gearing ratio <sup>3</sup>	79.8%	33.0%	24.1%
Debt to equity ratio <sup>4</sup>	n/a	n/a	n/a
Interest coverage <sup>5</sup>	445.2 times	67.8 times	11.8 times
Return on total assets <sup>6</sup>	24.8%	22.1%	-1.2%
Return on equity <sup>7</sup>	104.3%	45.1%	-3.5%
Net profit/(loss) margin <sup>8</sup>	10.2%	8.8%	-1.0%
Adjusted net profit margin <sup>9</sup>	10.2%	8.8%	8.4%

*Notes:*

1. Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year.
2. Quick ratio is calculated based on total current assets less inventories (if any) in current assets, divided by total current liabilities as of the end of the respective year.
3. Gearing ratio is calculated based on the total debt (amount due to ultimate holding company and other long term liabilities) divided by the total equity as at the respective year end and multiplied by 100%.
4. Debt to equity ratio is calculated by the net debt (amount due to ultimate holding company and other long term liabilities net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
5. Interest coverage is calculated by the profit before interest and income tax divided by the interest (or preferable share dividend) for the respective year.
6. Return on total asset is calculated by the profit/(loss) for the year divided by the total assets as at the respective year end and multiplied by 100%.
7. Return on equity is calculated by the profit/(loss) for the year divided by the total equity as at the respective year end and multiplied by 100%.
8. Net profit/(loss) margin is calculated by the profit/(loss) for the year divided by the revenue for the respective year and multiplied by 100%.
9. Adjusted net profit margin is calculated by the profit/(loss) for the year excluding the listing expenses divided by the revenue for the respective year and multiplied by 100%.

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### **Current ratio**

Our current ratio increased from approximately 1.3 times to 1.8 times as at 31 March 2016 and 31 March 2017, which was mainly as a result of the increase in our net current assets, detailed under the section headed “Financial Information – Net current assets” in this prospectus. As at 31 March 2018, our current ratio decreased slightly to 1.4 times which was mainly as a result of the significant increase in our current liabilities as at 31 March 2018, mainly driven by the increase in property, plant and equipment and intangible assets in aggregate of the purchases of smart POS terminals and development of our acquiring host system. Such increase had outweighed the increase in our current assets level derived from our net profit for the year, please refer to section headed “Financial Information – Net current assets” in this prospectus for details.

### **Quick ratio**

Our quick ratio during the Track Record Period were the same as the current ratios since our Group did not hold any inventories.

### **Gearing ratio**

Our gearing ratio was approximately 79.8%, 33.0%, and 24.1% as at 31 March 2016, 31 March 2017, and 31 March 2018, respectively. The total debt of our Group mainly comprises of (i) amount due to ultimate holding company, and (ii) our preference shares. The high gearing ratio in 31 March 2016 was mainly attributable to the significant decrease in our equity as a result of (i) the consideration paid for the share acquisition of OCG Thailand from our equity reserve, and (ii) the distribution of the interim dividend for FY2016. For details please refer to the section headed “History, Reorganisation and Corporate Structure – Preference shares structure arrangement of OCG Thailand – Shareholding restructuring in 2015” in this prospectus. After the restructuring, the improvement in our gearing ratio for FY2017 was driven by (i) the recognition of our net profit for FY2017; (ii) an increase in amount of our preference shares as a result of THB/USD appreciation; and (iii) a drop in our amount due to ultimate holding company for working capital purpose. As at 31 March 2018, despite the recognition of net loss for FY2018, our gearing ratio further dropped to approximately 24.1%, which was mainly attributable to the net effect of: (i) 90% of listing expenses recognised by our Group was shared by China Smartpay by way of capital contribution recorded in our Group’s equity; and (ii) an increase in our amount due to ultimate holding company for working capital purpose.

### **Debt to equity ratio**

As at 31 March 2016, 31 March 2017, and 31 March 2018, our bank balances and cash level exceeded our total debt, hence, no debt to equity ratio is formulated for our Group.

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### **Interest coverage**

Our interest coverage was approximately 445.2 times, 67.8 times, and 11.8 times as at 31 March 2016, 31 March 2017, and 31 March 2018, respectively. Our Group did not have any bank borrowings during the Track Record Period and our finance costs represented the dividend per annum paid for our preference shares. The drop in interest coverage for FY2017 was as a result of (i) the aforementioned shareholding restructuring, where an increase in amount of preference shares was recorded from November 2015; and (ii) the drop in our profit before interest and income tax for the year. The drop in interest coverage for FY2018 was mainly attributable to the drop in profit before interest and income tax for the year along with the listing expenses recognised in FY2018.

### **Return on total assets**

Our return on total assets was approximately 24.8%, 22.1% and -1.2% in FY2016, FY2017, and FY2018, respectively. The drop in return of total assets for FY2017 was mainly attributable to the percentage drop in net profit during the year outweighing the percentage drop in total assets. The substantial decrease in our return on total assets for FY2018 was mainly attributable to the net loss for the year, and the significant increase in total assets as at 31 March 2018 as a result of an increase in account receivables and increase in property, plant and equipment.

### **Return on equity**

Our return on equity was approximately 104.3%, 45.1% and -3.5% in FY2016, FY2017 and FY2018, respectively. The return on equity for FY2016 was relatively high due to the drop in reserve as a result of an interim dividend paid during FY2016. On top of which, the overall decrease in return on equity during the Track Record Period was attributable to: (i) the drop in our net profit during FY2017; and (ii) the net loss during FY2018 alongside with the listing expenses recognised.

### **CONTINGENT LIABILITIES**

As at 31 March 2016, 31 March 2017, and 31 March 2018, our Group did not have any significant contingent liabilities.

### **WORKING CAPITAL**

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net proceeds of the Share Offer and the internally generated funds, that our Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this prospectus.

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### INDEBTEDNESS

#### Other long-term liabilities

As at 31 July 2018, our Group had an outstanding amount of approximately THB 7.7 million (equivalent to approximately HK\$1.8 million) due to Mrs. Nongluck Anantachote in respect of the issue and paid up preference share capital of OCG Thailand with cumulative dividend at 9.5% per annum. The amount was unsecured and unguaranteed.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in accordance with applicable accounting standards because they are not redeemable and the holders of which are entitled to receive 9.5% per annum cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

#### Amount due to ultimate holding company

As at 31 July 2018, our Group had an amount due to ultimate holding company of approximately HK\$4.9 million, which was unsecured, interest-free and repayable on demand. Our amount due to ultimate holding company was fully settled by offsetting against the portion of listing expenses borne and to be borne by China Smartpay for the Listing.

#### Forward contract position

As at 31 July 2018, our Group had an outstanding foreign currency contracts for the exchange of USD with THB of approximately USD2.0 million (equivalent to approximately HK\$15.7 million), which had been subsequently settled. Our Group has no significant exposure on these forward currency contracts.

During the Track Record Period and as at the Latest Practicable Date, our Group did not obtain any banking facilities. Save as the aforesaid at the close of business on 31 July 2018, our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

Save as the aforesaid, our Directors confirmed that there had been no material changes to the indebtedness and contingent liabilities of our Group since 31 July 2018.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURE AND COMMITMENT

#### Capital commitments

Our Group's capital expenditures principally consisted of the development cost of our acquiring host system. Our Group primarily funded its capital expenditures through cash flows generated from operations. The following table sets forth our Group's capital expenditure during the Track Record Period:

	As at 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Contracted but not provided for, net of deposits paid – acquisition of property, plant and equipment and intangible assets	521	100	539	100	–	–

#### Operating lease commitments

We leased certain premises and network servers under operating leases, the terms of which lasted for two to five years, with an option to renew the lease terms at the expiry dates or at dates mutually agreed between our Group and the respective landlords. None of the leases include contingent rentals. The following table sets forth our operating lease commitments for future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As at 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Within one year	71	44.7	73	80.2	20	100
In the second to fifth years inclusive	88	55.3	18	19.8	–	–
<b>Total</b>	<b>159</b>	<b>100</b>	<b>91</b>	<b>100</b>	<b>20</b>	<b>100</b>

#### OFF-BALANCE SHEET ARRANGEMENT

Saved for the operating lease commitments and capital commitments as disclosed in the paragraph headed “Operating lease commitments” and “Capital Commitments” in this section and the section headed “Accountants’ Report” in Appendix I to this prospectus, our Group had not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### FINANCIAL RISK AND CAPITAL MANAGEMENT

#### Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to the section headed “Accountants’ Report – Historical financial information – Note 28. Financial risk management objectives and policies” in Appendix I to this prospectus.

#### Capital management

We manage our capital to ensure the entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

The capital structure of our Group consists of debt, which include other liabilities, and equity attributable to owners of our Company, comprising share capital and reserve.

Our Directors review the capital structure by considering the costs of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends paid to Shareholders, conducting share buybacks, issue new Shares, raising new debts, or sell assets to reduce debts, depending on our capital structure and needs from time to time.

### DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserve available for distribution to our Shareholders.

### DIVIDEND

FY2016, FY2017 and FY2018, dividend of approximately HK\$11.6 million, nil and nil were declared. For FY2016, dividend was distributed by (i) OCG Thailand to the non-controlling interests amounted to approximately HK\$4.9 million, and (ii) OCG Thailand (BVI) to Charm Act, Straum Investments and Original Fortune amounted to approximately HK\$4.7 million, HK\$1.4 million and HK\$0.6 million, respectively.

For FY2018, OCG Thailand, the principal subsidiary of our Group declare intra-group dividends of approximately HK\$12.3 million. The dividend was paid to OCG Thailand (BVI). Such intra-group dividend paid to non-Thailand resident enterprise is subject to withholding tax of 10%.

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On 18 September 2018, we declared a special dividend of HK\$5.0 million to our Shareholders which was settled in full by cash generated through our internal resources and offsetting against the portion of listing expenses borne and to be borne by China Smartpay for the Listing. Our Directors consider that there will not be material adverse impact on our Group's financial and liquidity position arising from the dividend payment.

We currently do not have a formal dividend policy or a fixed dividend distribution ratio. Dividend may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividend would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividend, depends on a number of factors, including our results of operation, financial conditions, and other factors our Board may deem relevant. There will be no assurance that our Group will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividend that may be declared or paid by our Board in the future.

### **PROPERTY INTERESTS**

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties.

### **UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

Please refer to Appendix II to this Prospectus for further details.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS**

We are exposed to market risks from changes in market rates and prices, such as interest rate, credit and liquidity. Please refer to Note 28 to the Historical Financial Information of the Accountants' Report set out in Appendix I to this prospectus.

### **DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES**

Our Directors confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of GEM Listing Rule.

### **RELATED PARTY TRANSACTIONS**

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in the Note 27 to the Historical Financial Information of the section headed "Accountants' Report" in Appendix I to this prospectus. Our Directors confirmed that these related party transactions were conducted on normal commercial terms and they would not distort our track record results or make our historical results not reflective of our future performance.

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### NO MATERIAL ADVERSE CHANGE

According to the unaudited management accounts of our Group up to 31 July 2018, our revenue remained stable and increased slightly for the four months ended 31 July 2018 on a monthly average basis as compared to FY2018, which was mainly due to the growth in transaction value derived from our merchant network. Also, as at 31 July 2018, our net asset remained stable and increased slightly as compared to our financial position as at 31 March 2018, which was in line with the growth in our revenue.

We currently expect that our Group will record a net loss for FY2019 which is expected to be mainly attributable to (i) the listing expenses of approximately HK\$15.3 million (calculated on the assumption of the Offer Price of HK\$0.26 per Share, being the mid-point of the proposed Offer Price range of between HK\$0.22 and HK\$0.30); (ii) an expected increase in selling and distribution expenses; (iii) an expected drop in our gross profit margin; (iv) an expected increase in our general administrative expenses, such as legal and professional fees, after the Listing; and (v) an expected drop in our revenue as a result of an expected drop in number of Chinese tourists and transaction value in Thailand derived from our merchant network after the boat incident occurred in Phuket in July 2018.

Save as disclosed in the section headed “Summary – Recent development and material adverse change” in this prospectus, our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 31 March 2018, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 31 March 2018 which would materially affect the information shown in the section headed “Accountants’ Report” in Appendix I to this prospectus.

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## **BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS**

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### **BUSINESS OBJECTIVES**

The principle business objective of our Group is to further strengthen our position as one of the leading CUP Merchant Acquirers in Thailand and to become one of the active CUP Merchant Acquirers in Cambodia in order to achieve sustainable growth in our business and create long-term shareholder's value.

### **BUSINESS STRATEGIES AND FUTURE PLANS**

#### **(1) Strengthening our position as one of the leading CUP Merchant Acquirers in Thailand**

Coupled with the hardware advancement such as the smartphones and tablets, POS terminals are slowly transitioning from payment-only terminals to software solutions that enable consumers to move dynamically between computers, mobile devices and in-store experiences while shopping, according to the CIC Report. In view of such change, our Group has been adopting and deploying financial technology into our business model to meet future challenges. Such development involves significant IT investments, including (i) replacing the traditional POS terminals to a new generation of smart POS terminals; (ii) further developing our acquiring host system to support the UnionPay Payment Online Platform (“UPOP”) and QR Code payment; (iii) strengthening and broadening our marketing initiatives; and (iv) expanding our scale of operation by recruiting new talents.

- (i) Continue to improve the availability and enhance functions of our stock of smart POS terminals as one of our competitive advantages to capture the on-going market demand as a result of the technological development and the “Belt and Road” initiative*

According to the CIC Report, with the implementation of “Belt and Road” initiative, the economic and culture exchange between China and affiliated countries, including Thailand, is expected to increase. Thailand's geographic location is at the center of the Association of Southeast Asian Nations (ASEAN), and it has stable trade cooperation with China and other countries in the region. The Thai government has been taking advantages of the increased investment and trade opportunities that the “Belt and Road” initiative creates. In addition to the cooperation in travel industry, the business linkage between Thailand and China is also expected to be strengthened and investors from China are expected to visit Thailand more. The increasing business trips, along with the increasing tourist arrivals, are expected to stimulate the number of arrivals from Chinese nationals as well as their expenditure. Furthermore, with the development of technology and the popularisation of smart POS terminals, cash payments have been gradually replaced by other payment methods, such as card payments. The emergence of alternative payment technologies in Thailand such as mobile payments and electronic wallets also represents an attractive growth opportunity for the industry.

According to the CIC Report, mobile payment methods have been well-received by Chinese tourists in Thailand despite the fact that Thailand is at the initial stage of technological development for alternative payment methods as Chinese consumers have

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## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

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been using mobile payments in China for more than 10 years. Chinese tourists in Thailand are familiar with mobile payment and therefore a rapid development of the mobile payments market in Thailand is anticipated. The economic and culture exchange under the “Belt and Road” initiative is also expected to drive the overall technological upgrade in Thailand as a result of the use of non-cash payment methods, such as QR Code and contactless payment by Chinese tourists. Consequently, this will boost the development of payment industries in Thailand, while also encouraging the entry of Chinese payment companies and payment methods that Chinese tourists are familiar with as well as stimulating the growth of CUP acquiring business in Thailand since CUP is the dominant payment network association in China. Between 2017 and 2022, Chinese tourists’ transaction value with mobile payments are expected to see a fairly rapid growth with CAGR of 33.1%, according to the CIC Report.

Accordingly, our Group has been introducing the smart POS terminals to our merchants in order to capture new market opportunities arising from these new non-cash payment methods. Apart from incorporating support for the most cutting-edge new non-cash payment methods such as QR Code, NFC, contactless payment, and mobile payment, the smart POS terminals also enable, among others, wireless data transmissions according to the CIC Report.

We intend to continue to purchase more smart POS terminals, financing with the proceeds from the Share Offer to replace the existing traditional POS terminals in order to cope with the technological advancement the market demands and to meet the electronic payment roadmap in Thailand. Considering that we possessed 3,200 units of smart and 1,050 units of traditional POS terminals, as well as rented 4 units of traditional POS terminals as at the Latest Practicable Date, we intend to utilise approximately HK\$15.3 million of our net proceeds from the Share Offer to purchase smart POS terminals. Out of approximately HK\$15.3 million, we intend to apply approximately HK\$3.3 million and HK\$3.1 million, within the next three years to acquire around 1,100 units of smart POS terminals in order to replace the traditional POS terminals we currently owned and rented for our merchants as well as for the corresponding update, and enhancement of the POS interface for the existing and additional POS terminals to incorporate add-on functions. In aggregate of approximately HK\$8.1 million will be used to acquire approximately 1,400 and 1,300 units of smart POS terminals in preparation to fulfil the expected on-going demand from our new merchants in Thailand and Cambodia, respectively. The remaining amount of approximately HK\$0.8 million will be applied for the corresponding update, and enhancement of the POS interface for the additional POS terminals to incorporate add-on functions within the next three years.

Our Directors believe that with the enhancement of our POS terminals, we will become more competitive as one of the leading CUP Merchant Acquirers in Thailand and to further capture the market demand. In view of the fierce competition between CUP and other mobile payment network associations, CUP tends to refer merchants to Merchant Acquirers who possess more smart POS terminals to replace those who did not, according to the CIC Report. Accordingly, this will create room for well-prepared Merchant Acquirers

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like our Group to devour the market share of other CUP Merchant Acquirers who deploy traditional POS terminals. Given that (i) over 80% of the existing stock level of our smart POS terminals are utilised as at the Latest Practicable Date, and (ii) the on-going requests of smart POS terminals from our existing merchants, prospective merchants, as well as merchant referrals from CUP, among which, one of our Malls & general stores merchants had made request for a large number of smart POS terminals to fill up the needs of the shops and brands under the same roof of its shopping mall, our Directors believe that our Group will benefit from the replacement of traditional POS terminals and that there will be sufficient demand of our Group's services and smart POS terminals in Thailand and Cambodia.

As a whole, we intend to utilise approximately HK\$15.3 million or approximately 25.0% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.26 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.22 to HK\$0.30), within the next three year up to 31 March 2021.

***(ii) Further developing our acquiring host system to support the UPOP and QR Code payment***

The proliferation of mobile internet and the emergence of the digital era are changing the way consumer shops. To capture the great market potentially brought by the rapidly growing e-commerce in Thailand, we intend to further develop our acquiring host system to support the UPOP, which will enable our merchants to expand their e-commerce storefront to accept CUP payment methods. UPOP is an additional payment method of CUP, for its cardholders to make purchases online. To this end, out of approximately HK\$9.7 million, we intend to apply approximately HK\$7.4 million to develop a comprehensive, integrated, secure and real-time payment gateway together with the acquiring host system for our merchants.

According to the CIC Report, in view of the fierce competition in the market as a result of the emergence of alternative payment technologies, CUP introduced the QuickPass in the PRC in late 2017, which integrated CUP's existing contactless payment methods with new payment technologies to accept HCE, NFC payments, QR Code and other mobile payment. In early 2018, QuickPass was also introduced to Southeast Asian market, including Thailand market, with a focus on QR Code payment.

Similar to our card payment processing services, it is preferred that we develop an acquiring host system for processing QR Code payment. The function of the acquiring host system is to collect and record secured transaction data from our POS terminals and transmit the relevant data to the payment network association for payment authentication. To this end, we intend to apply the remaining HK\$2.3 million in the next two years to develop the acquiring host system for processing QR Code payment and maintain annual enhancement for the system.

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As a whole, we intend to utilise approximately HK\$9.7 million or approximately 15.9% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.26 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.22 to HK\$0.30), within the next three years up to 31 March 2021.

### ***(iii) Strengthening and broadening our marketing initiatives***

In view of the fierce competition between CUP Merchant Acquirers, in order to maintain and enlarge our market share in the merchant acquiring business in Thailand, it is important to establish stable cooperation with the merchants, according to the CIC Report. Apart from offering a competitive MDR to the merchants, carrying out various promotion and marketing activities that will benefit the merchants and shoppers is another key success factor for Merchant Acquirers.

Depending on the actual market conditions platform and industry trends, we intend to apply approximately HK\$1.4 million within the next three years to allocate more manpower and resources in strengthening and broadening our marketing initiatives, including:

- collaborate with coupon promotion developers to capture the opportunities generated from online-to-offline commerce where Chinese tourists are able to redeem such coupons issued by our partners through our POS terminals in Thailand
- promote our key merchant partners in Thailand through publishing all their shopping offers and benefits in a coupon booklet which will be hosted on our Group's website, distributed and displayed in PRC's major travel-related establishments, such as travel agents, airline lounges, ticketing counters and arrival halls of all major Thai airports.

We intend to utilise approximately HK\$1.4 million or approximately 2.3% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.26 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.22 to HK\$0.30), within the next three years up to 31 March 2021.

### ***(iv) Expanding our scale of operation by recruiting new talents***

We deeply believe that a strong workforce equipped with adequate industry knowledge and experience would bring our Group to continuous success. In order to maintain our quality service including our technical support and cope with our aforementioned business development, our Directors are of the view that recruiting additional staff is required so as to ensure that our high quality services can be maintained. In addition to the current headcounts in our Thailand operation, we intend to apply approximately HK\$2.3 million in the next three years to recruit a total of six additional staff which consist of one experienced finance and administration staff, one experienced IT and operation staff, one business head for our Ko Samui region, one business head for our Pattaya region and two

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experienced sales and marketing staff who possessed with an university degree with bilingual background for our Thailand office. We will continue to provide in-house training to our existing and new staff as well as sponsoring our staff for external training programmes which are relevant to our business. In addition, we will regularly arrange for our staff, particularly our sales and marketing staff, to attend trainings hosted by our partner payment network association so as to allow us to explore any new functions to be added to our POS terminals and promotions. Our Group will cover all travelling expenses and accommodations of our staff during these trainings. Furthermore, we intend to apply approximately HK\$0.3 million in the next three years to engage and retain a Thailand law firm on a continual basis to provide guidance to our Directors on various compliance obligations of our Group in Thailand.

We intend to utilise approximately HK\$2.6 million or approximately 4.3% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.26 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.22 to HK\$0.30), within the next three years up to 31 March 2021.

### **(2) Further penetrate into the existing markets and strategically expand into new regions**

Leveraging on our established business model, we plan to further expand our merchant acquiring business. Our planned initiatives include the following:

#### ***(i) Deepening our market penetration in our existing markets by extending our Group's payment processing services to cover other payment network associations***

In view of the high level of competitions in Thailand's merchant acquiring market in recent years, our Group has been actively identifying opportunities to collaborate with other payment network associations. For details, please refer to the section headed "Business – Reliance on CUP would not affect our business prospect – Our strategies in coping with the underlying risks associated with such reliance – (ii) Continuously identifying potential payment network associations" in this prospectus. While it is our continuous strategy to establish collaborations with some major mobile payment network associations, our Group has entered into an agreement with Bank A and is in the progress of developing and extending our Group's payment processing services to cover two major global payment network associations, Network V and Network M. Through the collaboration with Bank A and leveraging on our existing merchant network, our Group will be able to (i) render one-stop quality merchants payment services to our merchants in Thailand; (ii) service all Thai nationals and international tourists in addition to the Chinese tourists as our POS terminals are able to process other payment network association's transactions rather than solely CUP's. Our Group intends to apply approximately HK\$0.2 million during FY2019 to comply with the standards of the two global payment network associations by (i) developing the required payment method management functions into the interface of our POS terminals and IT systems and (ii) connecting our POS terminals to the acquiring host systems of Bank A. This collaboration allows our Group to route transaction data Network V and Network M for authentications via Bank A's acquiring host system. Two experienced sales marketing staffs will be recruited to handle the relationship with our

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merchants developed under Network V and Network M, Bank A and the corresponding marketing and promotion activities. Such collaboration with Bank A is subject to an annual fee and a set of interchange fee ranging from 0.55% to 2.5%, depending on the class/type of cards the customers presented, which will be charged by Bank A on the basis of certain percentage per transaction.

In the longer term, upon the successful attempt in extending our coverage of the two global payment network associations via the aforementioned collaboration, we intend to explore and establish a direct partnership with Network M within the next three years by applying for our own license to become a direct principal member. The relevant on-boarding process as a direct principal member of such payment network association involves a series of registrations, pre-qualification assessments, AML checks, licensing and network connectivity setup implementations. Typically, a 6-months period of application time is estimated for the payment network association to issue the license, and the network setting-up cost up to HK\$7.3 million is projected. To support the higher standard of the global payment network association required, we intend to apply a capital investment of approximately HK\$10.8 million in order to purchase the hardware of an acquiring host system and develop the corresponding software to connect our acquiring host system to Network M's clearing and settlement system. Our Directors are of the view that obtaining a direct license will save our Group from the cost in terms of the interchange fee charged by Bank A, improve our overall profitability, and provide us an access to the resources offered by the Network M to expand our merchant network. Through leveraging our existing merchant network, manpower and resources, our Directors are of the view that extending our payment processing services to cover other payment network associations will create economies of scale, strengthen our bargaining power towards merchants and multiplying our profitability.

As a whole, we intend to utilise approximately HK\$18.1 million or approximately 29.6% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.26 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.22 to HK\$0.30), within the next three years up to 31 March 2021.

***(ii) Exploring and expanding into new markets by replicating our existing business model and partnership with CUP***

We plan to expand our footprint by strategically replicating our successful business model in Thailand into new regions within the ASEAN by establishing our operation in Cambodia, owing to Cambodia's close economic relationship with the PRC – being a “Belt and Road” affiliated countries and its similar public development policies with Thailand. According to the CIC Report, tourism industry is a major industry in Cambodia, accounting for approximately 30.0% of the overall GDP in recent years. Between 2013 and 2017, the total number of inbound tourists to Cambodia grew at a CAGR of 9.7%, and the number of Chinese tourists to Cambodia grew even faster at a CAGR of 27.1%. Between 2017 and 2022, the number of Chinese tourists to Cambodia is expected to grow from approximately 1.2 million to 2.5 million, representing a CAGR of 15.7% as a result of (i) urban

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## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

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infrastructure development, and (ii) the promotion of the tourism industry, the Tourism Minister of Cambodia who announced the “China-ready” strategy. By the end of this period, it is expected that China will account for the most number of inbound tourists to Cambodia.

Between 2013 to 2017, cash was the main form of payment among Chinese tourists in Cambodia. Around 37% of transaction value was settled by cash in 2017, however, this percentage is expected to drop considerably to approximately 27.0% in 2022 due to the strong competition from card and contactless payment methods, according to the CIC Report. Since entering the Cambodian payment market in 2014, CUP Cards have been gaining ground against other global payment network associations. In the forecast period from 2017 to 2022, the CAGRs of transaction value for CUP Cards and the other cards are projected to be 35.6% and -25.9% respectively, while the transaction value of other mobile payment network associations is expected to rise rapidly at a CAGR of 40.6% to reach RMB10,760.0 million in 2022. As such, we intended to accelerate the development and become an active Merchant Acquirer in Cambodia to capture the great market potentially brought by the booming tourism industry in Cambodia and the Tourism Minister of Cambodia’s “China-ready” strategy.

As at the Latest Practicable Date, we have not commenced our merchant acquiring business operation in Cambodia. We are in progress of setting up our office in Cambodia and applying for relevant licenses for our operation as detailed under the section headed “Regulatory Overview – Regulatory framework in Cambodia” in this prospectus. Upon obtaining the relevant payment service licenses, we could then apply to extend our existing UPI license in Thailand to cover Cambodia. As at the Latest Practicable Date, we have obtained approval in principle dated 6 June 2018 from the National Bank of Cambodia on the establishment of the payment service provider. At the early stage of development, the establishment of our Cambodia office is led by Mr. Yu, with the assistance of an external multilingual business consultant with experience in payment-related business for business set-up and administrative matters. Subsequently, we will hire one marketing staff and one administrative staff in Cambodia.

There are certain risks in relation to the failure in expanding into Cambodia, for details, please refer to the section headed “Risk factor – Failure in expanding our business to Cambodia may adversely affect our financial position” in this prospectus. To mitigate these risks, we intend to form strategic partnerships with local banks, who already have an established merchant network with other payment network associations (and have yet to establish direct partnership with CUP), to kick start our merchant acquiring business in Cambodia. We will strategically select appropriate partnership opportunities according to (i) whether the partner has a sizeable and extensive merchant network with other payment network associations with potential growth in the market; (ii) whether the partner has a diversified merchant types; and (iii) whether the merchants in the partner’s merchant network are located in areas frequented by Chinese tourists. To minimise our infrastructure investment in Cambodia at this early stage, we could make use of our existing acquiring host system in Thailand which is capable to collect payment instruction information

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## **BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS**

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acquired from our partner bank's POS terminals in Cambodia (once engaged) and further route to CUP system for payment authentication. As at the Latest Practicable Date, we are in progress of identifying partner banks in Cambodia and had yet to commit into any partnership arrangements. Leveraging on the existing merchant network and the POS terminals of the partner bank, we could minimise the risk and cost incurred from entering the Cambodian market through sharing our UPI license, acquiring host system and profitability. We consider that cooperating with an established local bank in the field is an efficient way to swiftly tap into the Cambodian market as it takes time for our merchant network to be built as well as to get hold on the local market developments and identify potential business opportunities. The early stage of operation in Cambodia is expected to be overseen and monitored by our Country Manager in Thailand.

In the future, upon successfully building up our business and partnership with the locals, we plan to replicate our operation in Thailand to Cambodia to enhance our profitability. Our Group will continuously assess the feasibility and profitability from establishing our own merchant network and deploying the additional POS terminals we expect to purchase (as detailed in aforementioned business strategies of this section) at strategic locations in Cambodia, including Phnom Penh and other popular tourist cities, to capture the continuous growth of Chinese tourists travelling to Cambodia. To support our expansion in Cambodia, we anticipate that we will need to develop and attract proper talents in various positions and functions. In addition to the current headcounts of our Thailand operation, we intend to apply approximately HK\$1.3 million in three years' time to recruit a total of eight additional staff which consist of one head of Cambodia, one experienced office manager, two experienced finance and administration staff, two experienced sales and marketing staff, and two IT and operation staff. Once we have accumulated the transaction value and merchant network to an appropriate level where profitability is expected, we will subsequently apply our proceeds to develop our own acquiring host system and deploy additional POS terminals to process transactions in Cambodia.

As a whole, we intend to utilise approximately HK\$7.9 million or approximately 12.9% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.26 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.22 to HK\$0.30) for our expansion to Cambodia, within the next three years up to 31 March 2021.

With our focused business strategies and professional expansion platform, our Directors believe that we are well-positioned to leverage on our successful experience and solid foundation to embrace the evolution and revolution of the payment technology, and continue to be a productive player by taking part in the growing and diversified industry of financial technology.

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## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

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### IMPLEMENTATION PLANS

In pursuance of the business objectives set forth above, our Group's implementation plans are set forth below for each of the 6-month periods until 31 March 2021. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Nevertheless, our Directors will use their best endeavors to anticipate future changes in the industry, take measures and be flexible so that our Group may stay ahead of or react timely and appropriately to such changes.

#### From the Listing Date to 31 March 2019

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$ million)</i>	
Continuously improving the availability and enhancing functions of our stock of smart POS terminals	2.5	Purchase of around 500 new smart POS terminals to replace of our existing traditional POS terminals and distribute to new merchants; while updating and enhancing the add-on functions for the existing smart POS terminals and setting up interface for the additional smart POS terminals
Strengthening and broadening our marketing initiatives	0.3	Enhance our acquiring host system to support our online-to-offline marketing strategy
Recruiting new talents	0.1	Hire a Thailand law firm to provide guidance to our Directors on various compliance obligations of our Group in Thailand
Extending our payment processing services to cover other payment network associations	0.2	Connect our acquiring system to Bank A and the annual fee paid to Bank A, hiring two sales and marketing staff to support and promote payment processing service to cover Network M and Network V
Expanding to Cambodia	0.2	Develop our operation in Cambodia and hiring one marketing staff and one administrative staff
Working capital	1.2	Deploy the funds to accommodation our working capital needs

## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 30 September 2019**

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$ million)</i>	
Continuously improving the availability and enhancing functions of our stock of smart POS terminals	2.0	Purchase of around 600 new smart POS terminals to distribute to new merchants in Thailand; while setting up interface for the additional smart POS terminals
Developing our acquiring host system	1.9	Develop acquiring host system for the QR Code payment and the corresponding enhancement fee
Strengthening and broadening our marketing initiatives	0.2	Utilise approximately HK\$0.2 million to publish our coupon booklet
Recruiting new talents	0.2	Utilise approximately (i) HK\$0.1 million for the abovementioned legal and compliance services provided by a Thailand law firm, and (ii) HK\$0.1 million for hiring a sales and marketing manager to support our marketing initiatives
Extending our payment processing services to cover other payment network associations	0.9	Continue to collaborate with Bank A to cover Network M and Network V; while making collateral payment to Network M for the application of being a direct principal member of Network M
Expanding to Cambodia	0.3	Develop our operation in Cambodia and hiring one office manager
Working capital	1.3	Deploy the funds to accommodate our working capital needs

## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 31 March 2020**

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$ million)</i>	
Continuously improving the availability and enhancing functions of our stock of smart POS terminals	1.9	Purchase of around 300 new smart POS terminals to distribute to new merchants in Thailand; while setting up interface for the additional smart POS terminals
Developing our acquiring host system	5.6	(i) Enhance the QR Code payment system, and (ii) develop the UPOP acquiring host system and the relevant merchant registration fee, and recruit two sales and marketing staff and three IT and operation staff to promote our QR Code payment and UPOP services and maintain the system, respectively
Strengthening and broadening our marketing initiatives	0.5	(i) Establish a strategic partnership with another coupon promotion platform developer and enhancing our acquiring host system to support our online-to-offline marketing strategy, and (ii) utilise approximately HK\$0.2 million to publish our coupon booklet
Recruiting new talents	0.7	Retain the legal and compliance services provided by a Thailand law firm, hire one head of the sales and marketing team, one IT and operation staff and one finance and administration staff
Extending our payment processing services to cover other payment network associations	13.4	Continue to collaborate with Bank A to cover Network V and Network M and establish a direct principal member of Network M and enhance own acquiring system and software to comply with Network M's requirements
Expanding to Cambodia	5.8	Develop our operation in Cambodia and extending our CUP license in Thailand, Cambodia and developing our acquiring host system for our operation in Cambodia
Working capital	1.2	Deploy the funds to accommodate our working capital needs

## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 30 September 2020**

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$ million)</i>	
Continuously improving the availability and enhancing functions of our stock of smart POS terminals	3.7	Purchase of around 1,100 new smart POS terminals to distribute to new merchants in Cambodia and being backup stocks for merchants in Thailand; while updating and enhancing the add-on functions of the existing smart POS terminals and setting up interface for additional smart POS terminals
Developing our acquiring host system	1.1	Utilise approximately (i) HK\$0.2 million for the annual enhancement fee of the QR Code payment system, (ii) HK\$0.6 million for maintaining UPOP's acquiring host system, and (iii) HK\$0.3 million as salary expenses for the abovementioned newly recruited staff
Strengthening and broadening our marketing initiatives	0.2	Utilise approximately HK\$0.2 million to publish our coupon booklet
Recruiting new talents	0.8	Retain the legal and compliance services provided by a Thailand law firm; hire the business head for Ko Samui and Pattaya
Extending our payment processing services to cover other payment network associations	1.8	Continue to collaborate with Bank A to cover Network V and maintain a direct principal member of Network M to enhance our payment processing services
Expanding to Cambodia	0.8	Develop our operation in Cambodia and maintain our acquiring host system
Working capital	1.2	Deploy the funds to accommodate our working capital needs

## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 31 March 2021**

Business strategies	Use of proceeds	Implementation plan
	<i>(HK\$ million)</i>	
Continuously improving the availability and enhancing functions of our stock of smart POS terminals	5.2	Purchase of around 1,300 new smart POS terminals to distribute to new merchants in Cambodia and being backup stocks for merchants in Thailand; while updating and enhancing the add-on functions of the existing smart POS terminals and setting up interface for the additional smart POS terminals
Developing our acquiring host system	1.1	Enhance the QR Code payment system, maintain UPOP's acquiring host system
Strengthening and broadening our marketing initiatives	0.2	Utilise approximately HK\$0.2 million to publish our coupon booklet
Recruiting new talents	0.8	Utilise approximately (i) HK\$0.1 million for the abovementioned legal and compliance services provided by a Thailand law firm, and (ii) HK\$0.7 million as salary expenses for the abovementioned newly recruited staff
Extending our payment processing services to cover other payment network associations	1.8	Continue to collaborate with Bank A to cover Network V and maintain a direct principal member of Network M to enhance our payment processing services
Expanding to Cambodia	0.8	Continue to expend merchant network in Phnom Penh and explore other popular cities in Cambodia
Working capital	1.2	Deploy the funds to accommodate our working capital needs

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## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

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### BASES AND ASSUMPTIONS

The business objectives and strategies set out by our Directors are based on the following general bases and assumptions:

- (i) the net proceeds from Share Offer base on the Offer Price of HK\$0.26 per Share (being the mid-point of the stated range of the Offer Price), after deducting related expenses, are estimated to be approximately HK\$61.1 million;
- (ii) there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong which will adversely affect our Group's business;
- (iii) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (iv) there will be no material adverse change in the existing laws and regulations, policies or industry or regulatory treatment relating to our Group, or in the political, economic, fiscal or market conditions in which our Group operates;
- (v) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (vi) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- (vii) there will be no change in the effectiveness of the licenses and permits obtained by our Group;
- (viii) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (ix) the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus;
- (x) our Group is able to maintain its customers;
- (xi) our Group will be able to retain key staff in the management and the main operational departments;
- (xii) our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruption adversely affecting its operations or business objectives in any way; and

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## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

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(xiii) our Group will not be adversely affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

### REASONS FOR THE SHARE OFFER

We aim to maintain and/or enhance our capacity as one of the leading CUP Merchant Acquirers in Thailand and strengthen our position by capturing a larger market shares in Thailand.

While expecting to implement our business strategies and our future plans with the proceeds from the Share Offer, our Directors considered that the Share Offer will broaden our Group’s capital base and provide a platform for our Group to raise fund in a recurring basis, which is not limited to the amount of net proceeds to be raised in the initial Share Offer, but also the opportunities to raise additional fund to implement our future plans. Furthermore, our Directors are of the view that the Listing is going to bring the following advantages to our Group:

- Provide access to additional financing sources
- Increase public awareness and public interest in our Group and the services provided by us
- Raise our corporate profiles as one of the leading CUP Merchant Acquirers in Thailand
- Attract potential merchants and expand our merchant network

### USE OF PROCEEDS

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and combinations and other estimated expenses in connection with the Share Offer:

	<b>Assuming the Offer Size Adjustment Option is not exercised</b>	<b>Assuming the Offer Size Adjustment Option is exercised in full</b>
Offer Price of HK\$0.26 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.30 per Share	Approximately HK\$61.1 million	Approximately HK\$70.8 million

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## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

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We intend to apply the net proceeds from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Offer Price of HK\$0.26, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.30 per Share, the Offer Size Adjustment Option is not exercised at all, of approximately HK\$61.1 million as follows:

- approximately HK\$15.3 million, representing approximately 25.0% of the estimated net proceeds, for improving the availability and enhancing functions of our smart POS terminals;
- approximately HK\$9.7 million, representing approximately 15.9% of the estimated net proceeds, for developing our acquiring host system;
- approximately HK\$1.4 million, representing approximately 2.3% of the estimated net proceeds, for strengthening and broadening our marketing initiatives;
- approximately HK\$2.6 million, representing approximately 4.3% of the estimated net proceeds, for recruiting new talents;
- approximately HK\$18.1 million, representing approximately 29.6% of the estimated net proceeds, for extending our payment processing services to cover other payment network associations;
- approximately HK\$7.9 million, representing approximately 12.9% of the estimated net proceeds, for expanding to Cambodia; and
- approximately HK\$6.1 million, representing approximately 10.0% of the estimated net proceeds, for working capital of our Group.

If the Offer Size Adjustment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK\$9.7 million, assuming that the Offer Price of HK\$0.26, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.30 per Share. The additional net proceeds received from the exercise of the Offer Size Adjustment Option will be applied pro rata to the above mentioned purposes.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions.

## BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

Our Directors consider that net proceeds from the Share Offer are crucial for financing our Group's future plans. Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses payable by our Group in connection with the Listing, but assuming the Offer Size Adjustment Option is not exercised) will be approximately HK\$61.1 million based on an Offer Price of HK\$0.26 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.22 and HK\$0.30 per Offer Share). Our Directors intend that the net proceeds received from the Share Offer will be applied for the period from the Listing Date to 31 March 2021 as follows:

	From the Listing Date to 31 March 2019 <i>HK\$ million</i>	For the six months ending 30 September 2019 <i>HK\$ million</i>	For the six months ending 31 March 2020 <i>HK\$ million</i>	For the six months ending 30 September 2020 <i>HK\$ million</i>	For the six months ending 31 March 2021 <i>HK\$ million</i>	Total <i>HK\$ million</i>	% of proceeds
Continuously improving the availability and enhancing functions of our stock of smart POS terminals	2.5	2.0	1.9	3.7	5.2	15.3	25.0
Developing our acquiring host system	–	1.9	5.6	1.1	1.1	9.7	15.9
Strengthening and broadening our marketing initiatives	0.3	0.2	0.5	0.2	0.2	1.4	2.3
Recruiting new talents	0.1	0.2	0.7	0.8	0.8	2.6	4.3
Extending our payment processing services to cover other payment network associations	0.2	0.9	13.4	1.8	1.8	18.1	29.6
Expanding to Cambodia	0.2	0.3	5.8	0.8	0.8	7.9	12.9
Working Capital	1.2	1.3	1.2	1.2	1.2	6.1	10.0
<b>Total</b>	<b>4.5</b>	<b>6.8</b>	<b>29.1</b>	<b>9.6</b>	<b>11.1</b>	<b>61.1</b>	<b>100.0</b>

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Sole Global Coordinator**

Alpha Financial Group Limited

#### **Joint Bookrunners and Joint Lead Managers**

Alpha Financial Group Limited  
RaffAello Securities (HK) Limited  
ChaoShang Securities Limited

#### **Co-managers**

AFG Securities Limited  
Pacific Foundation Securities Limited  
Fortune (HK) Securities Limited  
Core Capital Securities Limited

### **PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms.

Subject to, among other matters, the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Offer Price having been determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around Monday, 8 October 2018 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event not later than 12:00 noon on Thursday, 11 October 2018, the Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

##### *Grounds for termination*

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Public Offer

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## UNDERWRITING

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Underwriters) may in its sole and absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
  - (a) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of our Group; or
  - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or is/are likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, Thailand, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
  - (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
  - (d) any new laws or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
  - (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or
  - (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
  - (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and our executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

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## UNDERWRITING

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- (h) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly under any laws, in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, severe snow or hail storms, flooding, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollars or a material devaluation of Hong Kong dollars against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the GEM Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares which may be issued pursuant to the Offer Size Adjustment Option) pursuant to the terms of the Share Offer for whatever reason; or
- (p) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws; or

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## UNDERWRITING

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- (q) other than with the prior approval of the Sole Global Coordinator (for itself and on behalf of other Public Offer Underwriters), the issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (r) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (s) any loss or damage sustained by any member of our Group; or
- (t) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (u) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from being a director or from taking part in the management of a company; or
- (v) the chairman or president of our Company vacating his office; or
- (w) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or
- (x) our Company withdraws any of this prospectus or the Application Forms (and/or any other documents used in connected with the contemplated subscription of the Offer Shares); or
- (y) any person (other than the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and any of the Public Offer Underwriters and their legal advisers) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents (as defined in the Public Offer Underwriting Agreement), or to the issue of any such documents; or
- (z) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

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## UNDERWRITING

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which, whether individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
  - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
  - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, Controlling Shareholders and/or our executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
  - (b) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement issued by our Company in respect of the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus, the Application Forms, the formal notice or any announcement issued by our Company were to be issued at that time, constitute a material omission therefrom as determined by the Sole Global Coordinator (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

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## UNDERWRITING

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- (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and/or our executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Sole Global Coordinator (in its sole and absolute discretion).

### **LOCK-UP UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT**

#### **Undertakings pursuant to the Public Offer Underwriting Agreement**

- (a) Each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, save as permitted under Rule 13.18 of the GEM Listing Rules, he/it shall not and shall procure his or its associates and the relevant registered holders shall not:
  - (i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-up Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and
  - (ii) in the period of six months commencing from the date immediately following the date on which the First Lock-up Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would, either individually or taken together with the others of them, cease to be a Controlling Shareholder of our Company,

provided that the restrictions in this paragraph shall not apply to any Shares which the Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date;

- (b) our Company undertakes to and covenants with the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and each of our executive Directors and the Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to procure that, save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed), or save pursuant to the Share Offer (including the Offer Size Adjustment Option), our Company shall not, within the First Lock-up Period:

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## UNDERWRITING

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- (i) save as permitted under the GEM Listing Rules (including Rule 17.29 of the GEM Listing Rules) and the applicable laws or pursuant to an issue of Shares under the Share Option Scheme, allot or issue or agree to allot or issue any Shares or any other securities of our Company (including warrants or other convertible securities (and whether or not a class already listed));
- (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
- (iii) purchase any securities of our Company; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

Our Company will inform the Stock Exchange as soon as it has been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of publishing an announcement in accordance with Rule 17.43 of the GEM Listing Rules.

Such undertaking can be waived as agreed between our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) without recommendations of the independent committee of our Board comprising independent non-executive Directors and/or the approval of our independent Shareholders. Should the undertaking be waived, there is no assurance that the Controlling Shareholders will not dispose of their Shares. For details of the risk related to the disposal of our Shares held by the Controlling Shareholders, please refer to the section headed “Risk Factors” in this prospectus.

### **Undertakings to the Stock Exchange pursuant to the GEM Listing Rules**

- (a) Each of our Controlling Shareholders undertakes to and covenants with the Stock Exchange that, save as provided in Rule 13.18 of the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holders shall not:
  - (i) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and
  - (ii) in the period of six months commencing from the date immediately following the date on which the First Lock-up Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company,

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## UNDERWRITING

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provided that the restrictions in this paragraph (a) shall not apply to any Shares which our Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date;

- (b) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Stock Exchange that:
  - (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in our Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the periods as specified in paragraph (a) above, he/it must inform our Company, the Sponsor, and the Sole Global Coordinator immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
  - (ii) having pledged or charged any of his/its interests in our Shares under sub-paragraph (i) above, he/it must inform our Company, the Sponsor and the Sole Global Coordinator immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of our Shares affected.
- (c) Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within the First Lock-up Period (whether or not such issue of Shares or securities will be completed within the First Lock-up Period), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Share Option Scheme.

### **Placing**

#### ***Placing Underwriting Agreement***

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

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## UNDERWRITING

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Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 225,000,000 Placing Shares (including 20,000,000 Reserved Shares pursuant to the Preferential Offer) initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the section headed “Lock-up Undertakings pursuant to the Public Offer Underwriting Agreement” above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Our Company is expected to grant to the Placing Underwriters the Offer Size Adjustment Option exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), at any time before 5:00 p.m. on the business day before the date of announcement of the results of application and the basis of allocation of the Public Offer Shares and the Reserved Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price, solely to cover over excess demand, if any, in the Placing.

### **Commission and expenses**

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive underwriting commissions of 9% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer out of which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Public Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing.

Based on the Offer Price of HK\$0.26 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$39.0 million in total (assuming the Offer Size Adjustment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Offer Size Adjustment Option.

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## UNDERWRITING

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### **SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY**

The Sponsor will receive a documentation fee. The Sole Global Coordinator and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the section headed "Commission and expenses" above.

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

As at the Latest Practicable Date and save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

The Share Offer comprises the Placing (including the Reserved Shares under the Preferential Offer) and the Public Offer. A total of initially 250,000,000 Offer Shares (subject to the Offer Size Adjustment Option) will be made available under the Share Offer, of which:

- (i) 225,000,000 Placing Shares including 20,000,000 Reserved Shares under the Preferential Offer as described below (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the total number of Offer Shares, will initially be conditionally placed with selected professional, institutional and other investors under the Placing; and
- (ii) 25,000,000 Public Offer Shares (subject to reallocation), representing 10% of the total number of Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer.

Out of the 225,000,000 Placing Shares initially being offered under the Placing, 20,000,000 Reserved Shares are available for subscription by Qualifying China Smartpay Shareholders under the Preferential Offer as Preferential Entitlement.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but (except in respect of the Reserved Shares under the Preferential Offer) may not do both.

Qualifying China Smartpay Shareholders may make an application for Reserved Shares on a **BLUE** Application Form and, in addition, will be entitled to apply for Public Offer Shares under the Public Offer but may not apply for or indicate an interest for Placing Shares under the Placing (other than an application to subscribe for Reserved Shares under the Preferential Offer).

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue, assuming that the Offer Size Adjustment Option is not exercised. If the Offer Size Adjustment Option is exercised in full, the aggregate Offer Shares (including Shares which will be issued pursuant to the exercise of the Offer Size Adjustment Option) will represent approximately 27.71% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue.

The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Public Offer and the Preferential Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **The Placing**

Our Company is expected to offer initially 225,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option and including the 20,000,000 Reserved Shares to be issued under the Preferential Offer) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or around the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Offer Shares under the Public Offer and the Preferential Offer.

In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that is not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.

Our Company, our Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer and the Preferential Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer and the Preferential Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” in this section.

### **The Public Offer**

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares being initially offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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being agreed on or around the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.30 per Share plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Offer Shares under the Placing (except in respect of the Reserved Shares under the Preferential Offer) nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **REALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER**

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (1) Where the Placing Shares are fully subscribed or oversubscribed:
  - (a) if the Public Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate;
  - (b) if the number of Shares validly applied for under the Public Offer represents less than 15 times the number of Shares initially available for subscription under the Public Offer, then Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer shall be not more than double of the Shares initially allocated to the Public Offer, i.e. 50,000,000 Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer;
  - (c) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (d) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
  - (e) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 125,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.
- (2) Where the Placing Shares are undersubscribed:
- (a) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless fully underwritten by the Underwriters;
  - (b) if the Public Offer Shares are oversubscribed irrespective of the number of times, then Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer shall be not more than double of the Shares initially allocated to the Public Offer, i.e. 50,000,000 Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

In the event of paragraphs (1)(b) and (2)(b) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price range stated in this prospectus.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters). In accordance with the requirements set out in Guidance Letter HKEx-GL91-18, if such reallocation is done other than pursuant to paragraph (1)(c), (1)(d) or (1)(e) above, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the Offer Shares initially allocated for the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

**The Preferential Offer will not be subject to reallocation between the Public Offer and the Placing.**

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PREFERENTIAL OFFER

#### Basis of the Preferential Entitlement

In order to enable China Smartpay Shareholders to participate in the Share Offer on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on GEM and the Share Offer becoming unconditional, Qualifying China Smartpay Shareholders are being invited to apply for an aggregate of 20,000,000 Reserved Shares in the Preferential Offer, representing approximately 8.89% and 8% of the Offer Shares available under the Placing and the Share Offer, respectively (assuming that the Offer Size Adjustment Option is not exercised) as Preferential Entitlement. The Reserved Shares are being offered out of the Placing Shares under the Placing and are not subject to reallocation as described in the paragraph headed “Reallocation between the Placing and the Public Offer” above. In the event the Offer Size Adjustment Option is exercised, the number of Reserved Shares will not change.

**The basis of the Preferential Entitlement is one Reserved Share for every integral multiple of 82 China Smartpay Shares held by Qualifying China Smartpay Shareholders as at 4:00 p.m. on the Record Date.**

Qualifying China Smartpay Shareholders who hold less than 82 China Smartpay Shares on the Record Date and therefore will not have a Preferential Entitlement to our Reserved Shares will still be entitled to participate in the Preferential Offer by applying for excess Reserved Shares only.

Qualifying China Smartpay Shareholders should note that Preferential Entitlement to Reserved Shares may not represent a number of a full board lot of 10,000 Shares. Further, the Reserved Shares allocated to the Qualifying China Smartpay Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

**Preferential Entitlement of Qualifying China Smartpay Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.**

#### Basis of allocation for applications for Reserved Shares

Qualifying China Smartpay Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Preferential Entitlement under the Preferential Offer. A valid application for a number of Reserved Shares which is less than or equal to a Qualifying China Smartpay Shareholder’s Preferential Entitlement under the Preferential Offer will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Form and assuming that the conditions of the Share Offer are satisfied.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Where a Qualifying China Smartpay Shareholder applies for a number of Reserved Shares which is greater than the Qualifying China Smartpay Shareholder's Preferential Entitlement under the Preferential Offer, the relevant Preferential Entitlement will be satisfied in full (subject to the terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below) resulting from other Qualifying China Smartpay Shareholders declining to take up some or all of their Preferential Entitlement by way of allocation by the Sole Global Coordinator on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Sole Global Coordinator. Any remaining Reserved Shares after satisfying the excess applications will be re-allocated at the discretion of the Sole Global Coordinator, to other investors in the Placing.

Qualifying China Smartpay Shareholders who intend to apply for more than their Preferential Entitlement should either apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount, otherwise the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the special formula set out in the **BLUE** Application Form.

To the extent that the excess applications for the Reserved Shares are:

- (a) less than the Reserved Shares not taken up by the Qualifying China Smartpay Shareholders' Preferential Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Global Coordinator, to the Placing;
- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be reallocated, at the discretion of the Sole Global Coordinator, to the Placing.

Save for the above, the Preferential Offer will not be subject to the reallocation arrangement between the Placing and the Public Offer.

Beneficial China Smartpay Shareholders (not being Non-Qualifying China Smartpay Shareholders) whose China Smartpay Shares are held by a nominee company should note that

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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our Company will regard the nominee company as a single China Smartpay Shareholder according to the register of members of China Smartpay. Accordingly, such Beneficial China Smartpay Shareholders whose China Smartpay Shares are held by a nominee company should (i) note that the arrangement under paragraph (c) above will not apply to them individually; and (ii) make arrangements with such nominee company in relation to the applications for the Reserved Shares under the Preferential Offer.

### **Applications by Qualifying China Smartpay Shareholders for Public Offer Shares**

In addition to any application for Reserved Shares made on a **BLUE** Application Form, Qualifying China Smartpay Shareholders will be entitled to make one application for Public Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS. Qualifying China Smartpay Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC under the Public Offer.

### **Qualifying China Smartpay Shareholders and Non-Qualifying China Smartpay Shareholders**

Only China Smartpay Shareholders whose names appeared on the register of members of China Smartpay at 4:00 p.m. on the Record Date, excluding the Non-Qualifying China Smartpay Shareholders and Directors and any of our subsidiaries, are entitled to subscribe for the Reserved Shares under the Preferential Offer.

Non-Qualifying China Smartpay Shareholders are those China Smartpay Shareholders with registered addresses in, or who are otherwise known by China Smartpay to be residents of any of the Specified Territories.

Accordingly, for the purposes of the Preferential Offer, the Non-Qualifying China Smartpay Shareholders are:

- (a) China Smartpay Shareholders whose names appeared in the register of members of China Smartpay at 4:00 p.m. on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and
- (b) China Smartpay Shareholders or Beneficial China Smartpay Shareholders on the Record Date who are otherwise known by China Smartpay to be resident in any of the Specified Territories.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Distribution of this Prospectus and the BLUE Application Forms

The **BLUE** Application Forms have been despatched to all Qualifying China Smartpay Shareholders. In addition, Qualifying China Smartpay Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under China Smartpay's corporate communications policy.

If a Qualifying China Smartpay Shareholder has elected to receive corporate communications from China Smartpay in printed form under China Smartpay's corporate communications policy or has not been asked to elect the means of receiving China Smartpay's corporate communications, a printed copy of this prospectus (in both English and Chinese versions) will be despatched to such Qualifying China Smartpay Shareholder.

If a Qualifying China Smartpay Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from China Smartpay, an electronic version of this prospectus which is identical to the printed prospectus can be accessed and downloaded from the websites of our Company at [www.ocg.com.hk](http://www.ocg.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the section entitled "HKEXnews > Listed Company Information > Latest Listed Company Information".

A Qualifying China Smartpay Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to Union Registrars Limited or by email to Union Registrars Limited at [ocg@unionregistrars.com.hk](mailto:ocg@unionregistrars.com.hk). Union Registrars Limited will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying China Smartpay Shareholder, free of charge, although such Qualifying China Smartpay Shareholder may not receive that printed copy of this prospectus before the close of the Public Offer and Preferential Offer.

Qualifying China Smartpay Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the Public Offer Underwriters as set out in "How to Apply for Public Offer Shares and Reserved Shares" of this prospectus.

Distribution of this prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Form(s), except to Qualifying China Smartpay Shareholders as specified in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Form(s) should not, in connection with the Preferential Offer, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of China Smartpay and our Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

### **Application procedures**

The procedures for application under and the terms and conditions of the Preferential Offer are set out in the section headed "How to Apply for Public Offer Shares and Reserved Shares" in this prospectus and on the **BLUE** Application Forms.

### **NO OVERSEAS REGISTRATION**

The documents issued and to be issued in connection with the Public Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong.

### **OFFER SIZE ADJUSTMENT OPTION**

Our Company is expected to grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) at any time before 5:00 p.m. (Hong Kong time) on the business day immediately before the date of the announcement of the final Offer Price, together with the indication of the levels of interest in the Placing, the level of applications in the Public Offer and Preferential Offer and the basis of allocation of the Public Offer Shares and the Reserved Shares, to require our Company to allot and issue at the Offer Price up to an aggregate of 37,500,000 additional Placing Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilizing) Rules of the SFO. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised with the consent of our Company, the Sole Global Coordinator may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 37,500,000 new Shares and the aggregate Offer Shares (including Shares which will be issued pursuant to the exercise of the Offer Size Adjustment Option) will represent approximately 3.61% and 27.71%, respectively, of our Company's enlarged issued share capital immediately after completion of the Share Offer, the Capitalisation Issue and the

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The additional net proceeds received from the placing of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in the same proportion in accordance with the allocations as disclosed in the section headed “Business objectives, future plans and use of proceeds” in this prospectus.

Our Company will disclose in the announcement of the final Offer Price, together with the indication of the levels of interest in the Placing, the level of applications in the Public Offer and Preferential Offer and the basis of allocation of the Public Offer Shares and the Reserved Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Sole Global Coordinator on behalf of the Placing Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Monday, 8 October 2018, and in any event, not later than 12:00 noon on Thursday, 11 October 2018.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.30 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer and the Preferential Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus and/or the number of the Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer and the Preferential Offer. In such a case, our Company will, as soon as practicable following the decision to make such extension or reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer and the Preferential Offer, cause there to be posted on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.ocg.com.hk](http://www.ocg.com.hk) notices of the extension or reduction of the indicative Offer Price range and/or the number of the Offer Shares. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range and/or the number of the Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Public Offer was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. In the absence of any notice and supplemental prospectus being published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ocg.com.hk](http://www.ocg.com.hk) of an extension or reduction in the indicative Offer Price range and/or the number of the Offer Shares as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer and the Preferential Offer, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Thursday, 11 October 2018, the Share Offer will not proceed and will lapse.

Announcement of the final Offer Price, together with the indication of the levels of interest in the Placing, the level of applications in the Public Offer and the Preferential Offer and the basis of allocation of the Public Offer Shares and the Reserved Shares is expected to be published on Monday, 15 October 2018.

### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.30 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share. Applicants under the Public Offer and the Preferential Offer should pay, on application, the maximum Offer Price of HK\$0.30 per Offer Share plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,030.23 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.30 per Offer Share, appropriate refund payments (including the related brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to Apply for Public Offer Shares and Reserved Shares" in this prospectus.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

#### 1. Listing

The Listing Division granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant upon the exercise of the Offer Size Adjustment option and any Shares which may be issued pursuant to the exercise of options

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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which may be granted under the Share Option Scheme) (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

### **2. Underwriting Agreements**

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Underwriting Agreements) not being terminated in accordance with the terms of these agreements or otherwise.

### **3. Price determination**

The Offer Price having been duly determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

In each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) or if not as stipulated by 8:00 a.m. (Hong Kong time) on the Listing Date or such other dates as the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If any of the conditions is not fulfilled or waived by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed “How to Apply for Public Offer Shares and Reserved Shares – 13. Despatch/collection of share certificates and refund monies” in this prospectus.

## **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **LISTING ON ANY OTHER STOCK EXCHANGE**

Our Directors are not considering any listing of our Shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of our Shares on any other overseas stock exchange.

### **DEALING**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Tuesday, 16 October 2018, it is expected that dealings in our Shares on GEM will commence at 9:00 a.m. on Tuesday, 16 October 2018.

Our Shares will be traded in board lots of 10,000 Shares each. Our Company will not issue any temporary document of title. The GEM stock code of our Shares is 8613.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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### A. APPLICATIONS FOR PUBLIC OFFER SHARES

#### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares (except in respect of Reserved Shares under the Preferential Offer).

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

Save as being a Qualifying China Smartpay Shareholder, none of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

#### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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If an application is made by a person under a power of attorney, our Company, the Sponsor, the Sole Global Coordinator and their respective agents may accept or reject your application at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest for any Placing Shares or otherwise participate in the Placing, except in respect of Reserved Shares under the Preferential Offer.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

### Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 27 September 2018 to 12:00 noon on Wednesday, 3 October 2018 from:

- (i) any of the following offices of the Public Offer Underwriters:

**Alpha Financial Group Limited**

Room A, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong

**RaffAello Securities (HK) Limited**

Unit 1701  
Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Central  
Hong Kong

**ChaoShang Securities Limited**

Rooms 4001–4002, 40/F  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

**AFG Securities Limited**

Room B, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong

**Pacific Foundation Securities Limited**

11/F  
New World Tower II  
16–18 Queen's Road Central  
Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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### **Fortune (HK) Securities Limited**

43/F Cosco Tower  
183 Queen's Road Central  
Hong Kong

### **Core Capital Securities Limited**

Rooms 1005–6, 10/F  
Infinitus Plaza  
199 Des Voeux Road Central  
Sheung Wan  
Hong Kong

- (ii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
Hong Kong Island	United Centre Branch	Shops 1015–1018 on 1/F & Shops 2032–2034 on 2/F United Centre, 95 Queensway Admiralty
	Queen's Road East – DBS Treasures Centre	Shop A, G/F Jonsim Place 228 Queen's Road East Wanchai
Kowloon	Yaumatei Branch	G/F & 1/F 131–137 Woosung Street Yaumatei
New Territories	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F Tuen Mun Town Plaza (II) 3 Tuen Lung Street Tuen Mun
	Yuen Long Branch	G/F, 1–5 Tai Tong Road Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 27 September 2018 until 12:00 noon on Wednesday, 3 October 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – Oriental Payment Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, 27 September 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, 28 September 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, 29 September 2018 – 9:00 a.m. to 1:00 p.m.
- Tuesday, 2 October 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 3 October 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 3 October 2018, the last application day or such later time as described in "9. Effect of bad weather on the opening of the application lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sponsor and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your

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application and will not rely on any other information or representations except those in any supplement to this prospectus;

- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing, except in respect of Reserved Shares applied under the Preferential Offer;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying except in respect of Reserved Shares applied under the Preferential Offer;
- (xvii) understand that our Company, the Sponsor, the Sole Global Coordinator and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
1/F., One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;

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- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, except in respect of Reserved Shares under the Preferential Offer;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sponsor, the Sole Global Coordinator and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Global Coordinator and the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum and the Articles of Association; and

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- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, 27 September 2018 – 9:00 a.m. to 8:30 p.m.
- Friday, 28 September 2018 – 8:00 a.m. to 8:30 p.m.
- Saturday, 29 September 2018 – 8:00 a.m. to 1:00 p.m.
- Tuesday, 2 October 2018 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 3 October 2018 – 8:00 a.m. to 12:00 noon

*Note:* The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 27 September 2018 until 12:00 noon on Wednesday, 3 October 2018 (24 hours daily, except Wednesday, 3 October 2018, on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 3 October 2018, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Wind Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Wind Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Wind Up and Miscellaneous Provisions) Ordinance).

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### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 3 October 2018.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are a Qualifying China Smartpay Shareholder applying for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, you may also make one application for Public Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant). However, in respect of any application for Public Offer Shares, you will not enjoy the preferential treatment accorded to you under the Preferential Offer as described in the section headed “ Structure and Conditions of the Share Offer – The Preferential Offer” in this prospectus.

### **B. APPLICATIONS FOR RESERVED SHARES**

#### **1. WHO CAN APPLY**

Only China Smartpay Shareholders whose names appeared on the register of members of China Smartpay as at 4:00 p.m. on the Record Date and who are not Non-Qualifying China Smartpay Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offer.

Non-Qualifying China Smartpay Shareholders are those China Smartpay Shareholders with registered addresses in, or who are otherwise known by China Smartpay to be residents of, jurisdictions outside Hong Kong as at 4:00 p.m. on the Record Date, in respect of whom the directors of China Smartpay and our Company, based on the enquiries made by them, consider it

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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necessary or expedient to exclude them from the Preferential Offer on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant China Smartpay Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

For the purposes of the Preferential Offer, the Non-Qualifying China Smartpay Shareholders are:

- (a) China Smartpay Shareholders whose names appeared in the register of members of China Smartpay as at 4:00 p.m. on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and
- (b) China Smartpay Shareholders or Beneficial China Smartpay Shareholders as at 4:00 p.m. on the Record Date who are otherwise known by China Smartpay to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms, our Company reserves the right to permit any China Smartpay Shareholder to take up his/her/its Preferential Entitlement to the Reserved Shares if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Qualifying China Smartpay Shareholders are entitled to apply on the basis of a Preferential Entitlement of one Reserved Share for every integral multiple of 82 China Smartpay Shares held by them as at 4:00 p.m. on the Record Date.

Qualifying China Smartpay Shareholders who hold less than 82 China Smartpay Shares as at 4:00 p.m. on the Record Date will not have a Preferential Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offer by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members' names, but not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a duly authorised person under a valid power of attorney, our Company and the Sole Global Coordinator, as our Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. Our Company and the Sole Global Coordinator, as our Company's agent, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- a Director or chief executive of our Company and/or any of our Company's subsidiaries;
- an associate of any of the above persons;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- a Non-Qualifying China Smartpay Shareholder.

### 2. HOW TO APPLY

An application for Reserved Shares under the Preferential Offer may only be made by Qualifying China Smartpay Shareholders using **BLUE** Application Forms which have been despatched to Qualifying China Smartpay Shareholders by our Company.

Qualifying China Smartpay Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Preferential Entitlement or may apply only for excess Reserved Shares under the Preferential Offer. Qualifying China Smartpay Shareholders who hold less than 82 China Smartpay Shares as at 4:00 p.m. on the Record Date and therefore will not have a Preferential Entitlement to the Reserved Shares but will still be entitled to participate in the Preferential Offer by applying only for excess Reserved Shares.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying China Smartpay Shareholder's Preferential Entitlement under the Preferential Offer will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms assuming the conditions of the Share Offer are satisfied.

Where a Qualifying China Smartpay Shareholder applies for a number of Reserved Shares which is greater than the Qualifying China Smartpay Shareholder's Preferential Entitlement under the Preferential Offer, the relevant Preferential Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying China Smartpay Shareholder applies for excess Reserved Shares only under the Preferential Offer, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying China Smartpay Shareholders (other than HKSCC Nominees) who intend to apply for less than their Preferential Entitlement using the **BLUE** Application Forms for Preferential Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If the number of Reserved Shares applied for is not one

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of the numbers set out in the table, you must calculate the correct amount payable on application by using the special formula set out in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

- (a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Global Coordinator, to the Placing;
- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there is an odd lot number of Shares left after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Sole Global Coordinator, to the Placing. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offer will not be subject to the reallocation arrangement between the Placing and the Public Offer.

Qualifying China Smartpay Shareholders who have applied for Reserved Shares under the Preferential Offer on the **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) for the Public Offer Shares in the Public Offer. However, Qualifying China Smartpay Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC under the Public Offer.

Persons who held their China Smartpay Shares as at 4:00 p.m. on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offer, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their China Smartpay Shares as at 4:00 p.m. on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offer, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

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### 3. DISTRIBUTION OF THIS PROSPECTUS AND THE BLUE APPLICATION FORMS

The **BLUE** Application Forms have been despatched to all Qualifying China Smartpay Shareholders to their addresses recorded on the register of members of China Smartpay as at 4:00 p.m. on the Record Date. In addition, Qualifying China Smartpay Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under China Smartpay's corporate communications policy.

If a Qualifying China Smartpay Shareholder has elected to receive corporate communications from China Smartpay in printed form under China Smartpay's corporate communications policy or has not been asked to elect the means of receiving China Smartpay's corporate communications, a printed copy of this prospectus (in both English and Chinese versions) will be despatched to such Qualifying China Smartpay Shareholder.

If a Qualifying China Smartpay Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from China Smartpay, an electronic version of this prospectus which is identical to the printed prospectus can be accessed and downloaded from the websites of our Company at [www.ocg.com.hk](http://www.ocg.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the section entitled "HKEXnews > Listed Company Information > Latest Listed Company Information".

A Qualifying China Smartpay Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to Union Registrars Limited or by email to Union Registrars Limited at [ocg@unionregistrars.com.hk](mailto:ocg@unionregistrars.com.hk). Union Registrars Limited will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying China Smartpay Shareholder, free of charge, although such Qualifying China Smartpay Shareholder may not receive that printed copy of this prospectus before the close of the Public Offer and Preferential Offer.

Qualifying China Smartpay Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the Public Offer Underwriters as set out in "– A. Applications for Public Offer Shares – 3. Applying for Public Offer Shares – Where to collect the prospectus and Application Forms" above.

Qualifying China Smartpay Shareholders who require a replacement **BLUE** Application Form should contact the Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong or on its hotline at (852) 2849 3399.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying China Smartpay Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offer, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of China Smartpay and our Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

#### 4. APPLYING BY USING BLUE APPLICATION FORMS

- (a) You may choose one of the four options on the **BLUE** Application Form when applying for Reserved Shares:
  - (i) Option 1: apply for a number of Reserved Shares that is equal to your Preferential Entitlement.
  - (ii) Option 2: apply for a number of Reserved Shares up to your Preferential Entitlement and excess Reserved Shares.
  - (iii) Option 3: apply for a number of Reserved Shares that is less than your Preferential Entitlement.
  - (iv) Option 4: Apply for a number of excess Reserved Shares only (e.g. if you hold less than 82 China Smartpay Shares as at 4:00 p.m. on the Record Date and therefore do not have an Preferential Entitlement but are still entitled to participate in the Preferential Offer by applying for excess Reserved Shares).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- (b) The **BLUE** Application Form will be rejected by our Company if:
- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
  - the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
  - in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorised officer or affixed with a company chop;
  - the cheque/banker's cashier order/**BLUE** Application Form is defective;
  - the **BLUE** Application Form for either Reserved Shares pursuant to the Preferential Entitlement or excess Reserved Shares is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order for each of the application for Preferential Entitlement and excess application for Reserved Shares;
  - the account name on the cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
  - the banker's cashier order was not issued by a licensed bank in Hong Kong, or did not have the applicant's name certified on the back by a person authorised by the bank;
  - the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
  - the name of the payee indicated on the cheque/banker's cashier order is not "Ting Hong Nominees Limited – Oriental Payment Preferential Offer";
  - the cheque has not been crossed "Account Payee Only";
  - the cheque was post-dated;
  - the applicant's payment is not made correctly or if the applicant pays by cheque or banker's cashier order, the cheque or banker's cashier order is dishonored on its first presentation;
  - the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- any alteration(s) to the application details on the **BLUE** Application Form has or have not been authorised by the signature(s) of the applicant(s);
  - the **BLUE** Application Form is completed by pencil;
  - the applicant does not fill in all the boxes in the option he/she/it chooses;
  - the applicant chooses more than one of the options on the **BLUE** Application Form;
  - our Company believes that by accepting the application, our Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or
  - our Company and the Sole Global Coordinator, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.
- (c) If you are applying for a number of Reserved Shares which is equal to your Preferential Entitlement (Option 1):
- Your application will be rejected by our Company if the amount on your cheque/ banker's cashier order does not match with the amount payable in Box B set out in the **BLUE** Application Form.
- (d) If you are applying for a number of Reserved Shares up to your Preferential Entitlement and excess Reserved Shares (Option 2):
- Your application will be rejected if the amount on the cheque/banker's cashier order does not match and is less than the amount payable in relation to your Preferential Entitlement applied for in your **BLUE** Application Form.
  - Your application for your Preferential Entitlement (if any) will be accepted in full but your application for excess Reserved Shares will be rejected if the amount on the cheque/banker's cashier order does not match and is more than the amount payable in relation to your Preferential Entitlement applied for but is less than the total amount payable in relation to both your Preferential Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- Your application will be accepted in full if the amount on the cheque/banker's cashier order does not match and is more than the total amount payable in relation to both your Preferential Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.
- (e) If you are applying for a number of Reserved Shares which is less than your Preferential Entitlement (Option 3):
- You are recommended to apply for Reserved Shares in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by our Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable as set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is not in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by our Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the special formula set out in the **BLUE** Application Form.
- (f) If you are applying for a number of excess Reserved Shares only (Option 4):
- You are recommended to apply for Reserved Shares in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by our Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable as set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is not in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by our Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the special formula set out in the **BLUE** Application Form.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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### 5. WHEN MAY APPLICATIONS BE MADE

#### (a) Applications on BLUE Application Form(s)

Your completed **BLUE** Application Form, together with a cheque or banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – Oriental Payment Preferential Offer" for the payment, should be deposited in the special collection boxes provided at the Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong at the following times:

- Thursday, 27 September 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, 28 September 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, 29 September 2018 – 9:00 a.m. to 1:00 p.m.
- Tuesday, 2 October 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 3 October 2018 – 9:00 a.m. to 12:00 noon.

#### (b) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 3 October 2018, the last application day or such later time as described in "9. Effect of bad weather on the opening of the application lists" in this section.

### 6. HOW MANY APPLICATIONS MAY BE MADE

You should refer to "A. Applications for Public Offer Shares – 7. How many applications can you make" above for the situations where you may make an application for Public Offer Shares under the Public Offer in addition to the application for Reserved Shares under the Preferential Offer.

### 7. ADDITIONAL TERMS AND CONDITIONS AND INSTRUCTIONS

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES AND RESERVED SHARES

The **WHITE**, **YELLOW** and **BLUE** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares and/or the Reserved Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the **WHITE** or **YELLOW** Application Forms.

If you are a Qualifying China Smartpay Shareholder applying for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, you may also submit one application for Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Public Offer – Determining the Offer Price” in this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 3 October 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 3 October 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the Preferential Offer and the basis of allocation of the Public Offer Shares and the Reserved Shares on Monday, 15 October 2018 on our Company's website at [www.ocg.com.hk](http://www.ocg.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/ passport/ Hong Kong business registration numbers of successful applicants under the Public Offer and the Preferential Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at [www.ocg.com.hk](http://www.ocg.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Monday, 15 October 2018;
- from the designated results of allocations website at [www.unioniporesults.com.hk](http://www.unioniporesults.com.hk) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 15 October 2018 to 12:00 mid-night on Sunday, 21 October 2018;
- by telephone enquiry line by calling (852)2843 6081 between 9:00 a.m. and 6:00 p.m. from Monday, 15 October 2018 to Friday, 19 October 2018 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 15 October 2018 to Thursday, 18 October 2018 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares and/or the Reserved Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

**11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES**

You should note the following situations in which the Public Offer Shares and/or the Reserved Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provision) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provision) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sponsor, the Sole Global Coordinator and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares and the Reserved Shares is void:**

The allotment of Public Offer Shares and the Reserved Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/ or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sponsor or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 25,000,000 Public Offer Shares (for Public Offer) or 20,000,000 Reserved Shares (for Preferential Offer, except for HKSCC Nominees).

### **12. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.30 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 15 October 2018.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares or Reserved Shares allotted to you under the Public Offer or Preferential Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** and/or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares and/or Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares and/or the Reserved Shares, wholly or partially unsuccessfully applied for; and/ or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Monday, 15 October 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. (Hong Kong time) on Tuesday, 16 October 2018 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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### Personal Collection

#### *(i) If you apply using a WHITE or BLUE Application Form*

If you apply for 1,000,000 or more Public Offer Shares or 1,000,000 or more Reserved Shares, and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 October 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or less than 1,000,000 Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 15 October 2018, by ordinary post and at your own risk.

#### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 15 October 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 15 October 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 October 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### *(iii) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 15 October 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/ passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Monday, 15 October 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 October 2018 or such other date as determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND RESERVED SHARES

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- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 15 October 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/ or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 15 October 2018.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-48, received from the Company's reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



**M A Z A R S**  
**中 审 众 环**

**MAZARS CPA LIMITED**  
**中審眾環(香港)會計師事務所有限公司**  
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## **INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ORIENTAL PAYMENT GROUP HOLDINGS LIMITED**

The Directors  
Oriental Payment Group Holdings Limited  
Ample Capital Limited

### **Introduction**

We report on the historical financial information of Oriental Payment Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages I-4 to I-48, which comprises the combined statements of financial position as at 31 March 2016, 2017 and 2018, the statement of financial position of the Company as at 31 March 2018, the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2016, 2017 and 2018 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-48 forms an integral part of this accountants' report, which has been prepared for inclusion in the prospectus of the Company dated 27 September 2018 (the "**Prospectus**") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. This accountants' report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this accountants' report. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of this accountants' report, a true and fair view of the financial position of the Group as at 31 March 2016, 2017 and 2018, the financial position of the Company as at 31 March 2018 and of the financial performance and cash flows of the Group for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on other matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Track Record Period.

***Preparation or audit of financial statements***

As at the date of this accountants' report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2018.

**Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 27 September 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA (the “**Historical Financial Statements**”) and were audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong*, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in HK dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

## COMBINED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	6	101,250	97,427	106,083
Cost of services rendered		<u>(74,821)</u>	<u>(72,068)</u>	<u>(75,676)</u>
<b>Gross profit</b>		26,429	25,359	30,407
Other income	7	87	31	61
General administrative expenses		(9,050)	(9,342)	(8,317)
Selling and distribution costs		(2,775)	(4,992)	(10,138)
Finance costs	8	(33)	(163)	(172)
Listing expenses		<u>–</u>	<u>–</u>	<u>(9,988)</u>
<b>Profit before tax</b>	8	14,658	10,893	1,853
Income tax expenses	11	<u>(4,358)</u>	<u>(2,300)</u>	<u>(2,947)</u>
<b>Profit (Loss) for the year</b>		<u>10,300</u>	<u>8,593</u>	<u>(1,094)</u>
<b>Attributable to:</b>				
Equity holders of the Company		7,635	8,593	(1,094)
Non-controlling interests		<u>2,665</u>	<u>–</u>	<u>–</u>
		<u>10,300</u>	<u>8,593</u>	<u>(1,094)</u>

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Profit (Loss) for the year</b>	10,300	8,593	(1,094)
<b>Other comprehensive (loss) income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign subsidiaries	<u>(1,416)</u>	<u>601</u>	<u>2,518</u>
<b>Total comprehensive income for the year</b>	<u><u>8,884</u></u>	<u><u>9,194</u></u>	<u><u>1,424</u></u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	<u>6,699</u>	<u>9,194</u>	<u>1,424</u>
Non-controlling interests	<u>2,185</u>	<u>–</u>	<u>–</u>
	<u><u>8,884</u></u>	<u><u>9,194</u></u>	<u><u>1,424</u></u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	14	2,806	7,936	11,999
Intangible assets	15	474	886	1,335
Deferred tax assets	20	–	–	279
		<u>3,280</u>	<u>8,822</u>	<u>13,613</u>
<b>Current assets</b>				
Trade receivables	16	16,624	10,265	42,311
Other receivables	16	8,331	3,373	7,740
Due from related parties	16	606	606	–
Income tax recoverable		–	70	666
Restricted funds	17	1,582	616	1,963
Bank balances and cash	18	11,173	15,150	21,664
		<u>38,316</u>	<u>30,080</u>	<u>74,344</u>
<b>Current liabilities</b>				
Trade payables	19	18,188	10,873	44,274
Other payables	19	3,677	1,462	2,650
Due to ultimate holding company	19	6,194	4,539	5,684
Withholding tax payable		–	–	582
Income tax payable		760	–	–
		<u>28,819</u>	<u>16,874</u>	<u>53,190</u>
<b>Net current assets</b>		<u>9,497</u>	<u>13,206</u>	<u>21,154</u>
<b>Total assets less current liabilities</b>		<u>12,777</u>	<u>22,028</u>	<u>34,767</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	20	1,213	1,213	1,213
Other long term liabilities	21	1,690	1,747	1,936
		<u>2,903</u>	<u>2,960</u>	<u>3,149</u>
<b>NET ASSETS</b>		<u>9,874</u>	<u>19,068</u>	<u>31,618</u>
<b>Capital and reserves</b>				
Share capital	22(a)	–	–	–
Reserves	23	9,874	19,068	31,618
<b>TOTAL EQUITY</b>		<u>9,874</u>	<u>19,068</u>	<u>31,618</u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		<b>At 31 March 2018 HK\$</b>
	<i>Note</i>	
<b>Current assets</b>		
Other receivables		1
		<u>1</u>
<b>NET CURRENT ASSETS AND NET ASSETS</b>		<b><u>1</u></b>
<b>Capital and reserves</b>		
Share capital	22(a)	1
Reserves	22(b)	–
		<u>1</u>
<b>TOTAL EQUITY</b>		<b><u>1</u></b>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 22(a))	Capital reserve HK\$'000 (Note 23(a))	Exchange reserve HK\$'000 (Note 23(b))	Statutory reserve HK\$'000 (Note 23(c))	Accumulated profits HK\$'000			
<i>Year ended 31 March 2016</i>								
<b>At 1 April 2015</b>	-	3,296	(382)	766	3,627	7,307	6,361	13,668
Profit for the year	-	-	-	-	7,635	7,635	2,665	10,300
<b>Other comprehensive loss</b>								
<i>Item that may be reclassified subsequently to profit or loss</i>								
Exchange difference on translation of foreign subsidiaries	-	-	(936)	-	-	(936)	(480)	(1,416)
Total comprehensive income for the year	-	-	(936)	-	7,635	6,699	2,185	8,884
<b>Transactions with owners</b>								
<i>Contribution and distributions</i>								
Transfer to statutory reserve	-	-	-	433	(433)	-	-	-
Dividends to shareholders (Note 13)	-	-	-	-	(6,666)	(6,666)	-	(6,666)
Dividends to non-controlling interests of subsidiaries (Note 13)	-	-	-	-	-	-	(4,938)	(4,938)
	-	-	-	433	(7,099)	(6,666)	(4,938)	(11,604)
<i>Change in ownership interests</i>								
Acquisition of additional interests in a subsidiary (Note 25)	-	-	-	-	2,534	2,534	(3,608)	(1,074)
<b>At 31 March 2016</b>	-	3,296	(1,318)	1,199	6,697	9,874	-	9,874

	Attributable to equity holders of the Company					Total	Non-controlling interests	Total
	Share capital	Capital reserve	Exchange reserve	Statutory reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 22(a))	(Note 23(a))	(Note 23(b))	(Note 23(c))				
<i>Year ended 31 March 2017</i>								
<b>At 1 April 2016</b>	–	3,296	(1,318)	1,199	6,697	9,874	–	9,874
Profit for the year	–	–	–	–	8,593	8,593	–	8,593
<b>Other comprehensive income</b>								
<i>Item that may be reclassified subsequently to profit or loss</i>								
Exchange difference on translation of foreign subsidiaries	–	–	601	–	–	601	–	601
Total comprehensive income for the year	–	–	601	–	8,593	9,194	–	9,194
<b>At 31 March 2017</b>	–	3,296	(717)	1,199	15,290	19,068	–	19,068

	Attributable to equity holders of the Company					Total	Non-controlling interests	Total
	Share capital	Capital reserve	Exchange reserve	Statutory reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 22(a))	(Note 23(a))	(Note 23(b))	(Note 23(c))				
<i>Year ended 31 March 2018</i>								
<b>At 1 April 2017</b>	–	3,296	(717)	1,199	15,290	19,068	–	19,068
Loss for the year	–	–	–	–	(1,094)	(1,094)	–	(1,094)
<b>Other comprehensive income</b>								
<i>Item that may be reclassified subsequently to profit or loss</i>								
Exchange difference on translation of foreign subsidiaries	–	–	2,518	–	–	2,518	–	2,518
Total comprehensive income for the year	–	–	2,518	–	(1,094)	1,424	–	1,424
<b>Transactions with owners</b>								
<i>Contribution and distributions</i>								
Listing expenses borne by China Smartpay (as defined in Note 1) (Note 23(a))	–	11,126	–	–	–	11,126	–	11,126
<b>At 31 March 2018</b>	–	14,422	1,801	1,199	14,196	31,618	–	31,618

## COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	<b>Year ended 31 March</b>		
		<b>2016</b>	<b>2017</b>	<b>2018</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>				
Cash generated from operations	24	12,874	14,992	15,415
Income tax paid		(3,759)	(3,192)	(3,376)
Interest paid		(33)	–	(335)
Interest received		82	29	54
<b>Net cash from operating activities</b>		<u>9,164</u>	<u>11,829</u>	<u>11,758</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment		(1,343)	(7,542)	(6,247)
Purchase of intangible assets		–	(419)	(589)
<b>Net cash used in investing activities</b>		<u>(1,343)</u>	<u>(7,961)</u>	<u>(6,836)</u>
<b>FINANCING ACTIVITIES</b>				
Dividends paid	13	(11,604)	–	–
Acquisition of additional interests in a subsidiary	25	(1,074)	–	–
Payment for cancellation of old preference shares of a subsidiary		(364)	–	–
Proceeds from issuance of new preference shares by a subsidiary		1,690	–	–
<b>Net cash used in financing activities</b>		<u>(11,352)</u>	<u>–</u>	<u>–</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(3,531)</u>	<u>3,868</u>	<u>4,922</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>15,647</u>	<u>11,173</u>	<u>15,150</u>
Effect on exchange rate changes		(943)	109	1,592
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>		<u><u>11,173</u></u>	<u><u>15,150</u></u>	<u><u>21,664</u></u>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Oriental Payment Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The Company's principal place of business is situated at Unit 2606, 26/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. During the Track Record Period, the Group is principally engaged in merchant acquiring business in Thailand.

At the date of this report, the immediate holding company of the Company is Charm Act Group Limited ("Charm Act"), which is incorporated in the British Virgin Islands (the "BVI"). In the opinion of the directors of the Company, the ultimate holding company is China Smartpay Group Holdings Limited ("China Smartpay" or the "Ultimate Controlling Party"), which is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of the Stock Exchange.

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 18 September 2018, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus issued in connection with the initial listing of shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

The particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct/indirect interests are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Effective ownership interests held by the Company			Principal activities/ place of operation
			31 March 2016	31 March 2017	31 March 2018	
<i>Directly held by the Company</i>						
Oriental City Group Thailand Limited ("OCG Thailand (BVI)")	The BVI, 7 May 2007	Ordinary, United States Dollars ("US\$") 100	100%	100%	100%	Investment holding/ Hong Kong
<i>Indirectly held by the Company</i>						
OCGC Payment Co., Ltd. ("OCGC Payment")	Cambodia, 18 July 2017	Ordinary, Cambodian Riels ("Riels") 40,000,000	N/A	N/A	100%	Not yet commence business/ Cambodia
OCG Hong Kong Limited ("OCG HK")	Hong Kong, 6 November 2013	Ordinary, Hong Kong Dollars ("HK\$") 10,000	100%	100%	100%	Marketing and administrative services/ Hong Kong
Oriental City Group Asia Pacific Limited ("OCG Asia Pacific")	The BVI, 8 September 2011	Ordinary, US\$1	100%	100%	100%	Investment holding/ Hong Kong
Oriental City Group (Thailand) Co., Ltd. ("OCG Thailand")	Thailand, 27 September 2004	Ordinary, Thai Baht ("Baht") 7,500,000 Preference, Baht 7,650,000 <Remark>	100%	100%	100%	Merchant acquiring business/ Thailand

The above information of ownership interests is presented as if the current group structure had always been in existence throughout the Track Record Period or since the respective date of establishment or incorporation where applicable.

All entities comprising the Group have adopted 31 March as their financial period end date.

*<Remark>*

Upon completion of the capital restructuring exercises as stated in Note 25 to the Historical Financial Information, at 31 March 2016, 2017 and 2018, OCG Thailand's share capital is comprised of ordinary share capital of Baht 7,500,000 (equivalent to approximately HK\$1,561,000 at 31 March 2016, 2017 and 2018 respectively) and preference share capital of Baht 7,650,000 (equivalent to approximately HK\$1,690,000, HK\$1,747,000 and HK\$1,936,000 at 31 March 2016, 2017 and 2018 respectively).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on any resolution of OCG Thailand.

The holder of preference shares, who is a Thai citizen, has the following rights:

- one vote for every ten shares held on any resolution of OCG Thailand;
- the right to receive cumulative dividend declared by OCG Thailand at the rate of 9.5% per annum on paid up value of the shares issued, prior to the ordinary shares; and
- the right to receive the distribution of the share capital, in the case of the winding up of OCG Thailand, prior to the ordinary shares, but limited to the paid up amount of the preference shares.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in the Historical Financial Information in accordance with applicable accounting standards because, although they are not redeemable, the holders of which are entitled to receive 9.5% (per annum) cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

Therefore, the results and financial position of OCG Thailand are included in the Historical Financial Information, after accounting for the paid up value of the preference shares issued and its related cumulative dividend, to the extent of 100% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares indirectly held by the Company through OCG Thailand (BVI) and OCG Asia Pacific.

Except for the preference share capital as issued by OCG Thailand, none of the subsidiaries had any debt securities outstanding at 31 March 2016, 2017 and 2018, or at any time during the Track Record Period.

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that fall into the Track Record Period have been audited as follows:

<b>Subsidiary</b>	<b>Financial period</b>	<b>Auditors</b>
OCG HK	Years ended 31 March 2016, 2017 and 2018	Mazars CPA Limited
OCG Thailand	Years ended 31 March 2016, 2017 and 2018	Mazars Limited

No statutory audited financial statements have been prepared by OCGC Payment as they are not yet due for issuance as of the date of this report.

No statutory audited financial statements have been prepared by OCG Thailand (BVI) and OCG Asia Pacific for the period from their respective dates of incorporation to the date of this report as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

## 2. BASIS OF PREPARATION AND PRESENTATION

In preparation for the initial listing of shares of the Company on GEM of the Stock Exchange, the Group underwent the Reorganisation to rationalise the structure of the Group which involves the following major steps:

- a. Before the Reorganisation, OCG Thailand (BVI) was owned as to 70%, 21% and 9% by Charm Act, Straum Investments Limited (“Straum Investments”), a company directly owned by Mr. Yu Chun Fai (“Mr. Yu”), and Original Fortune Group Limited (“Original Fortune”), a company directly owned by Mr. Sung Hak Keung, Andy; and
- b. On 19 January 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of its incorporation, (i) one share was issued to the initial subscriber, which was immediately transferred to Charm Act; and (ii) 69, 21 and 9 shares were further allotted to Charm Act, Straum Investments and Original Fortune respectively. On 18 September 2018, the Company acquired the entire equity interest of OCG Thailand (BVI). Thereafter, the Company became the holding company of the companies comprising the Group.

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are ultimately controlled by the Ultimate Controlling Party. The Group’s business is mainly conducted through OCG Thailand and OCG HK while the Company and other entities within the Group have not been involved in any other significant activities prior to the Reorganisation. Because the Reorganisation did not result in any change in the ultimate control of the Group’s business and the resources employed by the Group’s business, the Group is regarded as a continuing entity and, therefore the Reorganisation is considered to be a restructuring of entities and business under common control.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed “Merger accounting for business combinations involving entities under common control” in Note 3 to the Historical Financial Information, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the current group structure had always been in existence throughout the Track Record Period or since their respective date of establishment or incorporation where applicable.

Details of the significant accounting policies adopted by the Group are set out in Note 3 to the Historical Financial Information.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms with HKFRSs, which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Historical Financial Information also complies with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Period. For the purpose of the Historical Financial Information, the Group has consistently adopted all these new/revised HKFRSs that are relevant to its operations and are effective during the Track Record Period.

A summary of the principal accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

### Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost.

**Basis of consolidation for non-common control business combinations**

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

***Allocation of total comprehensive income***

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

***Changes in ownership interests***

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

**Merger accounting for business combinations involving entities under common control**

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised directly in equity as part of the capital reserve. The Historical Financial Information includes the results of each of the combining entities or businesses from the earliest date presented

or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

### **Subsidiaries**

A subsidiary is an entity that is 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. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less accumulated impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. 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 and depreciated separately:

Office equipment, including POS terminals	3–5 years
Leasehold improvements	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

### **Intangible assets**

#### ***Computer software***

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over the estimated useful lives of 5 years.

#### ***Payment network membership***

The initial cost of payment network membership is capitalised. Payment network membership with indefinite useful lives is carried at cost less accumulated impairment losses.

### **Financial instruments**

#### ***Recognition and derecognition***

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

#### ***Classification and measurement***

Financial assets and financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

##### ***(1) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

##### ***(2) Financial liabilities***

The Group's financial liabilities, except for financial liabilities at fair value through profit or loss (if any), are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### ***Impairment of financial assets***

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **Share capital**

Ordinary shares are classified as equity. Preference shares are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preference shares that are not redeemable, or are redeemable only at the Group's option; and any dividend payments are discretionary, are classified as equity.

**Cash equivalents**

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Merchant acquiring transaction fee income (“MDR income”) is generally recognised on an accruals basis when the service has been provided, which generally coincides with the time when the transactions are approved and executed.

Foreign exchange rate discount income is recognised when the foreign currency denominated funds are received from the merchant acquiring business partner who offered a favourable exchange rate in settling its outstanding payable to the Group and converted into local currency which is usually on every business day.

Marketing service income is recognised when services are rendered.

**Foreign currency translation**

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information is presented in the currency of Hong Kong Dollars (“HK\$”), which is also the Company’s functional currency, and rounded to the nearest thousands unless otherwise stated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency (“foreign operations”) are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of each reporting period;
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised as a separate component of equity;
- On the disposal of a foreign operation, which includes a disposal of the Group’s entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

#### **Impairment of non-financial assets**

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and intangible assets may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives and intangible assets that are not yet available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as an income in profit or loss immediately.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

#### **Employee benefits**

##### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

##### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group's entities established in Hong Kong in an independently administered fund.

In accordance with the rules and regulations in Thailand, the employees of OCG Thailand are required to participate in defined contribution retirement plans organised by local governments. Contributions to those plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

**Taxation**

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**Related parties**

A related party is a person or entity that is related to the Group.

- (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 of the holding company of the Group.
- (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 holding company, 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).
  - (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. If the Group is itself such a plan, the sponsoring employers are also 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 holding company 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 holding company of the Group.

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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### **Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Operating segments that meet the quantitative thresholds 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 type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Other operating segments may be aggregated if they share a majority of these criteria.

### **Critical accounting estimates and judgements**

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

#### **(a) Critical judgements made in applying accounting policies**

##### *(i) Subsidiary – OCG Thailand*

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the "FBA"), OCG Thailand, being a company engaged in third party merchant acquiring business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the capital and voting rights structure of ordinary shares and preference shares (together the "Preference Shares Structure") of OCG Thailand as described in Note 1 to the Historical Financial Information, the majority of OCG Thailand's issued capital, including ordinary and preference share capital, is owned by a Thai citizen. However, the Company is able to exercise more than 50% voting power in any shareholders' meetings of OCG Thailand.

The Company's Thailand Legal Adviser, Kennedys (Thailand) Limited, has confirmed that the Preference Shares Structure is in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of similar capital structure of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon the management's judgement on the Preference Shares Structure, the Company accounts for OCG Thailand as a subsidiary on the ground that it is able to control OCG Thailand by exercising its majority voting power in any shareholders' meetings of OCG Thailand.

**(b) Key sources of estimation uncertainty**

*(i) Useful lives of property, plant and equipment and intangible assets*

The management determines the estimated useful lives of the Group's property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

*(ii) Impairment of property, plant and equipment and intangible assets*

The management determines whether the Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

*(iii) Impairment of financial assets*

The management determines the provision for impairment of the Group's financial assets based on the current creditworthiness and the past collection history of each individual debtor and the current market condition. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision may be required.

*(iv) Income tax*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will result in additional income tax and deferred tax provision in the period in which such determination is made.

#### 4. FUTURE CHANGES IN HKFRSs

At the date of this report, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the Track Record Period, which the Group has not early adopted.

Annual Improvement to HKFRSs	<i>2014–2016 Cycle: HKFRS 1 and HKAS 28</i> <sup>1</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Annual Improvement to HKFRSs	<i>2015–2017 Cycle</i> <sup>2</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
Amendments to HKAS 19	<i>Employee benefits</i> <sup>2</sup>
Amendments to HKAS 28	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</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 1 January 2021

<sup>4</sup> The effective date of the amendments to be determined

Except for HKFRS 9, HKFRS 15 and HKFRS 16 as set out below, the management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's combined/consolidated financial statements in the future.

#### HKFRS 9

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

Key requirement of HKFRS 9 which is relevant to the Group is the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under 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.

Based on the Group's existing financial instruments and risk management policies, the management of the Group preliminarily anticipates that the application of HKFRS 9 in the future may have an impact on the Group's financial assets. In particular, the expected credit loss model may result in earlier recognition of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The Group will adopt HKFRS 9 from the annual periods beginning on 1 April 2018 (the new standard is effective for the annual period beginning on or after 1 January 2018), with practical expedients permitted under the standard, and accordingly will not restate comparative periods in the year of initial application. Considered that the major debtor is an authorised financial institution with high credit ratings and there is no history of default or late payment, the directors have anticipated that the implementation of the expected credit loss model is not expected to result in any significant impact on the amounts reported in respect of the Group's financial performance and position upon initial adoption of HKFRS 9.

**HKFRS 15**

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of 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, HKFRS 15 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 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 HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group will adopt HKFRS 15 using modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the opening retained profits at 1 April 2018 (the new standard is effective for the annual period beginning on or after 1 January 2018), if any, and the comparative information will not be restated.

The management of the Group considered that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

**HKFRS 16**

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in Note 30 to the Historical Financial Information, at 31 March 2016, 2017 and 2018, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises amounted to approximately HK\$159,000, HK\$91,000 and HK\$20,000 respectively. The management of the Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use

assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's combined statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statements of cash flows.

## 5. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on merchant acquiring business in Thailand during the Track Record Period. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs that are regularly reviewed by the executive directors of the Company, the chief operating decision maker. They review the results of the Group as a whole in order to assess financial performance and allocation of resources. Accordingly, the operation of the Group constitutes only one single operating segment and no further analysis of this single segment is presented.

### Geographical information

The Group's operation is mainly located in Thailand.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("Specified Non-current Assets"). The geographical location of revenue is based on the location of the merchants. The geographical location of Specified Non-current Assets is based on the physical location of the assets (in the case of intangible assets, the location of operations).

#### (a) Revenue from external customers

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
The PRC	–	–	576
Thailand	101,250	97,427	105,507
	<u>101,250</u>	<u>97,427</u>	<u>106,083</u>

#### (b) Specified Non-current Assets

	At 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Hong Kong	32	27	52
Thailand	3,248	8,795	13,282
	<u>3,280</u>	<u>8,822</u>	<u>13,334</u>

**Information about major customers**

Revenue from customers individually contributing over 10% or more of the total revenue of the Group during the Track Record Period is as follows:

	<b>Year ended 31 March 2016</b>
	<i>HK\$'000</i>
Customer A and its affiliates	28,161
Customer B and its affiliates	23,759
Customer C and its affiliates	17,672
	<u>          </u>
	<u>          </u>
	<b>Year ended 31 March 2017</b>
	<i>HK\$'000</i>
Customer A and its affiliates	47,718
Customer B and its affiliates	22,739
	<u>          </u>
	<u>          </u>
	<b>Year ended 31 March 2018</b>
	<i>HK\$'000</i>
Customer A and its affiliates	51,322
Customer B and its affiliates	24,050
	<u>          </u>
	<u>          </u>

**6. REVENUE**

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
MDR income	77,491	74,688	81,457
Foreign exchange rate discount income	23,759	22,739	24,050
Marketing service income	—	—	576
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>101,250</u>	<u>97,427</u>	<u>106,083</u>

**7. OTHER INCOME**

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	82	29	54
Others	5	2	7
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>87</u>	<u>31</u>	<u>61</u>

## 8. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>(a) Finance costs</b>			
Finance costs on other long-term liabilities	33	163	172
<b>(b) Staff costs, including key management's remuneration</b>			
Salaries, allowances and other short-term employee benefits	3,323	3,494	3,494
Contributions to defined contribution plans	84	87	84
	<u>3,407</u>	<u>3,581</u>	<u>3,578</u>
<b>(c) Key management's remuneration, including directors' remuneration</b>			
Salaries, allowances and other short-term employee benefits	319	460	533
Contributions to defined contribution plans	–	2	5
	<u>319</u>	<u>462</u>	<u>538</u>
<b>(d) Other items</b>			
Auditor's remuneration	112	92	184
Amortisation of intangible assets (included in "Selling and distribution costs")	–	22	221
Depreciation of property, plant and equipment	1,429	2,465	2,846
Exchange (gain) loss, net	(52)	92	100
Loss on disposal of property, plant and equipment	29	–	–
OCGC Payment's preliminary expenses	–	–	291
Operating lease payments on premises #	1,154	1,107	721
Operating lease payment on property, plant and equipment	–	328	814

# Starting from January 2017, the Group shared the office in Hong Kong with ultimate holding company and bore 50% (prior to January 2017: 100%) of its operating lease payments.

## 9. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 19 January 2018 and on the same day, Mr. Yu and Mr. Xiong Wensen were appointed as directors and redesignated as the executive director and the non-executive director of the Company on 6 February 2018 respectively. Ms. Huang Ping, Mr. Ng Ka Po and Mr. Chung Wai Chuen Alfred were appointed as independent non-executive directors of the Company on 18 September 2018.

The executive director of the Company, Mr. Yu, received remuneration from the entities now comprising the Group during the Track Record Period for his appointment as an employee of these entities. The aggregate amounts of remuneration received and receivable by the executive director of the Company during the Track Record Period are set out below. No remunerations were paid to other directors of the Company during the Track Record Period.

## Year ended 31 March 2016

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other short-term employee benefits <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Yu	–	120	–	–	120

## Year ended 31 March 2017

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other short-term employee benefits <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Yu	–	120	–	–	120

## Year ended 31 March 2018

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other short-term employee benefits <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Yu	–	120	–	–	120

During the Track Record Period, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

**10. FIVE HIGHEST PAID INDIVIDUALS**

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Number of individuals		
	Year ended 31 March		2018
	2016	2017	
Director	1	–	–
Non-director	4	5	5
	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other short-term employee benefits	1,661	1,929	1,737
Contributions to defined contribution plans	62	65	50
	<u>1,723</u>	<u>1,994</u>	<u>1,787</u>

The remuneration paid to each of the above individuals during the Track Record Period fell within the band of Nil to HK\$1,000,000.

During the Track Record Period, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any remuneration during the Track Record Period.

## 11. TAXATION

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Current tax</b>			
Thailand Enterprise Income Tax	3,216	2,300	1,995
Withholding tax on dividend declared by a foreign subsidiary	741	–	1,231
	<u>3,957</u>	<u>2,300</u>	<u>3,226</u>
<b>Deferred tax unutilised</b>			
Recognition of tax losses ( <i>Note 20</i> )	–	–	(279)
Withholding tax on undistributed earnings of a foreign subsidiary ( <i>Note 20</i> )	401	–	–
	<u>401</u>	<u>–</u>	<u>(279)</u>
Income tax expenses for the year	<u>4,358</u>	<u>2,300</u>	<u>2,947</u>

**(a) Hong Kong Profits Tax**

Hong Kong Profits Tax at the rate of 16.5% has not been provided for the year ended 31 March 2016 as the Group has incurred a loss for taxation purpose.

Hong Kong Profits Tax at the rate of 16.5% has not been provided for the years ended 31 March 2017 and 2018 as the Group's estimated assessable profits arising in or derived from Hong Kong are wholly absorbed by unrelieved tax losses brought forward from previous years.

**(b) Income taxes outside Hong Kong**

The group entities established in the Cayman Islands and the BVI are exempted from income tax of the respective jurisdiction.

During the Track Record Period, Thailand Enterprise Income Tax has been provided at the rate of 20% on the estimated assessable profits of the operation of OCG Thailand arising from Thailand.

From the date of incorporation to 31 March 2018, Cambodia Corporate Income at the rate of 20% tax has not been provided as OCGC Payment has not yet commenced its business.

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

Dividends payable by an enterprise in Cambodia to its foreign investors are subject to a 14% withholding tax.

*Reconciliation of income tax expenses*

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Profit before tax	14,658	10,893	1,853
Income tax at applicable tax rate	2,977	2,171	655
Non-deductible expenses	25	4	1,620
Tax exempt revenue	(41)	(1)	(9)
Unrecognised tax losses	206	–	–
Utilisation of previously unrecognised tax losses	–	(39)	(273)
Recognition of previously unrecognised tax losses	–	–	(279)
Withholding tax on dividends declared by a foreign subsidiary	741	–	1,231
Withholding tax on undistributed earnings of a foreign subsidiary	401	–	–
Others	49	165	2
Income tax expenses for the year	4,358	2,300	2,947

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries which the Group operates.

**12. EARNINGS PER SHARE**

No earnings per share information is presented, as its inclusion, for the purpose of this report, is not considered meaningful.

**13. DIVIDENDS**

No dividend was paid or declared by the Company since its incorporation.

During the year ended 31 March 2016, total dividend of approximately HK\$11,604,000 were declared and distributed by (i) OCG Thailand to the non-controlling interests amounted to approximately Baht 22,714,000 (equivalent approximately to HK\$4,938,000) and (ii) OCG Thailand (BVI) to Charm Act, Straum Investments and Original Fortune amounted to approximately HK\$4,666,000, HK\$1,400,000 and HK\$600,000 respectively.

Dividend per share is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment# <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reconciliation of carrying amount – Year ended 31 March 2016</b>			
At 1 April 2015	3,140	–	3,140
Additions	1,162	181	1,343
Disposals	(29)	–	(29)
Depreciation	(1,368)	(61)	(1,429)
Exchange realignments	(219)	–	(219)
	<u>2,686</u>	<u>120</u>	<u>2,806</u>
At 31 March 2016	<u>2,686</u>	<u>120</u>	<u>2,806</u>
<b>Reconciliation of carrying amount – Year ended 31 March 2017</b>			
At 1 April 2016	2,686	120	2,806
Additions	7,542	–	7,542
Depreciation	(2,404)	(61)	(2,465)
Exchange realignments	50	3	53
	<u>7,874</u>	<u>62</u>	<u>7,936</u>
At 31 March 2017	<u>7,874</u>	<u>62</u>	<u>7,936</u>
<b>Reconciliation of carrying amount – Year ended 31 March 2018</b>			
At 1 April 2017	7,874	62	7,936
Additions	6,247	–	6,247
Depreciation	(2,782)	(64)	(2,846)
Exchange realignments	660	2	662
	<u>11,999</u>	<u>–</u>	<u>11,999</u>
At 31 March 2018	<u>11,999</u>	<u>–</u>	<u>11,999</u>
<b>At 31 March 2016</b>			
Cost	8,787	241	9,028
Accumulated depreciation	(6,101)	(121)	(6,222)
	<u>2,686</u>	<u>120</u>	<u>2,806</u>
<b>At 31 March 2017</b>			
Cost	16,621	249	16,870
Accumulated depreciation	(8,747)	(187)	(8,934)
	<u>7,874</u>	<u>62</u>	<u>7,936</u>
<b>At 31 March 2018</b>			
Cost	24,662	276	24,938
Accumulated depreciation	(12,663)	(276)	(12,939)
	<u>11,999</u>	<u>–</u>	<u>11,999</u>

# Office equipment includes POS terminals.

## 15. INTANGIBLE ASSETS

	Computer software <i>HK\$'000</i>	Payment network membership <Remark> <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reconciliation of carrying amount – Year ended 31 March 2016</b>			
At 1 April 2015	–	–	–
Additions	474	–	474
	<u>474</u>	<u>–</u>	<u>474</u>
As 31 March 2016	<u>474</u>	<u>–</u>	<u>474</u>
<b>Reconciliation of carrying amount – Year ended 31 March 2017</b>			
At 1 April 2016	474	–	474
Additions	419	–	419
Amortisation	(22)	–	(22)
Exchange realignments	15	–	15
	<u>886</u>	<u>–</u>	<u>886</u>
At 31 March 2017	<u>886</u>	<u>–</u>	<u>886</u>
<b>Reconciliation of carrying amount – Year ended 31 March 2018</b>			
At 1 April 2017	886	–	886
Additions	260	329	589
Amortisation	(221)	–	(221)
Exchange realignments	81	–	81
	<u>1,006</u>	<u>329</u>	<u>1,335</u>
At 31 March 2018	<u>1,006</u>	<u>329</u>	<u>1,335</u>
<b>At 31 March 2016</b>			
Cost	474	–	474
Accumulated amortisation and impairment loss	–	–	–
Net book value	<u>474</u>	<u>–</u>	<u>474</u>
<b>At 31 March 2017</b>			
Cost	908	–	908
Accumulated amortisation and impairment loss	(22)	–	(22)
Net book value	<u>886</u>	<u>–</u>	<u>886</u>
<b>At 31 March 2018</b>			
Cost	1,267	329	1,596
Accumulated amortisation and impairment loss	(261)	–	(261)
Net book value	<u>1,006</u>	<u>329</u>	<u>1,335</u>

**<Remark>**

The useful life of the payment network membership is determined to be indefinite because the Group is able to renew the payment network membership without incurring significant cost that there is no foreseeable limit to the period over which the payment network membership is expected to generate net cash inflows for the Group.

At 31 March 2018, based on the cash flow projection of the Group for next three years which the budgeted revenue and the budgeted selling and distribution costs and general administrative expenses ("S&A expenses") were key parameters, the total recoverable amount would be significantly higher than the total carrying value of property, plant and equipment and intangible assets (including the payment network membership) at 31 March 2018.

The sensitivity analysis on the cash flow projection of the Group is set out below:

**Sensitivity Analysis****Revenue**

If the revenue had been increased/decreased by the following percentages with all other variables held constant, the surplus compared with the carrying amounts is set out as follow:

	1.25%		2.50%		5.00%	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Surplus of the recoverable amount compared with carrying value	22,094	13,741	26,270	9,565	34,623	1,212

**S&A expenses**

If the S&A expenses had been increased/decreased by the following percentages with all other variables held constant, the surplus compared with the carrying amounts is set out as follow:

	6%		12%		24%	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Surplus of the recoverable amount compared with carrying value	14,259	21,576	10,600	25,235	3,283	32,552

The following sensitivity analysis demonstrates the change in key assumptions which would cause the carrying amount of the property, plant and equipment and intangible assets exceeds the recoverable amount:

If the revenue had been decreased by 5.4% with all other variables held constant, the carrying amount of the property, plant and equipment and intangible assets would exceed its recoverable amount.

If the S&A expenses had been increased by 29.4% with all other variables held constant, the carrying amount of the property, plant and equipment and intangible assets would exceed its recoverable amount.

Management determined the budgeted revenue and the budgeted S&A expenses based on their expectations of market developments and management's expectations. At 31 March 2018, the estimated recoverable amount of the property, plant and equipment and intangible assets (including the payment

network membership) exceeded the carrying value and the directors are of the opinion that there was no impairment of the property, plant and equipment and intangible assets (including the payment network membership) at 31 March 2018. The directors are not aware of any indication of impairment of the property, plant and equipment and intangible asset at 31 March 2018. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

## 16. TRADE AND OTHER RECEIVABLES

	Note	At 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Trade receivables</b>				
From third parties	16(a)	16,624	10,265	42,311
<b>Other receivables</b>				
Deposits		5,758	436	695
Prepayments		2,366	2,188	5,658
Other debtors		207	749	1,387
		<u>8,331</u>	<u>3,373</u>	<u>7,740</u>
<b>Due from related parties</b>				
Due from intermediate holding company	16(b)	1	1	–
Due from fellow subsidiaries	16(b)	605	605	–
		<u>606</u>	<u>606</u>	<u>–</u>

### 16(a) Trade receivables

The Group allows a credit period up to 90 days to its trade debtors. At the end of each reporting period, the ageing analysis of the trade receivables prepared based on transaction date or date of services rendered, is as follows:

	At 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Less than 1 month	<u>16,624</u>	<u>10,265</u>	<u>42,311</u>

At the end of each reporting period, the ageing analysis of the trade receivables by due date, prepared based on contractual due date, is as follows:

	At 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Current	<u>16,624</u>	<u>10,265</u>	<u>42,311</u>

The trade receivables (including past due receivables) are assessed not to be impaired as there has not been a significant change in credit quality and the directors of the Company believe that the amounts are fully recoverable. The Group does not hold any collateral over these balances.

Included in trade and other receivables are the following amounts denominated in a currency other than the respective functional currency of the Group's entities:

	At 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
US\$	16,624	10,265	42,311

#### 16(b) Due from intermediate holding company/fellow subsidiaries

The amounts due were non-trade in nature, unsecured, interest-free and repayable on demand. The amounts had been fully transferred to amount due to ultimate holding company at 31 March 2018.

#### 17. RESTRICTED FUNDS

The amounts represent bank balances in Thailand maintained solely for the purpose of settlement of outstanding trade payables for the merchant acquiring business pursuant to the agreements signed with a merchant acquiring business partner and the balance cannot be used by the Group for any other purposes. The restricted bank balances are denominated in Baht.

#### 18. BANK BALANCES AND CASH

	At 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank balances and cash are denominated in:			
HK\$	1,971	465	13,505
Baht	9,202	14,685	7,549
US\$	–	–	610
	<u>11,173</u>	<u>15,150</u>	<u>21,664</u>

#### 19. TRADE AND OTHER PAYABLES

	<i>Note</i>	At 31 March		
		2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Trade payables</b>				
To third parties	19(a)	<u>18,188</u>	<u>10,873</u>	<u>44,274</u>
<b>Other payables</b>				
Accruals and other payables		<u>3,677</u>	<u>1,462</u>	<u>2,650</u>
<b>Due to ultimate holding company</b>	19(b)	<u>6,194</u>	<u>4,539</u>	<u>5,684</u>

##### 19(a) Trade payables

All trade payables are aged within 30 days, based on transaction date, at the end of each reporting period.

The creditors allow a credit period up to 30 days to the Group.

**19(b) Due to ultimate holding company**

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. The amount had been fully settled by offsetting against the portion of listing expenses borne and to be borne by ultimate holding company.

**20. DEFERRED TAXATION**

The movement in the Group's deferred tax (assets) liabilities for the Track Record Period was as follows:

**Withholding tax on undistributed earnings of a foreign subsidiary**

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
At the beginning of the reporting period	812	1,213	1,213
Charge to profit or loss (Note 11)	401	–	–
<b>At the end of the reporting period</b>	<b>1,213</b>	<b>1,213</b>	<b>1,213</b>

**Tax losses**

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
At the beginning of the reporting period	–	–	–
Credit to profit or loss (Note 11)	–	–	(279)
<b>At the end of the reporting period</b>	<b>–</b>	<b>–</b>	<b>(279)</b>

Recognised deferred tax (assets) liabilities at the end of each reporting period represent the following:

	At 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Assets</b>			
Tax losses	–	–	(279)
<b>Liabilities</b>			
Withholding tax on undistributed earnings of a foreign subsidiary	1,213	1,213	1,213

At the end of each reporting period, deferred tax liabilities of approximately HK\$1,213,000 has been recognised for the future withholding tax implications of the portion of undistributed earnings of OCG Thailand that may be distributed in the foreseeable future. Started from 1 April 2016, certain retained earnings of OCG Thailand are kept for financing the continuing operations with reference to the working capital level. After considering the remaining retained earnings available for distribution in the foreseeable future, no provision for additional deferred taxation has been made for the years ended 31 March 2017 and 2018.

For those retained earnings required for financing the continued operation, such retained earnings would be subject to additional taxation if they are distributed. At 31 March 2017 and 2018, the estimated withholding tax effect on the distribution of retained earnings of OCG Thailand was approximately of HK\$900,000 and HK\$722,000 respectively.

**Unrecognised deferred tax assets**

At 31 March 2016 and 31 March 2017, deferred tax assets was not recognised in respect of tax losses of approximately HK\$3,587,000 and HK\$3,350,000 respectively because it is not probable that future taxable profit will be available against which the Group can utilise the benefit therefrom. At 31 March 2018, deferred tax assets of approximately HK\$279,000 were recognised in respect of the entire tax losses carried forward of approximately HK\$1,691,000 due to the improvement of operation results of the relevant group entity. The tax losses do not expire under current tax legislation.

**21. OTHER LONG TERM LIABILITIES**

Other long-term liabilities represent preference shares issued by OCG Thailand and the major terms are set out in Note 1 to the Historical Financial Information.

At 31 March 2016, 2017 and 2018, the Group had an outstanding amount due to a non-controlling shareholder of OCG Thailand amounted to Baht 7,650,000 (equivalent to approximately HK\$1,690,000, HK\$1,747,000 and HK\$1,936,000 respectively) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum, with an accrued dividend payable of approximately Nil, Baht 727,000 (equivalent to approximately HK\$163,000) and Nil at 31 March 2016, 2017 and 2018 respectively as included in "Other payables".

**22. SHARE CAPITAL AND FINANCIAL INFORMATION OF THE COMPANY****22(a) Share Capital**

The Company was incorporated in the Cayman Islands as an exemption company with limited liability under the Law of the Cayman Islands on 19 January 2018 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and 100 ordinary shares of HK\$0.01 each were ultimately issued to and paid up by Charm Act, Straum Investments and Original Fortune.

Pursuant to the Reorganisation, which was completed on 18 September 2018, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus issued in connection with the initial listing of shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

Saved as above, the Company has not commenced any significant business or operation since its incorporation.

**22(b) Reserves – The Company**

There was no movement in reserves of the Company from 19 January 2018 (date of incorporation) to 31 March 2018. Certain corporate administrative expenses (including preliminary expenses) of the Company and certain listing expenses were borne by a subsidiary of the Company and/or China Smartpay without recharge.

**23. RESERVES****23(a) Capital reserves**

The capital reserves represents the aggregate amount of the nominal value of the registered capital of the companies comprising the Group less consideration paid to acquire the relevant interests, after adjusting the registered capital held by those attributable to the non-controlling interests (if any).

In addition, listing expenses that are not directly attributed to the issuance of new shares of the Company for funds raising are recognised in the combined statements of profit or loss when they are incurred. During the Track Record Period, the Group incurred total listing expenses of HK\$12,362,000, of which HK\$9,988,000 was charged to profit or loss. Starting from 1 April 2017, it was agreed with China Smartpay that 90% and 10% of such listing expenses and other listing expenses were borne by China Smartpay and the Group, respectively. Upon recognition of those expenses shared by China Smartpay, a capital contribution from China Smartpay was recorded in the Group's equity.

During the year ended 31 March 2018, capital reserve of approximately HK\$11,126,000 has been recognised as capital contribution from China Smartpay.

**23(b) Exchange reserve**

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries. The reserve is dealt with in accordance with the accounting policies as set out in Note 3 to the Historical Financial Information.

**23(c) Statutory reserve**

In accordance with the relevant laws and regulations in Thailand, OCG Thailand is required to appropriate not less than 5% of its net profit to the statutory reserve upon each dividend distribution, until the statutory reserve reaches 10% of its registered authorised capital. The statutory reserve is not available for dividend distribution.

**24. CASH GENERATED FROM OPERATIONS**

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	14,658	10,893	1,853
Amortisation	–	22	221
Depreciation	1,429	2,465	2,846
Loss on disposal of property, plant and equipment	29	–	–
Foreign exchange differences	(71)	531	282
Bank interest income	(82)	(29)	(54)
Finance costs	33	163	172
Listing expenses borne by China Smartpay	–	–	11,126
	<hr/>	<hr/>	<hr/>
Operating cash flow before changes in working capital	15,996	14,045	16,446
Changes in working capital			
Restricted funds	1,660	1,020	(1,281)
Trade and other receivables	(6,832)	12,036	(34,940)
Trade and other payables	2,050	(12,109)	35,190
	<hr/>	<hr/>	<hr/>
Cash generated from operations	<u>12,874</u>	<u>14,992</u>	<u>15,415</u>

**25. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL****Acquisition of additional interest in OCG Thailand**

On 14 December 2015, OCG Thailand had completed the following capital restructuring exercises (the "OCG Thailand Restructuring"):

- (i) OCG Thailand (BVI) and OCG Asia Pacific respectively acquired 999,999 and 1 ordinary shares of OCG Thailand from the minority shareholders at the aggregate consideration of Baht 4,880,000 (equivalent to approximately HK\$1,074,000);
- (ii) OCG Thailand issued 2,550,000 new preference shares (the "New Preference Shares") and allotted to one of the minority shareholders at par value of Baht 3 each;
- (iii) OCG Thailand reduced its registered and issued capital by deleting the entire existing 550,000 preference shares; and
- (iv) The memorandum and articles of OCG Thailand were also updated to reflect the changes in the capital structure.

Upon completion of the OCG Thailand Restructuring, the Group's voting rights in OCG Thailand, through its wholly owned subsidiaries (namely, OCG Thailand (BVI) and OCG Asia Pacific), increased from approximately 57.47% to 90.74%. The results and financial position of OCG Thailand is included in the Historical Financial Information of the Group, after accounting for the New Preference Shares issued and its related cumulative dividend, to the extent of 100% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares of OCG Thailand indirectly held by the Company through OCG Thailand (BVI) and OCG Asia Pacific. The financial impact of the OCG Thailand Restructuring to the Historical Financial Information is set out as follows:

	<i>HK\$'000</i>
Net consideration paid to non-controlling interests	(1,074)
Carrying amount of non-controlling interests acquired	3,608
<b>Difference recognised directly in equity</b>	<b>2,534</b>

**Financial information of OCG Thailand with individually material non-controlling interests (“NCI”) before acquisition of additional interest in OCG Thailand**

The following table shows the summarised financial information of OCG Thailand before inter-company eliminations:

**At 31 March 2016**

Proportion of NCI's ownership interests	—
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Proportion of NCI's voting rights	—
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*HK\$'000*

Current assets	—
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Non-current assets	—
--------------------	---

Current liabilities	—
---------------------	---

Non-current liabilities	—
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Net assets	—
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Carrying amount of NCI	—
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**Year ended 31 March 2016**

*HK\$'000*

Revenue	101,250
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Expenses	(88,452)
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Profit	12,798
--------	--------

Other comprehensive loss	(1,563)
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Total comprehensive income	11,235
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Profit attributable to NCI	2,665
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Total comprehensive income attributable to NCI	2,185
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Dividends paid to NCI	(4,938)
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Net cash flows from (used in):

Operating activities	8,022
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Investing activities	(1,337)
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Financing activities	(11,051)
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Total cash outflows	(4,366)
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## 26. ADDITIONAL INFORMATION ON THE COMBINED STATEMENTS OF CASH FLOWS

## (a) Major non-cash transactions

- (i) During the year ended 31 March 2016, the purchases of intangible assets of approximately HK\$474,000 were paid in advance during the year ended 31 March 2015.
- (ii) As disclosed in note 23(a), starting from 1 April 2017, it was agreed with China Smartpay that 90% and 10% of the listing expenses were borne by China Smartpay and the Group, respectively. Upon payment of these listing expenses by China Smartpay, a capital contribution from China Smartpay was recorded in the Group's equity. During the year ended 31 March 2018, the Group incurred total listing expenses amounted to approximately HK\$12,362,000, of which approximately HK\$11,126,000 were borne and settled by China Smartpay.
- (iii) During the year ended 31 March 2018, the subsidiaries of the Company entered into agreements with ultimate holding company, intermediate holding company and fellow subsidiaries to transfer the amounts due from intermediate holding company and fellow subsidiaries of approximately HK\$1,000 and HK\$605,000 to the ultimate holding company respectively.

## (b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

## Year ended 31 March 2016

	At 1 April 2015 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes – Exchange realignments <i>HK\$'000</i>	At 31 March 2016 <i>HK\$'000</i>
Other long-term liabilities	393	1,326	(29)	1,690

## Year ended 31 March 2017

	At 1 April 2016 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes – Exchange realignments <i>HK\$'000</i>	At 31 March 2017 <i>HK\$'000</i>
Other long-term liabilities	1,690	–	57	1,747

## Year ended 31 March 2018

	At 1 April 2016 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes – Exchange realignments <i>HK\$'000</i>	At 31 March 2018 <i>HK\$'000</i>
Other long-term liabilities	1,747	–	189	1,936

**27. CONNECTED AND RELATED PARTY TRANSACTIONS**

Except for the transactions/information disclosed elsewhere in the Historical Financial Information (including but not limited to Notes 1, 2, 8, 9, 10, 13, 19, 21, 22, 23, 24, 25, 26 and 28 to the Historical Financial Information), during the Track Record Period, there is no other related party transaction.

**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise of restricted and unrestricted bank balances and cash and preference shares issued by OCG Thailand. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from its business activities.

The main risks arising from the Group's financial instruments are (i) foreign currency risk, (ii) interest rate risk, (iii) credit risk and (iv) liquidity risk. The Group does not have any written risk management policies and guidelines. However, the management identifies and evaluates risks and generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum as follows:

**(i) Foreign currency risk**

The Group mainly operates in Hong Kong and Thailand with majority of business transactions being denominated and settled in HK\$ and Baht which are the functional currencies of the relevant group entities.

However, as disclosed in Note 16(a) to the Historical Financial Information, the Group's trade receivables arising from the operation of merchant acquiring business in Thailand are mainly denominated in US\$. The management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the management, the Group would only enter into foreign currency forward contracts should need arise. At 31 March 2016, 2017 and 2018, the Group had outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$1,500,000 (equivalent to approximately HK\$11,631,000), US\$3,600,000 (equivalent to approximately HK\$27,974,000) and US\$6,000,000 (equivalent to approximately HK\$47,090,000) respectively. Considered the short contract period, no material fair value gain or loss has been recognised for the unrealised foreign currency forward contracts.

At the end of each reporting period, the following table indicates the approximate change in the Group's profit before tax, mainly as a result of translation of the US\$ denominated financial assets in Baht with a corresponding credit/charge to profit or loss, if exchange rate of US\$ had changed against the functional currencies of the respective group entities by 5% and all other variables were held constant:

	<b>At 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	831	513	2,116

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at end of the reporting period and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In addition, as detailed in Notes 17 and 18 to the Historical Financial Information, part of the restricted and unrestricted bank balances and cash are denominated in Baht. The conversion of Baht into foreign currencies, including HK\$, is subject to the rules and regulations of foreign exchange control promulgated by the Thailand government.

**(ii) Interest rate risk**

The Company's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets including restricted and unrestricted bank balances and cash as detailed in Notes 17 and 18 of the Historical Financial Information.

At 31 March 2016, 2017 and 2018, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended 31 March 2016, 2017 and 2018 would have been approximately HK\$80,000, HK\$70,000 and HK\$100,000 higher/lower, respectively.

The Group's sensitivity to interest rates would change in the same direction as the changes in its interest-bearing balances of financial assets as mentioned above.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the reporting period and had been applied to the exposure to interest rate risk for the average balances of the interest-bearing financial assets in existence during the reporting period. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

**(iii) Credit risk**

Credit risk mainly arises from trade and other receivables, restricted funds and bank balances and cash. The Group limits its exposure to credit risk by rigorously selecting the counterparties with reference to their past credit history and/or market reputation. The Group's exposure to the maximum credit risk is summarised as follows:

	<b>At 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	16,624	10,265	42,311
Other receivables	5,965	1,185	2,082
Due from related parties	606	606	–
Restricted funds	1,582	616	1,963
Bank balances and cash	11,173	15,150	21,664
	<u>          </u>	<u>          </u>	<u>          </u>

The credit risk on trade and other receivables, restricted funds and bank balances and cash is limited because the counterparties are financial institutions with high credit ratings or recognised and creditworthy third parties and the transactions with them, and any significant transactions with other parties, are approved by the management. The management does not expect any counterparty to fail to meet its obligation.

The Group reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

There was only one trade debtor accounted for all of the total outstanding trade receivables at 31 March 2016, 2017 and 2018. The management considers the credit risk in respect of the largest customer is minimal because it is an authorised financial institution in the PRC with high credit ratings and there is no history of default or late payment.

None of the Group's financial assets are securitised by collateral or other credit enhancements at the end of each reporting period.

**(iv) Liquidity risk**

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment and intangible assets. The Group finances its working capital requirements mainly by the funds generated from operations.

The Group's non-derivative financial liabilities at the end of each reporting period based on contractual undiscounted payments are summarised below:

	Within one year or on demand <i>HK\$'000</i>	Upon winding up of OCG Thailand <Remark 1> <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 March 2016</b>			
Trade payables	18,188	–	18,188
Other payables	3,677	–	3,677
Due to ultimate holding company	6,194	–	6,194
Other long-term liabilities <Remark 2>	–	1,690	1,690
	<u>28,059</u>	<u>1,690</u>	<u>29,749</u>
<b>At 31 March 2017</b>			
Trade payables	10,873	–	10,873
Other payables	1,462	–	1,462
Due to ultimate holding company	4,539	–	4,539
Other long-term liabilities <Remark 2>	–	1,747	1,747
	<u>16,874</u>	<u>1,747</u>	<u>18,621</u>
<b>At 31 March 2018</b>			
Trade payables	44,274	–	44,274
Other payables	2,650	–	2,650
Due to ultimate holding company	5,684	–	5,684
Other long-term liabilities <Remark 2>	–	1,936	1,936
	<u>52,608</u>	<u>1,936</u>	<u>54,544</u>

<Remark 1>

In case of the winding up of OCG Thailand, the holder of preference shares has the right to the distribution of the residual assets of OCG Thailand prior to the ordinary shares, but limited to the paid up amount of the preference shares.

<Remark 2>

At 31 March 2016, 2017 and 2018, the estimated annual finance cost of other long-term liabilities approximates to Baht 726,750 (equivalent to approximately HK\$161,000), Baht 726,750 (equivalent to approximately HK\$163,000) and Baht 726,750 (equivalent to approximately HK\$172,000) respectively, which is not included in the above summary.

(v) Fair value disclosure

All financial assets and financial liabilities are carried at amounts not materially different from their fair value at 31 March 2016, 2017 and 2018.

**29. CAPITAL MANAGEMENT**

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The management considers the total equity as disclosed in the combined statements of financial position as the Group's capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the Track Record Period.

**30. COMMITMENTS****Commitments under operating leases**

The Group leases a number of office premises under operating leases, which typically run for a period of 3 years. None of the leases includes contingent rentals.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	<b>At 31 March</b>		
	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Within one year	71	73	20
In the second to fifth years inclusive	88	18	–
	<u>159</u>	<u>91</u>	<u>20</u>

**Capital expenditure commitments**

	<b>At 31 March</b>		
	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Contracted but not provided for, net of deposits paid – acquisition of property, plant and equipment and intangible assets	521	539	–
	<u>521</u>	<u>539</u>	<u>–</u>

**31. EVENTS AFTER THE REPORTING PERIOD**

In addition to information disclosed elsewhere in the Historical Financial Information, subsequent to 31 March 2018, the Group has the following subsequent events:

- (i) On 18 September 2018, the Reorganisation was completed.
- (ii) On 18 September 2018, special dividend of HK\$5,000,000 was declared to the equity holders of the entities now comprised the Group and had been settled in full by cash and offsetting against the portion of listing expenses borne and to be borne by China Smartpay.
- (iii) Pursuant to the resolution of the Company's shareholders passed on 18 September 2018, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 shares of HK\$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.
- (iv) Pursuant to the resolutions in writing of the Company's shareholders passed on 18 September 2018, subject to the share premium account of the Company being credited as a result of the issue of the Company's shares, the directors of the Company were authorised to allot and issue a total of 749,999,800 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$7,499,998 standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the rights to participate in the Capitalisation Issue).

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The information set forth in this appendix does not form part of the Accountants' Report prepared by Mazars CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.*

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is prepared in accordance with Rule 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to equity owners of the Company at 31 March 2018 as if the Share Offer had taken place on that date.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity owners of the Company at 31 March 2018 or at any future dates following the Share Offer. It is prepared based on the audited net tangible assets of the Group attributable to equity owners of the Company at 31 March 2018 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Audited net tangible assets attributable to equity owners of the Company at 31 March 2018 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company <i>(Note 3)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share <i>(Note 3)</i> <i>HK\$</i>
Based on the Offer Price of HK\$0.22 per Share	30,283	52,189	82,472	0.082
Based on the Offer Price of HK\$0.3 per Share	30,283	72,009	102,292	0.102

**NOTES TO THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

1. The audited net tangible assets attributable to equity owners of the Company at 31 March 2018 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets value attributable to equity owners of the Company as at 31 March 2018 of approximately HK\$31,618,000 with an adjustment for the intangible assets at 31 March 2018 of approximately HK\$1,335,000.
2. The estimated net proceeds from the Share Offer are based on 250,000,000 new Offer Share at the Offer Price of HK\$0.22 per Offer Share or HK\$0.3 per Offer Share, being the low or high end of the stated offer price range, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$9,988,000 listing-related expenses which have been accounted for prior to 31 March 2018) and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme. Starting from 1 April 2017, it was agreed with China Smartpay that 90% and 10% of the listing expenses of the Company were borne by China Smartpay and the Group, respectively. Upon recognition of these expenses shared by China Smartpay, a capital contribution from China Smartpay was recorded in the Group's equity. The listing expenses to be borne by China Smartpay have been accounted for in arriving the estimated net proceeds.
3. The unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share is arrived at after making the adjustments referred to in this section and on the basis of a total of 1,000,000,000 Shares in issue immediately following completion of the Share Offer but takes no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus or otherwise.
4. On 18 September 2018, special dividend of HK\$5,000,000 was declared to the equity holders of the entities now comprised the Group. Taking into account the estimated net proceeds from the Share Offer at the Offer Price of HK\$0.22 or HK\$0.30; and the impact of the special dividend on the net tangible assets of the Group of HK\$5,000,000, the unaudited pro forma adjusted net tangible assets per share would have been approximately HK\$0.077 or HK\$0.097, respectively.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from the reporting accountants, Mazars CPA Limited, Certified Public Accountants, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.*

### B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION



MAZARS CPA LIMITED  
中審眾環(香港)會計師事務所有限公司  
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27 September 2018

The Directors  
Oriental Payment Group Holdings Limited  
Ample Capital Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Oriental Payment Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”) for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets attributable to the owners of the Company at 31 March 2018 and related notes as set out in Part A of Appendix II to the prospectus issued by the Company dated 27 September 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing of the Company's shares on GEM of The Stock Exchange of Hong Kong Limited on the Group's financial position at 31 March 2018 as if the event had had taken place at 31 March 2018. As part of this process, information about the Group's financial position at 31 March 2018 has been extracted by the Directors from the Group's combined historical financial information for the three years ended 31 March 2016, 2017 and 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

#### **Directors' responsibility for the unaudited pro forma financial information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **Reporting accountants’ independence and quality control**

We have complied with the independence and other ethical requirements of the “*Code of Ethics for Professional Accountants*” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 “*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants’ responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We did not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 would have been as presented.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

Yours faithfully,

**Mazars CPA Limited**  
*Certified Public Accountants*

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 January, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 18 September, 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the

provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

***(iv) Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its

nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors***(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered

addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and

allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company

in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and extraordinary general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the

requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of the remuneration of the directors and of the auditors;
  - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
  - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an

allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the

Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company’s articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by

the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 1 February 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

#### **(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a

meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

- (a) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 19 January 2018. Our Company has established its principal place of business in Hong Kong at Unit 2606, 26/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Yu, our Chairman, chief executive officer and executive Director and Mr. Lai Wing Hong, our financial controller and company secretary, have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.
- (b) As our Company is incorporated in the Cayman Islands, the corporate structure and our Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum and Articles and certain aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares at a nominal value of HK\$0.01 each.

The following sets out the changes in the share capital since the date of our Company's incorporation:

- (a) on 19 January 2018, one Share was issued at par to the initial subscriber and such Share was transferred to Charm Act on the same day;
- (b) on 19 January 2018, 69 Shares, 21 Shares and 9 Shares of a par value of HK\$0.01 were allotted and issued at par to Charm Act, Straum Investments and Original Fortune, respectively;
- (c) on 18 September 2018, our Company allotted and issued 70 Shares to Charm Act, 21 Shares to Straum Investments and 9 Shares to Original Fortune, all credited as fully paid, in consideration of their transfer of all the issued shares of OCG Thailand (BVI) to our Company;
- (d) pursuant to resolutions in writing of all Shareholders passed on 18 September 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 new Shares; and

- (e) immediately following the completion of the Capitalisation Issue, the Spin-off and Share Offer (but taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme below, our Company does not have any present intention to issue any part of the authorised but unissued shares of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for the above and as mentioned in the sections headed “History, Development and Reorganisation”, “Share Capital” and in the paragraph headed “A. Further information about our Company – 4. Resolutions in writing of our Shareholders” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Changes in share capital of our subsidiaries**

Our subsidiaries are referred to in the Accountants’ Report as set out in Appendix I to this prospectus.

Save for the alterations disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there is no other alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

### **4. Resolutions in writing of our Shareholders**

Pursuant to the resolutions in writing of our Shareholders passed on 18 September 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each, by the creation of an additional 9,962,000,000 Shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued Shares.

Pursuant to the resolutions in writing of our Shareholders passed 18 September 2018:

- (a) conditional on (i) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the Capitalisation Issue or pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme);

- (ii) the entering into of the agreement on the Offer Price among our Company and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (i) the Spin-off and the Share Offer were approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Share Offer;
  - (ii) the rules of the Share Option Scheme (the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this Appendix) were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares pursuant thereto and to take all such steps may be necessary or desirable to implement the Share Option Scheme; and
  - (iii) the Offer Size Adjustment Option was granted to the Placing Underwriters, exercisable by the Sole Global Coordinator, for itself and on behalf of the Placing Underwriters and our Directors were authorised to allot and issue Shares which may be required to be issued if the Offer Size Adjustment Option is exercised;
- (b) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares under the Share Offer, our Directors were authorised to capitalise the amount of HK\$7,499,998 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of 749,999,800 Shares which shall be allotted and issued to our Shareholders whose names appear on the register of members of our Company at the close of business on 27 September 2018 (as nearly as possible without involving fraction) to their existing shareholdings in our Company, representing not more than 75% of the enlarged issued share capital of our Company upon the Listing and the Shares to be allotted and issued under this resolution shall rank *pari passu* in all respects with the existing issued Shares;
- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with the Shares (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of, the Spin-off, a rights issue or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares

in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total number not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue, the Spin-off and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue, the Spin-off and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate number of the Shares purchased by our Company under the mandate to repurchase Shares referred to in paragraph (d) above;
- (f) Mr. Chung, Wai Chuen Alfred, Ms. Huang Ping and Mr. Ng Ka Po were appointed as independent non-executive Directors of our Company with immediate effect; and
- (g) the Memorandum and the Articles were conditionally approved and adopted with effect from the Listing Date.

## 5. Corporate reorganisation

In preparation for the Share Offer, our Group undertake the Reorganisation. Please refer to the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus for further details.

## 6. Repurchase of our Shares

### *(a) Relevant legal and regulatory requirements*

The GEM Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by the Shareholders in a general meeting.

### *(b) Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing passed by all Shareholders on 18 September 2018, our Directors were granted a general unconditional mandate (the “**Repurchase Mandate**”) to repurchase up to 10% of the total number of the Shares in issue immediately following the Capitalisation Issue, the Spin-off and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company’s Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. Such mandate will expire at the earliest of (i) the conclusion of our Company’s next annual general meeting, (ii) the date by which our Company’s next annual general meeting is required by applicable laws and the Articles to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of the Shareholders in a general meeting (the “**Relevant Period**”).

### *(c) Source of funds*

Our Company’s repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws of Hong Kong and the Cayman Islands. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Company may make repurchases out of the profit, the share premium account or out of the proceeds of a fresh issue of Shares for the

purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company or out of our Company's share premium account. If authorised by the Articles and subject to the Companies Law, repurchase may also be made out of capital.

*(d) Reasons for repurchases*

Our Directors believe that it is in our Company's and its Shareholders' best interests for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and its Shareholders.

*(e) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules, the Companies Ordinance and the applicable laws of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(f) Share capital*

The exercise in full of the current Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Capitalisation Issue, the Spin-off and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the Relevant Period.

*(g) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any of the Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles, the Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person of our Company has notified our Group that he or it has a present intention to sell his or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the agreement for the sale and purchase dated 18 September 2018 entered into among Charm Act, Straum Investments and Original Fortune (as vendors) and our Company (as purchaser), pursuant to which Charm Act, Straum Investments and Original Fortune agreed to sell and our Company agreed to purchase 70%, 21% and 9% of the issued share capital of OCG Thailand (BVI), respectively, in consideration of our Company allotting and issuing 70 Shares, 21 Shares and 9 Shares to Charm Act, Straum Investments and Original Fortune, respectively;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights

- (a) As at the Latest Practicable Date, our Group had registered the following trademarks in the following jurisdictions which, in the opinion of our Directors, are material to our business:

Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
(i) 	OCG HK	Hong Kong	35, 36	301024028	30 December 2027
					
					
					
(ii) 	OCG Thailand	Thailand	36	Bor42854	12 March 2018 (Note)

*Note:* An application for renewal for further 10 years has been made in Thailand on 22 December 2017. In accordance with our Thailand Legal Adviser, the certificate of trademark renewal will be issued in around November 2018. The trademark is continuously under the protection upon filing of the renewal application.

- (b) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in the following jurisdictions which, in the opinion of our Directors, is material to our business:

Trademark	Applicant	Place of application	Class	Application number	Application Date
	OCG HK	Hong Kong	35, 36	304652802	30 August 2018
					
					
					

- (c) As at the Latest Practicable Date, our Group had registered the following domain name which, in the opinion of our Directors, is material to our business:

Domain name	Name of Registered Owner	Expiry Date
<a href="http://www.ocg.com.hk">www.ocg.com.hk</a>	OCG HK	13 February 2021

## C. DISCLOSURE OF INTERESTS

## 1. Disclosure of interests

*(a) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and the associated corporations*

Immediately following completion of the Capitalisation Issue, the Spin-off and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the interests of our Directors and chief executives in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Relevant company (including associated corporation)	Number of Shares held/ interested <sup>(Note 1)</sup>	Percentage of shareholding in the total issued share capital of our Company or associated corporation
Mr. Yu <sup>(Note 2)</sup>	Interest in a controlled corporation	Our Company	157,500,000(L)	15.75%
	Beneficial owner	Straum Investments	1	100%

*Notes:*

- (1) All interests stated are long positions.
- (2) Mr. Yu holds the entire issued share capital of Straum Investments. Mr. Yu is deemed to be interested in the 157,500,000 Shares held by Straum Investments for the purpose of SFO.

*(b) Interests and short positions of our substantial shareholders in the share capital of our Company*

So far as our Directors are aware, immediately following completion of the Capitalisation Issue, the Spin-off and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executive) will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of the subsidiaries:

Name of Shareholder	Nature of interest	Number <sup>(Note 1)</sup>	Approximate percentage
Charm Act <sup>(Note 2)</sup>	Beneficial owner	525,000,000 (L)	52.50%
China Smartpay <sup>(Note 2)</sup>	Interest in a controlled corporation	525,000,000 (L)	52.50%
Straum Investments <sup>(Note 3)</sup>	Beneficial owner	157,500,000 (L)	15.75%
Ms. Choi Hiu Wa <sup>(Note 4)</sup>	Interests of spouse	157,500,000 (L)	15.75%
Original Fortune <sup>(Note 5)</sup>	Beneficial owner	67,500,000 (L)	6.75%
Mr. Sung <sup>(Note 5)</sup>	Interest in a controlled corporation	67,500,000 (L)	6.75%

*Notes:*

- (1) The letter “L” denotes a long position in the Shareholder’s interests in the share capital of our Company.
- (2) Charm Act is wholly owned by China Smartpay. Accordingly, China Smartpay is deemed to be interested in the Shares held by Charm Act for the purpose of SFO.
- (3) Straum Investments is wholly owned by Mr. Yu. Accordingly, Mr. Yu is deemed to be interested in the Shares held by Straum Investments for the purpose of SFO.
- (4) Ms. Choi Hiu Wa is the wife of Mr. Yu. Accordingly, Ms. Choi Hiu Wa is deemed to be interested in the Shares held by Mr. Yu for the purpose of SFO.
- (5) Original Fortune is wholly owned by Mr. Sung. Accordingly, Mr. Sung is deemed to be interested in the Shares held by Original Fortune for the purpose of SFO.

**D. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Directors' service contracts**

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing on the Listing Date which may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by (i) our Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to our Company not less than one month's prior notice in writing.

Each of our Directors is entitled to the respective basic salary under their respective service contracts or appointment letters set out below. Our Directors may also be entitled to a discretionary bonus. A Director may not vote on any resolution regarding the increment of annual salary and the amount of the discretionary bonus payable to him or her.

The current basic annual salaries of our Directors under the current service contracts or appointment letters with our Company are as follows:

<b>Name</b>	<b>Annual Amount</b> <i>HK\$</i>
Mr. Yu	240,000
Mr. Xiong Wensen	120,000
Mr. Ng Ka Po	120,000
Mr. Chung Wai Chuen, Alfred	120,000
Ms. Huang Ping	120,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract or an appointment letter (as the case may be) with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Our Company has not entered into any service contract with our Directors which is for a duration that may exceed three years or which is not determinable by our Company within one year without payment of compensation (other than statutory compensation).

## 2. Directors' remuneration during the Track Record Period

For FY2016, FY2017 and FY2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors was approximately HK\$120,000, HK\$120,000 and HK\$120,000, respectively.

Save as disclosed above, no other emoluments have been paid or are payable, in respect of FY2016, FY2017 and FY2018 by our Group to our Directors.

Under the arrangements currently in force, our Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the financial year ending 31 March 2019 will be approximately HK\$520,000.

## E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our Shareholders passed on 18 September 2018:

### 1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Group.

### 2. Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to our Company, any of the subsidiaries or any entity (the “**Invested Entity**”) in which our Group holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of our Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity; and

- (f) any Shareholders or any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by our Directors from time to time on the basis of the participants' contribution to the development and growth of our Group. In order for a person to satisfy our Directors that he is qualified to be (or where applicable, continues to be qualified to be) a participant, such person shall provide all such information as our Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

### 3. Maximum number of Shares

- (a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 30% of our Company's issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary of our Company if such grant will result in the maximum number being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange (excluding the Shares which may be issued pursuant to exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme) which amounts to 100,000,000 Shares (the "**General Mandate Limit**").
- (c) Subject to (a) above and without prejudice to (d) below, our Company may issue a circular to the Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of the Shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group must not exceed 10% of the Shares in issue as at the date of approval of the

refreshed limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.

- (d) Subject to (a) above and without prejudice to (c) above, our Company may issue a circular to the Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate Shareholders' approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the limit referred to in (c) above to participants specifically identified by our Company before such approval is sought.

#### 4. Maximum entitlement of each participant and connected persons

- (a) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue (the "**Individual Limit**").
- (b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the approval of the Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 23.03(9) of the GEM Listing Rules.
- (c) In addition to the Shareholders' approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (d) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share

Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate more than 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the Shareholders. Our Company must send a circular to the Shareholders. All of the grantees of the relevant options and their associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any such connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

#### **5. Minimum period of holding an option and performance target**

Our Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the relevant option can be exercised upon the grant of an option to a participant.

#### **6. Subscription price for Shares**

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as our Director at their absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option (which must be a business day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day); and (iii) the par value of a Share. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

#### **7. Rights are personal to grantee**

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

#### **8. Time of exercise of option**

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

**9. Rights on ceasing employment or death**

If the grantee of an option, who is an employee of our Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of our Group or Invested Entity for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which date shall be the last day on which the grantee was actually at work with our Group or the relevant Invested Entity, whether salary is paid in lieu of notice or not. Failing such exercise, the option will lapse.

If the grantee of an option, who is an employee of our Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of our Company or Invested Entity by reason of death, ill-health or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or any Invested Entity, whether salary is paid in lieu of notice or not (or such longer period as our Directors may determine), failing which it will lapse.

**10. Rights on a general offer, a compromise or arrangement**

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees (or their personal representative(s)) on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme or arrangement is formally proposed to the Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall

give notice thereof to all grantees on the same date as we despatch to each member or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his personal representative(s)) shall be entitled to exercise all or any of his options in whole or in part (to the extent not already exercised) at any time prior to 12:00 noon (Hong Kong time) on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Directors shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court, the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

#### **11. Rights on winding up**

In the event of an effective resolution being proposed for the voluntary winding up of our Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two business days prior to the proposed general meeting of our Company considering such winding up, such notice to be accompanied by the subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his option, to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding up of our Company.

#### **12. Ranking of Shares**

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of our Company's Memorandum of Association and the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders

thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

### **13. Period of the Share Option Scheme**

Unless terminated by our Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

### **14. Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by a resolution of our Directors except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the GEM Listing Rules shall not be altered to the advantage of the grantees or prospective grantees without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of our Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

### **15. Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital or otherwise howsoever, then, in any such case, our Company shall instruct the auditors for the time being or the independent financial adviser to our Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised), and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in the sub-paragraph headed "Maximum number of Shares" above, (d) and an adjustment as so certified by the auditors or the independent financial adviser to our Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of our

Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the GEM Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 23.03(13)/GEM Listing Rules 23.03(13) and the note immediately after the rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements that they give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

#### **16. Cancellation of options**

Our Directors may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as our Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where our Company cancels any options granted and offer to grant or grant new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the sub-paragraph headed “Maximum Number of Shares” above.

#### **17. Conditions of the Share Option Scheme**

The Share Option Scheme is conditional on (i) the Listing Division granting approval of the listing of, and permission to deal in, the Shares on the GEM, which Shares may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; (ii) upon the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, the Bookrunner and/or the Lead Manager, for itself and on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the Underwriting Agreement; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

#### **18. Termination of the Share Option Scheme**

Our Company may by resolution in general meeting at any time terminate the operation of Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding options granted prior to such termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and outstanding options granted prior to such termination shall

continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme. Details of the options granted, including options exercised or outstanding, under Share Option Scheme and (if applicable) options that become void or non-exercisable as a result of the termination must be disclosed in the circular to shareholders of our Company seeking approval of the first new scheme to be established after such termination.

#### **19. Status of the GEM Listing Rules**

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

#### **20. Present status of the Share Option Scheme**

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

### **F. OTHER INFORMATION**

#### **1. Tax and other indemnity**

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) (being the contract referred to in the paragraph headed “B. Further information about our Company – 1. Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, BVI, Hong Kong, Thailand, Cambodia or and other jurisdictions in which the companies comprising our Group are incorporated.

#### **2. Litigation**

As at the Latest Practicable Date, save as disclosed in the section headed “Business – Legal proceedings and Compliance” in this prospectus, neither our Company nor any of our subsidiaries are involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group’s results of operation or financial condition.

### 3. The Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules and has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares falling to be allotted and issued under the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor's fees are approximately HK\$5,800,000 and are payable by our Company.

### 4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK\$50,000 and are payable by our Company.

### 5. Promoters

Our Company has no promoter for the purpose of the GEM Listing Rules. Within the two years immediately preceding to the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to, or is proposed to be paid, allotted or given to, any promoter in connection with the Share Offer or the related transactions described in this prospectus.

### 6. Qualification of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this prospectus are as follows:

<b>Name</b>	<b>Qualifications</b>
Ample Capital Limited	A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Mazars CPA Limited	Certified Public Accountants
China Insights Consultancy Limited	Industry consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

<b>Name</b>	<b>Qualifications</b>
R&T Sok & Heng Law Office	Qualified Cambodia lawyers
Kennedys (Thailand) Limited	Qualified Thailand lawyers

## **7. Consents**

Each of Ample Capital Limited, Mazars CPA Limited, China Insights Consultancy Limited, Conyers Dill & Pearman, R&T Sok & Heng Law Office and Kennedys (Thailand) Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## **8. Share register**

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a Hong Kong branch register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Union Registrars Limited. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

## **9. Miscellaneous**

Save as disclosed in this prospectus:

- (a) none of our Directors nor chief executives has any interest or short position in our Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, under the GEM Listing Rules to be notified to our Company and the Stock Exchange, in each case once our Shares are listed;
- (b) none of our Directors nor any of the parties listed in the paragraph headed “Consents” in this Appendix has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired

or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;

- (c) none of our Directors nor any of the parties listed in the paragraph headed “Consents” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business;
- (d) save for the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents” in this Appendix:
  - (i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;
- (e) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (f) within the two years preceding the date of this prospectus, no share or loan capital of our Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
- (g) within the two years preceding the date of this prospectus, no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (h) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares or debentures;
- (i) our Company has no outstanding convertible debt securities or debentures;
- (j) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and our Company has not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (k) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;

- (l) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of the promoters of our Company nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (m) since 31 March 2018 and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Company;
- (n) there is no arrangement under which future dividends are waived or agreed to be waived;
- (o) the Share Offer does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (p) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (q) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;
- (r) all necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (s) the English text of this prospectus shall prevail over the Chinese text; and
- (t) none of our Company or any of our subsidiaries is presently listed on any stock exchange or traded on any trading system.

#### **10. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### **11. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the written consents referred to in the section headed “Statutory and General Information – F. Other information – 7. Consents” in Appendix IV to this prospectus; (ii) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus; and (iii) a copy of each of the **WHITE, YELLOW** and **BLUE** Application Forms.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Kwok Yih & Chan of Suites 2103–05, 21st Floor, 9 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report prepared by Mazars CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report prepared by Mazars CPA Limited relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the combined audited financial statements of our Group for FY2016, FY2017 and FY2018;
- (e) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the Thailand legal opinion issued by Kennedys (Thailand) Limited, our Thailand Legal Adviser in respect of our Group’s business operations in Thailand;
- (h) the Cambodia legal opinion issued by R&T Sok & Heng Law Office, our Cambodia Legal Advisers in respect of our Group’s business operations in Cambodia;
- (i) the material contracts referred to in the section headed “Statutory and General Information – B. Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus;

- (j) the service contracts and appointment letters referred to in the paragraph headed “Statutory and General Information – D. Further information about our Directors – 1. Directors’ service contracts” in Appendix IV to this prospectus;
- (k) the written consents referred to in the paragraph headed “Statutory and General Information – F. Other information – 7. Consents” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the CIC Report.

Oriental Payment Group Holdings Limited  
東方支付集團控股有限公司