



ORIENTAL PAYMENT GROUP

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

THIRD QUARTERLY REPORT
2019



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*This report, for which the directors (the “**Directors**”) of Oriental Payment Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 31 December 2019 (the “**Period**”), together with the comparative figures of the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2019

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	2	25,675	23,760	67,931	81,713
Cost of services rendered		(17,699)	(16,821)	(46,768)	(58,370)
Gross profit		7,976	6,939	21,163	23,343
Other income	3	80	20	229	43
General administrative expenses		(5,357)	(3,716)	(13,286)	(8,480)
Selling and distribution costs		(2,890)	(2,814)	(7,126)	(8,541)
Finance costs	4	(162)	(44)	(483)	(132)
Listing expenses		-	(8,322)	-	(14,546)
(Loss) Profit before taxation	4	(353)	(7,937)	497	(8,313)
Income tax expenses	5	(345)	(777)	(1,124)	(1,861)
Loss for the period		(698)	(8,714)	(627)	(10,174)
Attributable to:					
Equity holders of the Company		(698)	(8,714)	(627)	(10,174)
Loss per share attributable to equity holders of the Company		HK cents	HK cents	HK cents	HK cents
Basic	6	(0.01)	(0.91)	(0.01)	(1.24)
Diluted	6	(0.01)	(0.91)	(0.01)	(1.24)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the nine months ended 31 December 2019

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Notes				
Loss for the period	(698)	(8,714)	(627)	(10,174)
Other comprehensive income (loss)				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiaries	564	(75)	1,473	(908)
Total comprehensive (loss) income for the period	(134)	(8,789)	846	(11,082)
Total comprehensive (loss) income attributable to:				
Equity holders of the Company	(134)	(8,789)	846	(11,082)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2018 (audited)	-*	-	14,422	1,801	1,199	14,196	31,618
Loss for the period	-	-	-	-	-	(10,174)	(10,174)
Other comprehensive loss							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange difference on translation of foreign subsidiaries	-	-	-	(908)	-	-	(908)
Total comprehensive loss for the period	-	-	-	(908)	-	(10,174)	(11,082)
Transactions with owners							
<i>Contribution and distributions</i>							
Dividends to shareholders (Note 7)	-	-	-	-	-	(5,000)	(5,000)
Capitalisation Issue (Note 8(d))	7,500	(7,500)	-	-	-	-	-
Issue of shares by way of the Share Offer (Note 8(e))	2,500	52,500	-	-	-	-	55,000
Transaction cost attributable to issue of new shares (Note 8(e))	-	(13,489)	-	-	-	-	(13,489)
Listing expenses borne by China Smartpay Group Holdings Limited ("China Smartpay") (Note 8(b))	-	-	25,214	-	-	-	25,214
At 31 December 2018 (unaudited)	10,000	31,511	39,636	893	1,199	(978)	82,261

* Represent the amount less than HK\$1,000.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the nine months ended 31 December 2019

	Attributable to equity holders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Accumulated profits HK\$'000	
At 1 April 2019 (audited)	10,000	31,510	37,529	1,298	1,199	1,091	82,627
Loss for the period	-	-	-	-	-	(627)	(627)
Other comprehensive income							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange difference on translation of foreign subsidiaries	-	-	-	1,473	-	-	1,473
Total comprehensive income for the period	-	-	-	1,473	-	(627)	846
At 31 December 2019 (unaudited)	10,000	31,510	37,529	2,771	1,199	464	83,473

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability. The Company's shares (the "**Shares**") were listed on GEM of the Stock Exchange on 16 October 2018. 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. The Company's subsidiaries are principally engaged in merchant acquiring business in Thailand.

Pursuant to a group reorganisation (the "**Reorganisation**") carried out by the Group in preparation for the listing of shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 18 September 2018. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the prospectus of the Company dated 27 September 2018 (the "**Prospectus**").

The unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income and unaudited condensed consolidated statement of changes in equity of the Group for the nine months ended 31 December 2019 and 2018 have been prepared on the basis as if the current group structure has been in existence throughout the periods.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 (the "**Third Quarterly Financial Statements**") have been prepared in accordance with the applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the GEM Listing Rules.

The Third Quarterly Financial Statements shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "**2019 Consolidated Financial Statements**").

The Third Quarterly Financial Statements have been prepared on the historical costs basis and presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Continued)*

The Group has adopted the following new/revised standards, amendments and interpretations issued by the HKICPA for the first time for the condensed consolidated financial statements.

Annual Improvements to HKFRSs	2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee benefits
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

HKFRS 16: Leases

The Group has adopted HKFRS 16, which replaced HKAS 17, and the related consequential amendments to other HKFRSs for the nine months ended 31 December 2019 which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 April 2019.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised long-term lease liabilities which had previously been classified as operating leases if appropriate. The Group did not reassess if a contract was or contained a lease at adoption. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to profit or loss in the period in which it is incurred on the basis that produces a constant periodic rate of interest on the remaining lease liability balance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Continued)*

HKFRS 16: Leases *(Continued)*

At the inception of a contract that contains a lease component, as a lessee, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone-price. The Group, as a lessee assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets if appropriate, were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the unaudited condensed consolidated statements of financial position immediately before the date of initial application. The right-of-use assets were recognised in the unaudited condensed consolidated statements of financial position.

Depreciation was charged to profit or loss on a straight-line basis over the shorter of the assets useful lives or over the unexpired term of lease.

Payments associated with short-term leases or leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under HKAS 17. The lease liabilities of approximately HK\$1,354,000 was measured at the present value of the remaining minimum lease payments, discounted using the Group's incremental borrowing rates as of 1 April 2019, with the relevant interest charged to profit or loss over the lease period. The Group applied single discount rate to a portfolio of leases with reasonably similar characteristics in Hong Kong and Thailand. The right-of-use assets of approximately HK\$1,354,000 were recognised at cost, representing the amount of initial measurement of the lease liabilities. The right-of-use assets of approximately HK\$1,354,000 are to be depreciated over the lease period on a straight-line basis. The interest expense in respect of lease liabilities and depreciation of right-of-use assets charged to profit or loss during the nine months ended 31 December 2019 was approximately HK\$17,000 and HK\$1,081,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

2. REVENUE

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue from contracts with customers within HKFRS15				
Merchant discount rate income	19,903	18,309	51,830	63,454
Marketing and distribution service income	527	205	1,460	238
	20,430	18,514	53,290	63,692
Revenue from other sources				
Foreign exchange rate discount income	5,245	5,246	14,641	18,021
	25,675	23,760	67,931	81,713

3. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Bank interest income	80	20	229	43

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

4. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Finance costs				
Interest expense for financial liabilities at amortised cost	159	44	466	132
Finance costs on lease liabilities	3	–	17	–
	162	44	483	132
Staff costs, including key management's remuneration				
Salaries, allowances and other short-term employee benefits	3,222	1,012	7,160	2,980
Contribution to defined contribution plans	63	31	175	77
	3,285	1,043	7,335	3,057
Other items				
Amortisation of intangible assets (included in "selling and distribution costs")	111	73	284	207
Depreciation of property, plant and equipment	1,236	1,028	3,444	2,900
Depreciation of right-of-use assets	360	–	1,081	–
Operating lease payments on premises	–	310	–	688

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

5. INCOME TAX EXPENSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax				
Thailand Enterprise Income Tax	345	265	922	1,294
Withholding tax on dividend declared by a foreign subsidiary	–	567	202	567
	345	832	1,124	1,861
Deferred tax				
Recognition of tax losses	–	(55)	–	–
Income tax expenses for the period	345	777	1,124	1,861

The group entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax of the respective jurisdiction.

Hong Kong Profits Tax at the rate of 16.5% (2018: 16.5%) has not been provided for the periods 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.

Thailand Enterprise Income Tax has been provided at the rate of 20% on the estimated assessable profits of the operation arising from Thailand.

Cambodia Corporate Income Tax at the rate of 20% has not been provided as the operation in Cambodia has not yet commenced its business from the date of incorporation to 31 December 2019.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

6. LOSS PER SHARE

The calculation of the basic loss per share of the Company is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss for the period attributable to equity holders of the Company	(698)	(8,714)	(627)	(10,174)

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 Number of Shares	2018 Number of Shares	2019 Number of Shares	2018 Number of Shares
Weighted average number of ordinary shares	1,000,000,000	959,239,130	1,000,000,000	820,000,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the periods has been determined on the assumption that the Capitalisation Issue (as defined in note 8(d)) had been effective on 1 April 2017.

Diluted loss per share is the same as basic loss per share as there were no potential ordinary shares in issue during both periods.

7. DIVIDENDS

On 18 September 2018, special dividends of HK\$5,000,000 were declared to the equity holders of the entities now comprising the Group prior to the completion of the Reorganisation. The amount was settled in full by cash and offsetting against the portion of listing expenses borne and to be borne by China Smartpay. No other dividend has been declared nor paid by the Group for the nine months ended 31 December 2019 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

8. SHARE CAPITAL

- (a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 January 2018 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same day, 1 ordinary share of HK\$0.01 each was issued at par to the initial subscriber and transferred to Charm Act Group Limited ("**Charm Act**"). 69 ordinary shares, 21 ordinary shares and 9 ordinary shares were further allotted and issued to Charm Act, Straum Investments Limited ("**Straum Investments**") and Original Fortune Group Limited ("**Original Fortune**") respectively on the same day.
- (b) On 18 September 2018, a sale and purchase agreement was entered into among Charm Art, Straum Investments and Original Fortune (as vendors) and the Company (as purchaser), pursuant to which Charm Art, Straum Investments and Original Fortune agreed to sell, and the Company agreed to purchase, 70 shares, 21 shares and 9 shares of Oriental City Group Thailand Limited, respectively. In consideration of which, the Company allotted and issued 70 shares, 21 shares and 9 shares, all credit as fully paid, to Charm Art, Straum Investments and Original Fortune, respectively.
- (c) 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.
- (d) 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 new shares pursuant to the listing, the Directors 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 Capitalisation Issue). The Capitalisation Issue was completed on 16 October 2018.
- (e) On 16 October 2018, the shares of the Company were listed on GEM of the Stock Exchange and 250,000,000 new shares were issued at HK\$0.22 per share by way of public offer and placing of the shares (the "**Share Offer**"). The gross proceeds for the Share Offer amounted to HK\$55,000,000. The expenses attributable to issue of new shares pursuant to the Share Offer of approximately HK\$13,490,000 were recognised in the share premium account of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

9. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) 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 consolidated statement of profit or loss and other comprehensive income when they are incurred. 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 nine months ended 31 December 2019, no capital reserve (2018: approximately HK\$25,214,000) has been recognised as capital contribution from China Smartpay.

(c) Exchange reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries.

(d) Statutory reserve

In accordance with the relevant laws and regulations in Thailand, Oriental City Group (Thailand) Co., Ltd. ("**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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the nine months ended 31 December 2019

10. OTHER EVENT

On 29 October 2019, the Company entered into two share purchase agreements with two vendors respectively pursuant to which the Company conditionally agreed to acquire, and the two vendors conditionally agreed to sell, an aggregate of 33% of the entire issued share capital of the target company at a total consideration of HK\$2,200,000 subject to the terms and conditions of the share purchase agreements.

On the same date, the Company, the two vendors and the target company entered into a shareholders' agreement to set out the details of, among other matters, the management of the target company and the relationship among the shareholders of the target company, in accordance with the terms of the share purchase agreements. The target company is engaged in, including but not limited to, the business of development of e-commerce applications, specifically for online alternative payment and settlement. Details of the transaction are set out in the Company's announcements date 29 October 2019 and 31 December 2019. These transactions are not yet completed at the date of approving the Third Quarterly Financial Statements.

11. APPROVAL OF THE THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved by the Board on 10 February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

The Group is 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.

The Group has three main income streams derived from our merchant acquiring business, including (i) merchant discount rate income; (ii) foreign exchange rate discount income; and (iii) marketing and distribution service income. For each successful transaction processed by the Group via its point-of-sale (“POS”) terminals, merchant discount rate income is charged to its merchants based on certain percentage of the transaction value. The Group’s foreign exchange rate discount income is derived from its daily settlement with UnionPay International (“UPI”) whereby a favourable spot exchange rate in Baht to United States dollars (“US\$”) is offered by UPI in translating the nominated transaction value in Baht. The marketing and distribution service income represents the income derived from developing marketing channels for expanding the use of payment service system through its merchant network.

The Group continuously faced the risks of uncertainties in Thailand’s economic outlook, its relationship with the People’s Republic of China, the impact of Sino-US trade war and the impact of novel coronavirus, which would affect Chinese tourists’ spending sentiments in Thailand. In particular, the novel coronavirus which led to the suspension of Chinese tour groups to Thailand, is expected to result in material adverse effect to the income of the Group in the coming few months. The management would continue to closely monitor the market conditions and adjust the Group’s business strategies to cope with the fluctuation in transaction value derived from its merchant network.

In order to capture the opportunities from the increasing number of Chinese tourists using Alipay and WeChat Pay in Thailand, the Group has begun to support these payment methods during the Period.

The Shares of the Company were successfully listed on GEM of the Stock Exchange on 16 October 2018. The proceeds raised have strengthened the Group’s cash flow and the Group will implement its future plans and business strategies as set out in the section headed “Business Objectives, Future Plans and Use of Proceeds” in the Prospectus.

Looking forward, the Group continues to keep cost conscious through stringent cost control measures in order to improve the performance of the Group. The Group will proactively seek business opportunities that will contribute and sustain the Group’s future development on generating better return to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

For the Period, the Group recorded total revenue of approximately HK\$67.9 million (2018: approximately HK\$81.7 million) derived from its merchant acquiring business, which included i) merchant discount rate income of approximately HK\$51.8 million (2018: approximately 63.5 million); ii) foreign exchange rate discount income of approximately HK\$14.6 million (2018: approximately HK\$18.0 million); and iii) marketing and distribution service income of approximately HK\$1.5 million (2018: approximately HK\$0.2 million). There was a decrease in merchant discount rate income and foreign exchange rate discount income of approximately HK\$11.7 million and HK\$3.4 million respectively as compared with the same period in 2018. The decrease in these two income streams was mainly driven by the decrease in the transaction volume via UnionPay processed by the Group for the period as compared with the same period in 2018 as a result of the uncertainties in overall Chinese tourists' spending sentiments in Thailand and the challenges brought about by Alipay and WeChat Pay, the two increasing popular payment methods among Chinese tourists in Thailand. The Group began to pick up transaction volumes derived from these payment methods and recorded an increasing amount in the marketing and distribution service income which has remained insignificant to the Group's revenue for the Period.

Cost of services rendered

Cost of services rendered of the Group includes the IT network service fee and franchise license fee for the merchant acquiring business. Total cost of services rendered for the Period amounted to approximately HK\$46.8 million (2018: approximately HK\$58.4 million). The decrease in cost of services rendered by approximately 19.9% was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit for the Period amounted to approximately HK\$21.2 million, representing a decrease of approximately HK\$2.1 million or approximately 9.0% as compared to approximately HK\$23.3 million for the same period in 2018, which was in line with the decrease in revenue. The gross profit margin increased slightly as compared with the same period in 2018.

General administrative expenses

The general administrative expenses of the Group for the Period amounted to approximately HK\$13.3 million (2018: approximately HK\$8.5 million). The increase in general administrative expenses by approximately 56.5% was mainly due to (i) the increment in salaries and benefits for directors and staff, and (ii) the increase in depreciation during the Period.

Selling and distribution costs

The Group recorded selling and distribution costs of approximately HK\$7.1 million for the Period (2018: approximately HK\$8.5 million). The decrease in selling and distribution costs of approximately 16.5% was in line with the decrease in the transaction value.

Finance costs

The finance costs amounted to approximately HK\$0.5 million for the Period (2018: approximately HK\$0.1 million). The amount represented (i) the cumulative dividend accrued to a non-controlling shareholder in respect of the paid-up amount of the preference shares issued by OCG Thailand, and (ii) the finance costs on lease liabilities. The significant increase in finance costs is due to the increase in the amount of the paid-up preference shares of OCG Thailand.

Loss for the period

The Group recorded a net loss attributable to owners of the Company of approximately HK\$0.6 million for the Period (2018: approximately HK\$10.2 million). The decrease in net loss was mainly due to the aggregate effect of (i) the aforementioned decrease in revenue and gross profit as a result of the drop in the UnionPay transaction volume, (ii) the aforementioned increase in general administrative expense, and (iii) the absence of the non-recurring listing expense which was incurred for the same period in 2018.

Dividend policy

The Group currently do not have a pre-determined dividend payout ratio. Dividends may be paid out by cash or other means that the Group considers appropriate. The declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to the shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, depends on a number of factors, including the results of operations, financial condition, the payment by the subsidiaries of cash dividends to the Group, and other factors the Board may deem relevant. There will be no assurance that the Group will be able to declare or distribute any dividends in the amount set out in any plan of the Board or at all.

The Board does not recommend the payment of dividend for the Period (2018: nil).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and had maintained a healthy liquidity position throughout the Period. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Foreign exchange exposure

The Group mainly operates in Thailand with transactions denominated in Baht. The Group exposes to foreign exchange risks as the Group's trade receivables are denominated in US\$. The Directors and senior management of the Company have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 31 December 2019, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$5.5 million (equivalent to approximately HK\$43.2 million) (31 March 2019: US\$5.4 million (equivalent to approximately HK\$42.4 million)). The Directors and senior management of the Company will continue to monitor the foreign exchange risk exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 31 December 2019.

Significant investment, material acquisitions and disposals

During the Period, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATE CORPORATIONS

As at 31 December 2019, none of the Directors nor chief executive of the Company have registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as known to the Directors, the following persons/entities had interest or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Long position in Shares or underlying Shares of the Company

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of issued Shares (Note 1)
Charm Act (Note 2)	Beneficial owner	525,000,000	52.50%
China Smartpay (Note 2)	Interest of a controlled corporation	525,000,000	52.50%
Straum Investments (Note 3)	Beneficial owner	157,500,000	15.75%
Mr. Yu Chun Fai (" Mr. Yu ") (Note 3)	Interest of a controlled corporation	157,500,000	15.75%
Ms. Choi Hiu Wa (" Ms. Choi ") (Note 4)	Interests of spouse	157,500,000	15.75%
Original Fortune (Note 5)	Beneficial owner	67,500,000	6.75%
Mr. Sung Hak Keung, Andy (" Mr. Sung ") (Note 5)	Interest of a controlled corporation	67,500,000	6.75%

Notes:

- (1) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 31 December 2019.
- (2) China Smartpay holds the entire issued share capital of Charm Act. Charm Act, in turn, directly holds 525,000,000 Shares. Accordingly, China Smartpay is deemed to be interested in the 525,000,000 Shares which Charm Act is interested in by virtue of the disclosure requirements of the SFO.
- (3) Mr. Yu holds the entire issued share capital of Straum Investments. Straum Investments, in turn, directly holds 157,500,000 Shares. Accordingly, Mr. Yu is deemed to be interested in the 157,500,000 Shares which Straum Investments is deemed to be interested in by virtue of the disclosure requirements of the SFO.
- (4) Ms. Choi is the wife of Mr. Yu and Mr. Yu is deemed to be interested in the 157,500,000 Shares per Note (3) above. Accordingly, Ms. Choi is deemed to be interested in the 157,500,000 Shares which Mr. Yu is deemed to be interested in by virtue of the disclosure requirements of the SFO.
- (5) Mr. Sung holds the entire issued share capital of Original Fortune. Original Fortune, in turn, directly holds 67,500,000 Shares. Accordingly, Mr. Sung is deemed to be interested in the 67,500,000 Shares which Original Fortune is interested in by virtue of the disclosure requirements of the SFO.
- (6) Charm Act entered into a placing agreement on 13 January 2020 and a side letter on 23 January 2020 with a placing agent Gayang Securities Limited, a connected person (as defined in the GEM Listing Rules) of China Smartpay as the placing agent (the **"Placing Agent"**), pursuant to which Charm Act agreed to place through the Placing Agent up to 200,000,000 Shares (the **"Placing Share(s)"**) held by Charm Act to not less than six placees at the placing price of HK\$0.07 per Placing Share on a best effort basis (the **"Placing"**). The Placing completed on 3 February 2020 where a total of 200,000,000 Placing Shares had been successfully placed by the Placing Agent to not less than six placees at the placing price of HK\$0.07 per Placing Share.

Immediately before the Placing, Charm Act held 525,000,000 Shares, representing 52.5% of the total issued share capital of the Company. Immediately after the Placing and as at the date of this report, Charm Act holds 325,000,000 Shares, representing 32.5% of the total issued share capital of the Company, and Charm Act remains as the controlling shareholder of the Company.

China Smartpay holds the entire issued share capital of Charm Act and is deemed to be interested in the 325,000,000 Shares which Charm Act is interested in immediately after the Placing and as at the date of this report by virtue of the disclosure requirements of the SFO.

For details of the Placing, please refer to the announcements published by the Company dated 14 January 2020, 23 January 2020 and 3 February 2020 and the announcements published by China Smartpay dated 13 January 2020, 23 January 2020 and 3 February 2020.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Company has adopted the 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, the Company's corporate governance practises have complied with the CG Code.

Paragraph A.2.1 of the CG 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 was the Chairman and the chief executive officer of the Company during the period between 1 April 2019 and 30 July 2019. Taking into account that Mr. Yu was the founder of the Group and had been managing the business of the Group since its establishment, with the extensive experience and knowledge in the business of the Group, the Board believed that it was in the best interest of the Group to have Mr. Yu taking up both the roles of Chairman and chief executive officer for effective management and business development during his tenure of office. On 30 July 2019, Mr. Lin Xiaofeng was appointed as the Chairman and chief executive officer of the Company and Mr. Yu ceased to be a Director, the Chairman and chief executive officer of the Company. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and effectively respond to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. Therefore, the Board considers that the deviation from paragraph A.2.1 of the CG Code to be appropriate in such circumstance.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save and except for their respective interest in the Company, none of the Directors and their respective associates (as defined in the GEM Listing Rules) had any interest in any business that directly or indirectly competed or might compete with the business of the Group up to the nine months ended 31 December 2019.

DEED OF NON-COMPETITION

A deed of non-competition dated 18 September 2018 (the “**Deed of Non-competition**”) was executed by China Smartpay and Charm Act in favour of the Company (for itself and for the benefit of its subsidiaries) regarding certain non-competition undertakings. The details of the Deed of Non-competition were disclosed in the section headed “Relationship with Controlling Shareholders and Non-competition Undertaking – Deed of Non-competition” in the Prospectus.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors with terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares of the Company. Having made specific enquiry, all Directors confirmed that they have fully complied with the required standard of dealing and the Company's code of conduct for securities transactions throughout the Period.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed Ample Capital Limited as its compliance adviser, which will provide advice and guidance to the Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and its compliance adviser dated 24 September 2018, neither the compliance advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) has been adopted by way of a shareholder’s written resolution passed on 18 September 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2019.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code for the purpose of reviewing and supervising the Company’s financial reporting and internal control procedures. As at 31 December 2019, the audit committee comprised three independent non-executive Directors, namely Mr. Chung, Wai Chuen Alfred, Ms. Huang Ping and Mr. Ng Ka Po. Mr. Chung, Wai Chuen Alfred is the chairman of the audit committee.

The Group’s unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
Oriental Payment Group Holdings Limited
Lin Xiaofeng
Chairman and Executive Director

Hong Kong, 10 February 2020

As at the date of this report, the executive Director is Mr. Lin Xiaofeng; the non-executive Director is Mr. Xiong Wensen; and the independent non-executive Directors are Mr. Chung, Wai Chuen Alfred, Ms. Huang Ping and Mr. Ng Ka Po.