

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



2018
Third Quarterly
Report

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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 2018, together with the comparative figures of the corresponding periods in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2018

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	23,760	27,856	81,713	69,892
Cost of services rendered		(16,821)	(19,995)	(58,370)	(49,473)
Gross profit		6,939	7,861	23,343	20,419
Other income	4	20	26	43	59
General administrative expenses		(3,716)	(2,012)	(8,480)	(5,822)
Selling and distribution costs		(2,814)	(2,546)	(8,541)	(6,424)
Finance costs	5	(44)	(42)	(132)	(128)
Listing expenses		(8,322)	(5,262)	(14,546)	(5,262)
(Loss) Profit before taxation	5	(7,937)	(1,975)	(8,313)	2,842
Income tax expenses	6	(777)	(288)	(1,861)	(1,638)
(Loss) Profit for the period		(8,714)	(2,263)	(10,174)	1,204
Attributable to:					
Equity holders of the Company		(8,714)	(2,263)	(10,174)	1,204
		HK cents	HK cents	HK cents	HK cents
(Loss) Earnings per share attributable to equity holders of the Company					
Basic	7	(0.91)	(0.30)	(1.24)	0.16
Diluted	7	N/A	N/A	N/A	N/A

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

For the three months and nine months ended 31 December 2018

	For the three months ended		For the nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
Notes	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
(Loss) Profit for the period	(8,714)	(2,263)	(10,174)	1,204
Other comprehensive (loss) income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiaries	(75)	713	(908)	1,206
Total comprehensive (loss) income for the period	(8,789)	(1,550)	(11,082)	2,410
Total comprehensive (loss) income attributable to:				
Equity holders of the Company	(8,789)	(1,550)	(11,082)	2,410

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	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 2017 (audited)	-	-	3,296	(717)	1,199	15,290	19,068
Profit for the period	-	-	-	-	-	1,204	1,204
Other comprehensive income							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange difference on translation of foreign subsidiaries	-	-	-	1,206	-	-	1,206
Total comprehensive income for the period	-	-	-	1,206	-	1,204	2,410
Transactions with owners							
<i>Contribution and distributions</i>							
Listing expenses borne by China Smartpay (as defined in note 1) (Note 10(a))	-	-	4,736	-	-	-	4,736
At 31 December 2017 (unaudited)	-	-	8,032	489	1,199	16,494	26,214

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

For the nine months ended 31 December 2018

	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 8)	-	-	-	-	-	(5,000)	(5,000)
Capitalisation Issue	7,500	(7,500)	-	-	-	-	-
Issue of new shares by way of public offer	2,500	52,500	-	-	-	-	55,000
Transaction cost attributable to issue of new shares	-	(13,489)	-	-	-	-	(13,489)
Listing expenses borne by China Smartpay (as defined in note 1) (Note 10(a))	-	-	25,214	-	-	-	25,214
At 31 December 2018 (unaudited)	10,000	31,511	39,636	893	1,199	(978)	82,261

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

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 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.

In preparing for the initial listing of the shares of the Company (the "**Shares**") on GEM of the Stock Exchange (the "**Listing**"), the Group underwent a group reorganisation (the "**Reorganisation**") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 18 September 2018. Details of the Reorganisation are more fully explained in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" of the prospectus of the Company dated 27 September 2018 (the "**Prospectus**"). The Group is under the control of China Smartpay Group Holdings Limited ("**China Smartpay**") prior to and after the Reorganisation.

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 2018 and 2017 have been prepared on the basis as if the current group structure has been in existence throughout the periods.

The Shares were listed on GEM of the Stock Exchange on 16 October 2018.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 (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.

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

For the nine months ended 31 December 2018

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

The Third Quarterly Financial Statements shall be read in conjunction with the Group's combined financial information for the year ended 31 March 2018 as included in the Accountants' Report as set out in Appendix I of the Prospectus (the "2018 Financial Information").

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.

Except for HKFRS 9 and HKFRS 15 as set out below, the accounting policies and methods of computation applied in preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the 2018 Financial Information.

HKFRS 9 "Financial Instruments"

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. 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.

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

For the nine months ended 31 December 2018

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

HKFRS 9 “Financial Instruments” *(Continued)*

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 assessed the implementation of the expected credit loss model would not 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 “Revenue from Contracts with Customers”

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 management of the Group considered that the performance obligations that 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 would have no significant impact on recognition of revenue.

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

For the nine months ended 31 December 2018

2. ADOPTION OF NEW/REVISED HKFRSs

In addition to HKFRS 9 and HKFRS 15 as mentioned above, the adoption of the following new/ revised HKFRSs that effective from the current period had no significant effects on the financial performance and financial position of the Group for the current and prior periods.

HK (IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
Annual Improvement to HKFRSs	<i>2014-2016 Cycle: HKFRS 1 and HKAS 28</i>

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial period beginning on 1 April 2018.

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

For the nine months ended 31 December 2018

3. REVENUE

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Merchant discount rate income	18,309	21,599	63,454	53,390
Foreign exchange rate discount income	5,246	6,257	18,021	15,926
Marketing and distribution service income	205	–	238	576
	23,760	27,856	81,713	69,892

4. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Bank interest income	20	26	43	52
Other income	–	–	–	7
	20	26	43	59

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

For the nine months ended 31 December 2018

5. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Finance costs				
Finance costs on other long-term liabilities	44	42	132	128
Staff costs, including key management's remuneration				
Salaries, allowances and other short-term employee benefits	1,012	779	2,980	2,496
Contribution to defined contribution plans	31	14	77	57
	1,043	793	3,057	2,553
Other items				
Amortisation of intangible assets (included in "selling and distribution costs")	73	57	207	160
Depreciation of property, plant and equipment	1,028	688	2,900	1,969
Operating lease payments on premises	310	180	688	532

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

For the nine months ended 31 December 2018

6. INCOME TAX EXPENSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax				
Thailand Enterprise				
Income Tax	265	615	1,294	1,310
Withholding tax on dividend declared by a foreign subsidiary	567	–	567	655
	832	615	1,861	1,965
Deferred tax				
Recognition of tax losses	(55)	(327)	–	(327)
Income tax expenses for the period	777	288	1,861	1,638

The 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% (2017: 16.5%) has not been provided for the period as the 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.

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 2018

7. (LOSS) EARNINGS PER SHARE

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(Loss) Profit for the period attributable to equity holders of the Company	(8,714)	(2,263)	(10,174)	1,204

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 Number of Shares	2017 Number of Shares	2018 Number of Shares	2017 Number of Shares
Weighted average number of ordinary shares	959,239,130	750,000,000	820,000,000	750,000,000

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share for the periods has been determined on the assumption that the Capitalisation Issue (as defined in note 9) had been effective on 1 April 2017.

No diluted (loss) earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

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

For the nine months ended 31 December 2018

8. 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 2018 and 2017.

9. SHARE CAPITAL

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 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.

On 18 September 2018, a sale and purchase agreement was entered into among Charm Act, Straum Investments and Original Fortune (as vendors) and the Company (as purchaser), pursuant to which Charm Act, 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, currently a directly wholly-owned subsidiary of the Company. In consideration of which, the 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.

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 fully completed on 16 October 2018.

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.

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

For the nine months ended 31 December 2018

10. RESERVES

(a) Capital Reserve

The capital reserve 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, it was agreed with China Smartpay that 90% and 10% of the total 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.

For the nine months ended 31 December 2018, capital reserve of approximately HK\$25,214,000 (2017: approximately HK\$4,736,000) has been recognised as capital contribution from China Smartpay.

(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.

(c) Statutory Reserve

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

11. APPROVAL OF THE THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved by the Board on 14 February 2019.

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 revenue 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.

During the period, the Group continuously faced the risks of uncertainties in Thailand’s economic outlook, its relationship with the People’s Republic of China and the impact of Sino-US trade war, which would affect Chinese tourists’ spending sentiments in Thailand. The management would continuously 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 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. The Directors are of the view that such incident had an adverse impact on its revenue and net profit for the respective periods.

The Shares 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 remain cost conscious through stringent cost control measures in order to improve 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 nine months ended 31 December 2018, the Group recorded total revenue of approximately HK\$81.7 million (2017: approximately HK\$69.9 million) derived from its merchant acquiring business, which included i) merchant discount rate income of approximately HK\$63.5 million (2017: approximately 53.4 million); ii) foreign exchange rate discount income of approximately HK\$18.0 million (2017: approximately HK\$15.9 million); and iii) marketing and distribution service income of approximately HK\$238,000 (2017: approximately HK\$576,000). There was an increase in merchant discount rate income and foreign exchange rate discount income by approximately HK\$10.1 million and HK\$2.1 million respectively when comparing with the same period in 2017. The increase in these two income streams was in line with the increase in transaction value processed by the Group by approximately Baht2,244.3 million for the period. The marketing and distribution service income 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 nine months ended 31 December 2018 amounted to approximately HK\$58.4 million (2017: approximately HK\$49.5 million). The increase in cost of services rendered by approximately 17.98% was in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit for the nine months ended 31 December 2018 amounted to approximately HK\$23.3 million, representing an increase of approximately HK\$2.9 million or approximately 14.32% as compared to approximately HK\$20.4 million for the same period in 2017, which was in line with the increase in revenue. The gross profit margin dropped slightly to approximately 28.57% for the nine months ended 31 December 2018 as compared with 29.22% for the same period in 2017. The slight decrease was due to the decrease in foreign exchange rate discount income to approximately 22.05% of total revenue for the nine months ended 31 December 2018 as compared with 22.79% for the same period in 2017.

General administrative expenses

The general administrative expenses of the Group for the nine months ended 31 December 2018 amounted to approximately HK\$8.5 million (2017: approximately HK\$5.8 million). The increase in general administrative expenses by approximately 45.65% was mainly due to the aggregate effect of (i) increase in staff costs for administrative employees, (ii) the increase in the preliminary expenses including rental expenses and consulting fee for Cambodia office, (iii) the increase in office & utilities expenses, and (iv) the increase in withholding tax as a result of increase in franchise license fee charged by UPI, which is subject to withholding tax.

Selling and distribution costs

The Group recorded selling and distribution costs of approximately HK\$8.5 million for the nine months ended 31 December 2018 (2017: approximately HK\$6.4 million). The increase in selling and distribution costs by approximately 32.95% was mainly due to the aggregate effect of (i) increase in depreciation and amortisation expenses, and (ii) the increase in its advertising and promotion expenses in providing incentives to the Group's major merchants in boosting the transaction value.

Finance costs

The finance costs amounted to approximately HK\$132,000 for the nine months ended 31 December 2018 (2017: approximately HK\$128,000). The amount represented the cumulative dividend accrued to a non-controlling shareholder in respect of the paid-up amount of the preference shares issued by OCG Thailand. There is no change in the paid-up amount of the preference shares and therefore no significant change in finance costs for both periods.

(Loss) Profit for the period

The Group recorded a net loss attributable to owners of the Company of approximately HK\$10.2 million for the nine months ended 31 December 2018 (2017: net profit of approximately HK\$1.2 million). The decrease in net profit was mainly attributable to the listing expenses incurred for the Listing.

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and had maintained a healthy liquidity position throughout the reporting periods. To manage 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 risk 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 2018, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$2.0 million (equivalent to approximately HK\$15.7 million) (31 March 2018: US\$6.0 million (equivalent to approximately HK\$47.1 million)). The Directors and senior management of the Company will continue to monitor the foreign risk exchange 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 2018.

Significant investment, material acquisitions and disposals

During the nine months ended 31 December 2018, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the Shares as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

Dividend

For the nine months ended 31 December 2018, special dividends of HK\$5.0 million (2017: Nil) were declared to the equity holders of the entities now comprising the Group prior to the completion of the Reorganisation. The Group currently does 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 the Directors consider appropriate. 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. No other dividend was declared for the nine months ended 31 December 2018.

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 2018, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), 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 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 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares, underlying shares and debentures of the Company and its associated corporations

Name of Directors and chief executive	Capacity/Nature Interest	Relevant company (including associated corporation)	Number of shares held/interested in	Approximate percentage of issued share capital of the Company or associated corporation
Mr. Yu Chun Fai ("Mr. Yu") (Note 2)	Interest in a controlled corporation	the Company	157,500,000	15.75% (Note 1)
	Beneficial owner	Straum Investments	1	100%

Notes:

- (1) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 31 December 2018.
- (2) 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 interested in by virtue of the disclosure requirements of the SFO.

Save as disclosed above, as at 31 December 2018, none of the other 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 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 2018, so far as known to the Directors, the following persons/entities (other than the Directors and the chief executive of the Company) 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%
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 2018.
- (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.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons (other than the Directors and the chief executive of the Company) 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The 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, 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 is the Chairman and the chief executive officer of the Company. Taking into account that Mr. Yu is the founder of the Group and has been managing the business of the Group since its establishment, with the extensive experience and knowledge in the business of the Group, the Board believes that it is 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. 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 2018.

DEED OF NON-COMPETITION

A deed of non-competition dated 18 September 2018 (the “**Deed of Non-competition**”) 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. 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” to the Prospectus.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on 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 have confirmed that they have fully complied with the required standard of dealing and the Company’s code of conduct for securities transactions throughout the nine months ended 31 December 2018.

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 on 24 September 2018, neither its 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 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 2018.

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 2018, 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 2018 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
Yu Chun Fai
Chairman and Executive Director

Hong Kong, 14 February 2019

As at the date of this report, the executive Director is Mr. Yu Chun Fai; 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.