



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

FIRST 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 three months ended 30 June 2019, together with the comparative figures of the corresponding periods in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2019

		For the three months ended 30 June	
	Notes	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	2	21,537	32,093
Cost of services rendered		(14,807)	(23,039)
Gross profit		6,730	9,054
Other income	3	57	22
General administrative expenses		(3,483)	(2,362)
Selling and distribution costs		(2,246)	(3,266)
Finance costs	4	(157)	(44)
Listing expenses		–	(998)
Profit before taxation	4	901	2,406
Income tax expenses	5	(309)	(615)
Profit for the period		592	1,791
Attributable to:			
Equity holders of the Company		592	1,791
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company			
Basic	6	0.06	0.24
Diluted	6	0.06	0.24

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

For the three months ended 30 June 2019

	Notes	For the three months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period		592	1,791
Other comprehensive income (loss)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign subsidiaries		1,746	(1,312)
Total comprehensive income for the period		2,338	479
Total comprehensive income attributable to:			
Equity holders of the Company		2,338	479

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Attributable to equity holders of the Company					
	Share capital 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
Profit for the period	–	–	–	–	1,791	1,791
Other comprehensive loss						
<i>Item that may be reclassified subsequently to profit or loss</i>						
Exchange difference on translation of foreign subsidiaries	–	–	(1,312)	–	–	(1,312)
Total comprehensive income for the period	–	–	(1,312)	–	1,791	479
Transactions with owners						
<i>Contribution and distributions</i>						
Listing expenses borne by China Smartpay (Note 8(a)) (as defined in Note 1)	–	967	–	–	–	967
At 30 June 2018 (unaudited)	–*	15,389	489	1,199	15,987	33,064

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

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

For the three months ended 30 June 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
Profit for the period	-	-	-	-	-	592	592
Other comprehensive income							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange difference on translation of foreign subsidiaries	-	-	-	1,746	-	-	1,746
Total comprehensive income for the period	-	-	-	1,746	-	592	2,338
At 30 June 2019 (unaudited)	10,000	31,510	37,529	3,044	1,199	1,683	84,965

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 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 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.

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 three months ended 30 June 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 three months ended 30 June 2019 (the "**First 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 three months ended 30 June 2019

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

The First 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 First 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.

During the period, the Group has applied, for the first time, the following new standards, amendments and interpretations to existing standards issued by the HKICPA, which are effective from the accounting periods beginning on or after 1 April 2019 for the preparation of the Group’s First Quarterly 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

The adoption of these amendments to HKFRSs, except for HKFRS 16, did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years.

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

For the three months ended 30 June 2019

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

HKFRS 16: Leases

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. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest are recognised on the right-of-use assets and the lease liabilities respectively. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2019 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 16. No reclassification and adjustment was recognised in the opening balance of the equity on 1 April 2019 as the cumulative effect on the financial results and financial position of the Group upon initial adoption of HKFRS 16 was insignificant.

On the first adoption of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term when the contract contains option to extend or terminate the lease.

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

For the three months ended 30 June 2019

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

HKFRS 16: Leases *(Continued)*

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*.

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\$1,351,000 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\$1,351,000 were recognised at cost, representing the amount of initial measurement of the lease liabilities. The right-of-use assets of approximately HK\$1,351,000 were 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 three months ended 30 June 2019 was approximately HK\$5,000 and HK\$169,000 respectively.

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

For the three months ended 30 June 2019

2. REVENUE

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue from contracts with customers within HKFRS 15		
Merchant discount rate income	16,169	24,912
Marketing and distribution service income	489	–
	16,658	24,912
Revenue from other sources		
Foreign exchange rate discount income	4,879	7,181
	21,537	32,093

3. OTHER INCOME

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Bank interest income	57	22

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

For the three months ended 30 June 2019

4. PROFIT BEFORE TAXATION

This is stated after charging:

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Finance costs		
Interest expenses for financial liabilities at amortised cost	152	44
Finance costs on lease liabilities	5	–
	157	44
Staff costs, including key management's remuneration		
Salaries, allowances and other short-term employee benefits	1,791	975
Contribution to defined contribution plans	53	23
	1,844	998
Other items		
Amortisation of intangible assets (included in "selling and distribution costs")	76	62
Depreciation of property, plant and equipment	1,058	921
Depreciation of right-of-use assets	169	–
Operating lease payments on premises	–	188

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

For the three months ended 30 June 2019

5. INCOME TAX EXPENSES

	For the three months ended	
	30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax		
Thailand Enterprise Income Tax	309	589
Deferred tax		
Utilisation of tax losses	–	26
Income tax expenses for the period	309	615

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.

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.

From the date of incorporation to 31 March 2019, Cambodia Corporate Income Tax at the rate of 20% has not been provided as OGC Payment has not yet commenced its business.

Dividends payable by an enterprise in Cambodia to its foreign investors are subject to a 14% withholding tax.

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

For the three months ended 30 June 2019

6. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit for the period ended 30 June 2019 attributable to the equity holders of the Company of approximately HK\$592,000 (2018: approximately HK\$1,791,000) and on the weighted average number of 1,000,000,000 ordinary shares (2018: 750,000,000 ordinary shares) in issue during the period ended 30 June 2019.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 June 2018 has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined below) had been effective on 1 April 2017.

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.

Diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares outstanding during both periods.

7. DIVIDENDS

The directors did not recommend a payment of dividend for the three months ended 30 June 2019 (2018: Nil).

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

For the three months ended 30 June 2019

8. 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 three months ended 30 June 2019, no capital reserve has been recognised as capital contribution from China Smartpay (2018: approximately HK\$967,000).

(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.

9. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved by the Board on 8 August 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 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.

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 three months ended 30 June 2019, the Group recorded total revenue of approximately HK\$21.5 million (2018: approximately HK\$32.1 million) derived from its merchant acquiring business, which included i) merchant discount rate income of approximately HK\$16.2 million (2018: approximately HK\$24.9 million); ii) foreign exchange rate discount income of approximately HK\$4.9 million (2018: approximately HK\$7.2 million); and iii) marketing and distribution service income of approximately HK\$489,000 (2018: Nil). There was a decrease in merchant discount rate income and foreign exchange rate discount income by approximately HK\$8.7 million and HK\$2.3 million, respectively when comparing with the same period in 2018. The decrease in these two income streams was in line with the decrease in transaction value processed by the Group for the period which was mainly due to the decrease in the number of Chinese tourists to Thailand during the three months ended 30 June 2019 compared with the same period in the last year. 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 three months ended 30 June 2019 amounted to approximately HK\$14.8 million (2018: approximately HK\$23.0 million). The decrease in cost of services rendered by approximately 35.7% was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit for the three months ended 30 June 2019 amounted to approximately HK\$6.7 million, representing a decrease of approximately HK\$2.4 million or approximately 26.4% as compared to approximately HK\$9.1 million for the same period in 2018, which was in line with the decrease in revenue. The gross profit margin increased slightly compared with the same period in the last year.

General administrative expenses

The general administrative expenses of the Group for the three months ended 30 June 2019 amounted to approximately HK\$3.5 million (2018: approximately HK\$2.4 million). The increase in general administrative expenses by approximately 45.8% was mainly due to the increase in salaries and benefits for directors and administrative staff.

Selling and distribution costs

The Group recorded selling and distribution costs of approximately HK\$2.2 million for the three months ended 30 June 2019 (2018: approximately HK\$3.3 million). The decrease in selling and distribution costs by approximately 33.3% was in line with the decrease in the transaction volume.

Finance costs

The finance costs amounted to approximately HK\$157,000 for the three months ended 30 June 2019 (2018: approximately HK\$44,000). 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.

Profit for the period

The Group recorded a net profit attributable to owners of the Company of approximately HK\$0.6 million for the three months ended 30 June 2019 (2018: approximately HK\$1.8 million). The decrease in net profit was mainly attributable to (i) the aforementioned decrease in revenue and gross profit as a result of the drop in the transaction volume, and (ii) the aforementioned increase in general administrative expenses.

Dividend policy

The Group currently do not have a pre-determined dividend payout ratio. Dividends may be paid out by way of cash or by other means that the Group considers 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 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 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 dividend in the amount set out in any plan of the 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 dividends that may be declared or paid by the Board in the future.

Details of the dividend are set out in the Note 7 to the First Quarterly Financial Statements.

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 30 June 2019, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$4.0 million (equivalent to approximately HK\$31.2 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 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 30 June 2019.

Significant investment, material acquisitions and disposals

During the three months ended 30 June 2019, 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.

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

As at 30 June 2019, 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 Limited ("Straum Investments")	1	100%

Notes:

- (1) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 30 June 2019.
- (2) Mr. Yu ceased to be a Director with effect on 30 July 2019, he 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 30 June 2019, 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 30 June 2019, 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 Group Limited ("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 Group Limited ("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 30 June 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.

Save as disclosed above, as at 30 June 2019, 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, 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 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 was the Chairman and the chief executive officer of the Company during the review period. 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 three months ended 30 June 2019.

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 three months ended 30 June 2019.

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 30 June 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 30 June 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 three months ended 30 June 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, 8 August 2019

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.