



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

2020 ANNUAL 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.*

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BOARD OF DIRECTORS

Executive Director

Mr. Lin Xiaofeng (appointed on 30 July 2019)

(Chairman and Chief Executive Officer)

Mr. Yu Chun Fai (retired on 30 July 2019)

Non-executive Director

Mr. Xiong Wensen

Independent Non-executive Directors

Mr. Chung, Wai Chuen Alfred

Ms. Huang Ping

Mr. Ng Ka Po

BOARD COMMITTEES

Audit Committee

Mr. Chung, Wai Chuen Alfred *(Chairman)*

Ms. Huang Ping

Mr. Ng Ka Po

Remuneration Committee

Mr. Ng Ka Po *(Chairman)*

Ms. Huang Ping

Mr. Chung, Wai Chuen Alfred

Nomination Committee

Ms. Huang Ping *(Chairman)*

Mr. Ng Ka Po

Mr. Chung, Wai Chuen Alfred

COMPLIANCE OFFICER

Mr. Lin Xiaofeng (appointed on 30 July 2019)

Mr. Yu Chun Fai (retired on 30 July 2019)

AUTHORISED REPRESENTATIVES

Mr. Lin Xiaofeng (appointed on 30 July 2019)

Mr. Yu Wan Hei (appointed on 1 December 2019)

Mr. Yu Chun Fai (retired on 30 July 2019)

Mr. Lai Wing Hong (resigned on 1 December 2019)

COMPANY SECRETARY

Mr. Yu Wan Hei (appointed on 1 December 2019)

Mr. Lai Wing Hong (resigned on 1 December 2019)

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS IN THAILAND

24/F., TST Tower

21 Viphavadi-Rangsit Road

Jomphol, Jatujak, Bangkok

10900 Thailand

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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200 Connaught Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Conyers Trust Company (Cayman) Limited

Cricket Square, George Town

Grand Cayman, P.O. Box 2681, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301-04, 33/F

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited

Corporate Information

COMPLIANCE ADVISER

Ample Capital Limited
14A Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

Tung & Co.
Office 1601
16/F, LHT Tower
31 Queen's Road Central
Hong Kong

As to Thailand law

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

As to Cambodian law

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

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42/F, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

STOCK CODE

8613

WEBSITE

www.ocg.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of Directors of Oriental Payment Group Holdings Limited (the “**Company**”), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively the “**Group**”) for the financial year ended 31 March 2020 (the “**Year**”).

REVIEW

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.

During the Year, the Group recorded a decrease in revenue of approximately 28.0% to HK\$80.5 million (2019: approximately HK\$111.8 million). The revenue was derived from its merchant discount rate income (“**MDR income**”), foreign exchange rate discount income and marketing and distribution service income. The Group recorded a loss attributable to equity holders of the Company of approximately HK\$5.6 million (2019: approximately HK\$8.1 million). The decrease in net loss was mainly due to the aggregate effect of (i) the decrease in revenue and gross profit as a result of the drop in the UnionPay transaction volume, (ii) the increase in general administrative expense, and (iii) the absence of the non-recurring listing expense which was incurred in the previous financial year.

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 Year.

OUTLOOK

The outbreak of the COVID-19 pandemic has a material adverse effect to the business operation of the Group and overall economy in the global business environment. The Group will stay alert to the development and situation of the COVID-19 pandemic, continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to maintain the stability of the businesses.

In February 2020, a Singapore company has joined the Group which is principally engaged in payment processing services to merchants in Singapore. The Group will keep proactive to seek business opportunities that will contribute and sustain the Group's future development on generating better return to the shareholders of the Company.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners and customers for their continuous support and trust placed in us. I would also like to thank our staff for their tremendous efforts and contributions during the Year. With our competent management and professional teams, I believe the Group will succeed in achieving an exceptional result.

Lin Xiaofeng

Chairman and Executive Director

26 June 2020

Management Discussion and Analysis

BUSINESS REVIEW

Oriental Payment Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively 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 the merchant acquiring business, including (i) merchant discount rate income (“**MDR 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, MDR 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 year ended 31 March 2020 (the “**Year**”), the Group continuously faced the risks of uncertainties in Thailand’s economic outlook, its relationship with the People’s Republic of China (the “**PRC**” or “**China**”), the impact of Sino-US trade war and the impact of the COVID-19 pandemic, which would affect Chinese tourists’ spending sentiments in Thailand. In particular, the COVID-19 pandemic which led to the suspension of Chinese tour groups to Thailand in early 2020, resulted in a material adverse effect to the income of the Group in the last quarter of the Year. Even though the transaction volume on UnionPay dropped during the Year, the Group has begun to support Chinese tourists using Alipay and WeChat Pay in Thailand. We will 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.

FINANCIAL REVIEW

Revenue

During the Year, the Group recorded total revenue of approximately HK\$80.5 million (2019: approximately HK\$111.8 million) derived from its merchant acquiring business, which included i) MDR income of approximately HK\$61.5 million (2019: approximately HK\$86.3 million); ii) foreign exchange rate discount income of approximately HK\$17.5 million (2019: approximately HK\$24.9 million); and iii) marketing and distribution service income of approximately HK\$1.4 million (2019: approximately HK\$0.7 million). There was a decrease in MDR income and foreign exchange rate discount income by approximately HK\$24.8 million and HK\$7.4 million respectively when comparing with the previous financial year. The decrease in these two income streams was primarily due to the decrease in the transaction volume via UnionPay processed by the Group for the Year as compared with the previous financial year as a result of the uncertainties of the overall Chinese tourists’ spending sentiments in Thailand, the challenges brought about by Alipay as well as WeChat Pay, and the outbreak of the COVID-19 pandemic leading to the suspension of Chinese tour groups to 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 Year.

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 Year amounted to approximately HK\$55.1 million (2019: approximately HK\$79.2 million). The decrease in cost of services rendered by approximately 30.5% was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit for the Year amounted to approximately HK\$25.4 million, representing a decrease of approximately HK\$7.2 million or approximately 22.0% as compared to approximately HK\$32.6 million for the previous financial year, which was in line with the decrease in revenue. The gross profit margin was increased from 29.1% to 31.6% for the Year which was primarily driven by the slightly increase in portion of MDR income.

General administrative expenses

The general administrative expenses of the Group for the Year amounted to approximately HK\$18.1 million (2019: approximately HK\$11.8 million). The increase in general administrative expenses by approximately 53.8% was mainly due to (i) the increment in salaries and benefits for directors and staff, (ii) the increase in legal and professional fee, and (iii) the increase in exchange loss during the Year.

Selling and distribution costs

The Group recorded selling and distribution costs of approximately HK\$11.5 million for the Year (2019: approximately HK\$11.9 million). The decrease in selling and distribution costs of approximately 3.0% was due to the aggregate effect of (i) the decrease in the transaction value, (ii) the drop in promotion expenses, and (iii) the increase in amortisation cost and depreciation expenses.

Share of results of an associate

The share of losses of an associate of the Group for the Year amounted to approximately HK\$58,000 (2019: Nil). The results of an associate was shared by the Group since acquisition took place in February 2020.

Finance costs

The finance costs amounted to approximately HK\$0.6 million for the Year (2019: approximately HK\$0.2 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 Oriental City Group (Thailand) Co., Ltd. ("**OCG Thailand**"), and (ii) the finance costs on lease liabilities. The significant increase in finance costs was due to the increase in the amount of the paid-up preference shares of OCG Thailand.

Loss for the Year

The Group recorded a net loss attributable to owners of the Company of approximately HK\$5.6 million for the Year (2019: approximately HK\$8.1 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 in the previous financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had current assets of approximately HK\$64.3 million (31 March 2019: approximately HK\$112.0 million) including bank balances and cash of approximately HK\$36.9 million (31 March 2019: approximately HK\$52.8 million). Total assets and total liabilities were approximately HK\$94.1 million (31 March 2019: approximately HK\$137.0 million) and HK\$18.3 million (31 March 2019: approximately HK\$54.4 million) respectively as at 31 March 2020.

The gearing ratio, which is calculated by dividing total debt (other long-term liabilities) by total equity, was 8.0% as at 31 March 2020 (31 March 2019: 7.7%).

Management Discussion and Analysis

The Directors are of the view that the Group's financial resources are sufficient to support its business and operations.

The Group's operations are financed principally by revenue generated from its business operation and available bank balances. The board (the "**Board**") of Directors of the Company will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities (2019: Nil).

CAPITAL COMMITMENTS

Saved as disclosed in this annual report, as at 31 March 2020, the Group did not have any capital commitments contracted for but not provided in the consolidated financial statements (2019: approximately HK\$3,985,000).

SIGNIFICANT INVESTMENTS HELD

During the Year, the Group did not have any significant investments held (2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report and the prospectus of the Company dated 27 September 2018 (the "**Prospectus**"), the Group did not have any plans for material investment or acquisition of capital assets as at the date of this report. The Company will make further announcement in accordance with the GEM Listing Rules, where applicable, if any investments and acquisition opportunities materialise.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that there are certain risks involved in its operations, many of which are beyond its control. Some of the key risks include:

- i. our operation and the profitability may be materially and adversely affected if China UnionPay ("**CUP**"), who is the single supplier and also one of our major customers, ceases to partner with us;
- ii. reliance on a merchant who is the single largest merchant in our five largest customers;
- iii. failure of third-party software and equipment used in the operation of our Group may cause interruptions to our business;
- iv. our business is exposed to foreign exchange risk; and
- v. there are regulatory risks in Thailand hindering our Group's business and structure.

For a more comprehensive list of risk factors and explanations, please refer to the Prospectus.

Further descriptions of the Group's financial risks (including credit risk, foreign currency risk and liquidity risk) management objectives and policies are set out in Note 29 to the consolidated financial statements.

The Group's risk management activities are performed by the Board on an ongoing basis. Further description on the Group's risk management and internal control measures, please refer to the section headed "Risk Management and Internal Control" in page 19 in this report.

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 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 March 2020, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$0.6 million (equivalent to approximately HK\$4.7 million) (31 March 2019: US\$5.4 million (equivalent to approximately HK\$42.4 million)). The Directors and senior management will continue to monitor the foreign 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 March 2020.

USE OF PROCEEDS

The shares of the Company were listed on GEM on 16 October 2018 by way of public offer and placing of the shares (the "Share Offer"). The Directors intend to apply the net proceeds from the Share Offer in accordance with the proposed applications as set out in the Prospectus. The net proceeds received by the Company from the Share Offer, after deducting underwriting commission and other listing expenses, amounted to approximately HK\$51.1 million. The Group intends to utilise the net proceeds allocated for the respective purposes according to the percentage of proceeds as disclosed in the Prospectus:

	Net proceeds HK\$ million	Amount utilised HK\$ million	Balance HK\$ million
Continuously improving the availability and enhancing functions of the stock of smart POS terminals	12.8	3.0	9.8
Further developing the acquiring host system	8.1	7.6	0.5
Strengthening and broadening the marketing initiatives	1.2	0.3	0.9
Recruiting new talents	2.2	1.0	1.2
Extending the payment processing services to cover other payment network associations	15.1	8.0	7.1
Expanding to Cambodia	6.6	5.1	1.5
Working Capital	5.1	5.1	–
	51.1	30.1	21.0

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a total of 30 employees (31 March 2019: 23 employees) of whom 8 (31 March 2019: 6) were based in Hong Kong, 18 were based in Thailand (31 March 2019: 17) and 4 were based in China (31 March 2019: Nil). For the Year, the total staff costs, including key management's remuneration, amounted to approximately HK\$9.8 million (2019: approximately HK\$5.8 million).

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded based on performance, merit and market conditions in accordance with the Group's remuneration policy.

Profile of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Lin Xiaofeng (林曉峰), aged 47, was appointed as the chairman of the Board, chief executive and the executive Director on 30 July 2019. Mr. Lin is responsible for the Group's strategy business development as well as day-to-day management. Mr. Lin has extensive experience in corporate finance and venture capital investment. For the period from June 2008 to June 2011, he was a non-executive director of China Shuifa Singyes Energy Holdings Limited (formerly known as China Singyes Solar Technologies Holdings Limited) (stock code: 750), whose shares are listed on the Main Board of the Stock Exchange. He also served as an executive director of AUPU Group Holding Company Limited ("**AUPU**"), whose shares were listed on the Main Board of the Stock Exchange (stock code: 477), from August 2011 to September 2013 and was re-designated as a non-executive director of AUPU from September 2013 to September 2016. Since October 2013, Mr. Lin has been worked as the senior vice president of investment of China Smartpay Group Holdings Limited ("**China Smartpay**") (stock code: 8325), whose shares are listed on GEM of the Stock Exchange and whose direct wholly-owned subsidiary is interested in the Company as to 32.5%. He also served as an independent non-executive director of Sino Vision Worldwide Holdings Limited (stock code: 8086), whose shares are listed on GEM of the Stock Exchange, from August 2013 to August 2016.

Mr. Lin graduated from The University of Southern Queensland with a master's degree in business administration in September 2007.

NON-EXECUTIVE DIRECTOR

Mr. Xiong Wensen (熊文森), aged 52, was appointed as the Director on 19 January 2018 and re-designated as the non-executive Director on 6 February 2018 and is primarily responsible for providing professional advice to the Group in respect of management and corporate governance.

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

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

* For identification purpose only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung, Wai Chuen Alfred (鍾偉全), aged 45, was appointed as an independent non-executive Director on 18 September 2018. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Group's audit committee, a member of the Group's nomination committee and remuneration committee.

Mr. Chung has over 20 years of experience in accounting and auditing with part of his professional career life at Big Four international accounting firm. Currently, he is a director of Crowe (HK) CPA Limited, Certified Public Accountants in Hong Kong, for providing audit and assurance services.

Mr. Chung graduated with a bachelor's degree in business administration from Lingnan College, now known as Lingnan University, in November 1998. He has been a member of Hong Kong Institute of Certified Public Accountants since January 2004 and a fellow member of The Association of Chartered Certified Accountants since November 2007.

Ms. Huang Ping (黃萍), aged 46, was appointed as an independent non-executive Director on 18 September 2018. She is primarily responsible for providing independent advice to the Board. She is also the chairman of the Group's nomination committee, a member of the Group's audit committee and remuneration committee.

Ms. Huang worked in the People's Bank of China after graduation, she worked as the Deputy Division Chief of the Payment and Settlement Department from May 2008 to November 2010. She was later promoted as the Division Chief of Bank Card Business Management Office from November 2010 to August 2012 and as the Division Chief of Clearing Regulatory Office since August 2012. In August 2016, Ms. Huang was employed as the president of JJJ Bill Exchange (京津冀協同票據交易中心股份有限公司).

Ms. Huang graduated from Renmin University of China with a Doctorate of Political Economics in July 2002.

Mr. Ng Ka Po (吳家保), aged 44, was appointed as an independent non-executive Director on 18 September 2018. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Group's remuneration committee, a member of the Group's audit committee and nomination committee. Mr. Ng has over 18 years of experience in corporate finance industry. He has joined Optima Capital Limited, a licensed corporation under the SFO principally engaged in provision of corporate finance and related services, in August 2007. He is currently a senior director of corporate finance department of Optima Capital Limited, and a responsible officer for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has involved in a wide range of takeover, merger and acquisition, corporate restructuring, initial public offering, privatization and other corporate financial advisory work for Hong Kong listed companies. Prior to joining Optima Capital Limited, he had worked in Shang International Finance Limited until May 2007. From September 1998 to December 2000, he worked in assurance and advisory business services department of Ernst & Young, and was primarily responsible for providing auditing services.

Mr. Ng graduated from the Chinese University of Hong Kong with a bachelor of business administration degree in December 1998. He obtained a master of business administration degree from the Columbia University in May 2010. He has been a CPA-Inactive certificate holder in the Washington State of the United States of America since October 2000. He has also been a chartered financial analyst of the CFA Institute since September 2002.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Yu Chun Fai (余振輝), is the founder of the Group. Mr. Yu is responsible for the business operation in Thailand. He has over 17 years of experience in the Card & Payment industry. Since November 2004, Mr. Yu had been appointed as a director of OCG Thailand. From August 2009 to November 2011, Mr. Yu was the chairman, chief executive officer and executive director of China Smartpay. From June 2012 to October 2013, Mr. Yu was appointed to be an independent non-executive director of Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 397). From October 2018 to July 2019, Mr. Yu was the chairman of the Board, chief executive officer and the executive director of the Company. He was also admitted as a member of Hong Kong Securities Institute in December 1998. Mr. Yu is an independent non-executive director of New World Department Store China Limited, a company listed on the Main Board of the Stock Exchange (stock code: 825).

Mr. Yu achieved a Bachelor of Business Administration degree from University of North Texas, United States in December 1986.

Mr. Yu Wan Hei (余運喜), is the Financial Controller and Company Secretary of the Company. Mr. Yu is responsible for overall accounting and financial management functions, company secretarial matters and internal control matters of our Group. Mr. Yu has extensive experience in accounting, auditing, corporate finance and company secretarial works.

Mr. Yu obtained a bachelor degree of Business Administration in Accounting from The Hong Kong University of Science and Technology and a master degree of Science in Accountancy from The Hong Kong Polytechnic University. Mr. Yu is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Ms. Ching Hui Lin, joined our Group in October 2015. She is the Country Manager of OCG Thailand and is responsible for achieving business targets, managing and coordinating between business and team. Before joining our Group, she worked in Sinopay (Malaysia) Sdn Bhd and Sinopay (Singapore) Ptd Ltd., which are principally engaged in the provision of professional bankcard services to CUP, banks and other financial institutes in Malaysia, Singapore and Vietnam, from 2006 to 2015 as IT payment system support, technical and merchant support and IT executive, respectively.

Ms. Ching obtained the advanced diploma in science from Tunku Abdul Rahman College in Malaysia in March 2005. She obtained the bachelor degree in science from Campbell University in June 2005.

Mrs. Raweerat Kongrod (with former name Pranom Kongrod), joined our Group in March 2015. She is the Accounting Manager of OCG Thailand and is responsible for all payment and receipt transactions, monthly financial report, financial statement and accounting system. Mrs. Raweerat Kongrod has extensive experience in accounting.

Mrs. Raweerat Kongrod obtained a bachelor of business administration from Ramkhamhaeng University in Thailand in March 1989.

COMPANY SECRETARY

Mr. Yu Wan Hei (余運喜), our financial controller, was appointed as the company secretary of our Company on 1 December 2019. Mr. Yu ordinarily resides in Hong Kong. Please refer to the sub-section headed “Senior Management” above in this section for further information about Mr. Yu.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The shares of Oriental Payment Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) have been listed on GEM of the Stock Exchange since 16 October 2018 (the “**Listing Date**”). The Company has adopted the principles and the code provisions in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 March 2020 (the “**Year**”), the Company had complied with the CG Code, except where otherwise stated.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the “**Standard of Dealings**”), as the code of conduct regarding directors’ securities transactions in the securities of the Company. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the Standard of Dealings during the Year.

BOARD OF DIRECTORS

The Directors who held office during the Year and up to the date of this annual report are as follows:

Executive Director

Mr. Lin Xiaofeng (appointed on 30 July 2019) (*Chairman and Chief Executive Officer*)
Mr. Yu Chun Fai (retired on 30 July 2019)

Non-executive Director

Mr. Xiong Wensen

Independent Non-executive Directors

Mr. Chung, Wai Chuen Alfred
Ms. Huang Ping
Mr. Ng Ka Po

The biographic details of the Directors are set out in the section headed “Profiles of Directors and Senior Management” of this annual report.

RESPONSIBILITIES OF THE BOARD

The board (the “**Board**”) of Directors of the Company is responsible for the leadership and control of the Group, and oversees the Group’s businesses, strategic decisions and performance. The Board is primarily responsible for overall business plans and strategies of the Group, the implementation of the Group’s policies and strategies, monitoring the business performance, internal controls and risk management as well as supervising the management of the Group.

The Board delegates daily management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board to ensure that they accommodate the needs of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the articles of association of the Company (the “**Articles**”), one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

DIVERSITY OF THE BOARD

The Company has adopted a Board diversity policy to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The nomination committee of the Company (the “**Nomination Committee**”) monitors the implementation of the Board diversity policy to ensure its effectiveness.

The attendance of each Director at the Board meetings and general meetings of the Company during the Year is set out below:

	Number of meetings attended/eligible to attend Board meetings	Number of meetings attended/eligible to attend general meetings
Directors		
<i>Executive Director</i>		
Mr. Lin Xiaofeng (appointed on 30 July 2019)	11/11	—/—
Mr. Yu Chun Fai (retired on 30 July 2019)	1/1	1/1
<i>Non-executive Director</i>		
Mr. Xiong Wensen	13/13	1/1
<i>Independent Non-executive Directors</i>		
Mr. Chung, Wai Chuen Alfred	13/13	1/1
Ms. Huang Ping	13/13	1/1
Mr. Ng Ka Po	13/13	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision 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 code provision A.2.1 of the CG Code to be appropriate in such circumstance.

In order to maintain good corporate governance and to fully comply with code provision A.2.1 of the CG Code, the Board comprises four other experienced and high-calibre individuals including one non-executive Director and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Company will consult appropriate Board committees and senior management. Considering the present size and the scope of business of the Group, the Company believes that it is not in the best interest of the Company and the shareholders as a whole to separate the roles of the chairman and the chief executive officer, because the separation would render the decision-making process of the Company less efficient than the current structure. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the shareholders as a whole and the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

NON-EXECUTIVE DIRECTORS

All non-executive Directors have been appointed for a fixed term. Pursuant to the letters of appointment between the Company and the non-executive Directors, the non-executive Directors have been appointed for a term of three years commencing from the Listing Date which may be terminated by either party by giving three months' written notice. Every Director is subject to re-election on retirement by rotation in accordance with the Articles.

The Company has complied with Rule 5.05 of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, with at least one of them have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee (the **"Audit Committee"**) with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the code provision C.3 of the CG Code. The Audit Committee consists of 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.

Corporate Governance Report

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group, and discussed auditing, internal control, risk management and financial reporting matters including the review of annual results and financial statements for the Year.

The Audit Committee held two meetings during the Year. During the Year, the Audit Committee reviewed the Group's audited consolidated financial information for the year ended 31 March 2019 (the "Previous Year") and unaudited consolidated financial information for the six months ended 30 September 2019 respectively, discussed audit scope and findings with the Company's independent auditor, reviewed the Group's financial reporting system, risk management and internal control system and the effectiveness of internal audit function, and made recommendation to the Board regarding appointment and remuneration of the external auditor. In the meeting of the Audit Committee of June 2019, the Audit Committee reviewed the Group's audited consolidated financial statements for the Previous Year prior to recommending them to the Board for approval and discussed the internal audit report and other supporting document for the review of risk management and internal control systems and the effectiveness of internal audit function.

The attendance of each member of the Audit Committee at the meetings during the Year is set out below:

	Number of meetings attended/eligible to attend
Committee members	
Mr. Chung, Wai Chuen Alfred (<i>Chairman of the Audit Committee</i>)	2/2
Ms. Huang Ping	2/2
Mr. Ng Ka Po	2/2

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with code provision B.1 of the CG Code. The remuneration committee consists of three independent non-executive Directors, namely Mr. Ng Ka Po, Mr. Chung, Wai Chuen Alfred and Ms. Huang Ping. Mr. Ng Ka Po is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; and (iii) reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Directors from time to time.

The Remuneration Committee held one meeting during the Year. During the Year, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management of the Group and recommended specific remuneration packages of the Directors and senior management of the Company to the Board.

The attendance of each member of the Remuneration Committee at the meeting during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Mr. Ng Ka Po (<i>Chairman of the Remuneration Committee</i>)	1/1
Mr. Chung, Wai Chuen Alfred	1/1
Ms. Huang Ping	1/1

Nomination Committee

The Company also established the Nomination Committee with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of three independent non-executive Directors, namely Ms. Huang Ping, Mr. Chung, Wai Chuen Alfred and Mr. Ng Ka Po. Ms. Huang Ping is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and diversity (including but without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, to make recommendations on proposed changes to the Board, and to assess the independence of the independent non-executive Directors.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee held one meeting during the Year in which the Nomination Committee reviewed the structure, size, composition and diversity of the Board.

The attendance of each member of the Nomination Committee at the meeting during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Ms. Huang Ping (<i>Chairman of the Nomination Committee</i>)	1/1
Mr. Chung, Wai Chuen Alfred	1/1
Mr. Ng Ka Po	1/1

BOARD MEETINGS

Pursuant to the requirement of the CG Code, the Board hold at least four regular meetings a year. For each regular Board meeting, at least 14 days' notice will be given to the Board members. For other Board and committee meetings, reasonable notices are generally given. An agenda and board papers of the regular Board meeting are sent to all Directors in advance within reasonable time and all Directors are free to contribute and share their views at the meeting. Minutes of all Board and committee meetings are circulated to the Directors and open for inspection by the Directors.

The Articles contains provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving any contract or arrangement or any other proposal in which such Directors or any of their close associates have a material interest.

CORPORATE GOVERNANCE FUNCTIONS

According to code provision D.3.1 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company.

The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Company has arranged for appropriate insurance covering the liabilities in respect of any legal action against the Directors that may arise out of the corporate activities, so as to comply with the CG Code. The insurance coverage is reviewed on an annual basis.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Year, the Group has selected suitable accounting policies in accordance with suitable accounting principles and applied them consistently. A statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CONTINUING PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. For the Year, all Directors of the Group received induction trainings from the Company's Hong Kong legal adviser in respect of the ongoing obligations, duties and responsibilities of Directors of publicly listed companies in Hong Kong under the Companies Ordinance, the SFO and the GEM Listing Rules.

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. The Directors are also encouraged to attend relevant training courses provided by legal advisers and/or any appropriate institutions.

During the Year and up to the date of this report, the individual training record of each Director is set out below:

Attending seminars/ conferences/ forums	Reading journals/ updates/ articles/ materials
--------------------------------------------------	------------------------------------------------------------

Executive Director

Mr. Lin Xiaofeng (appointed on 30 July 2019)
(Chairman and Chief Executive Officer)

Non-executive Director

Mr. Xiong Wensen

Independent non-executive Directors

Mr. Chung, Wai Chuen Alfred

Ms. Huang Ping

Mr. Ng Ka Po

COMPANY SECRETARY

Mr. Yu Wan Hei is the company secretary of the Company. Please refer to the section headed “Profile of Directors and Senior Management” of this annual report for the biographical details of the company secretary of the Company. Mr. Yu is responsible for advising the Board regarding corporate governance issues, and ensures the operations of the Board and the Group in compliance with the policies and procedures of the Board, applicable laws, rules and regulations. For the Year, in order to more effectively perform his duties and according to the requirements of the GEM Listing Rules, Mr. Yu accepted professional training not less than 15 hours in total.

AUDITOR’S REMUNERATION

For the Year, the remuneration in respect of audit services provided by the auditor, Mazars CPA Limited, amounted to HK\$600,000. Except for the audit service fee, the Company has paid HK\$90,000 to the auditor for non-audit services.

The auditor’s remuneration disclosed in Note 6 to the consolidated financial statements included approximately HK\$73,000, which was paid to the statutory auditor of an oversea subsidiary of the Company (not Mazars CPA Limited).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems of the Group. The Board has delegated responsibility to the Audit Committee to review the Group’s risk management and internal control matters annually.

For the Year, the Group did not have an internal audit function as required under code provision C.2.5 of the CG Code. The Company has engaged an external independent internal control consultant to review the Group’s risk management and internal control systems. The Audit Committee reviewed the internal control review report issued by the external independent consultant on the Company’s risk management and internal control systems in respect of the Year and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

THE SHAREHOLDERS’ RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PUT FORWARD PROPOSALS AT SUCH MEETING

Pursuant to Article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings shall at all time have the right, by written requisition to the Board or the secretary of the Company at the principal place of business of the Company in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company. Information about the principal place of business in Hong Kong of the Company is set out in the section headed “Corporate Information”.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

- (i) corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ocg.com.hk;
- (ii) periodic announcements are published on the websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website; and
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong. Information about the principal place of business in Hong Kong of the Company is set out in the section headed "Corporate Information".

CONSTITUTIONAL DOCUMENTS

To comply with the GEM Listing Rules, the Company adopted the amended and restated memorandum and articles of association of the Company which took effect from 16 October 2018. A copy of the amended and restated memorandum and articles of association of the Company is posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ocg.com.hk. During the Year, there has been no change in the Company's memorandum and articles of association.

Environmental, Social and Governance Report

ABOUT THE GROUP

The Group is listed on GEM of the Stock Exchange in October 2018. The Group is principally engaged in merchant acquiring business in providing a suite of comprehensive payment processing services to merchants of all sizes frequently visited by Chinese tourists in Thailand.

ABOUT THE REPORT

Scope of Reporting

To affirm its commitment towards the idea of sustainability, the Environmental, Social and Governance Report (the “**ESG Report**”) summarises the initiatives, policies, and related environmental, social and governance (“**ESG**”) key performance indicators (“**KPIs**”) of the Group’s major business operation in Hong Kong and Thailand.

Reporting Period

The information stated in the ESG Report covers the period from 1 April 2019 to 31 March 2020 which aligns with the financial year as the 2019/20 annual report of the Group.

Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 20 of the GEM Listing Rules.

The ESG Report has been presented into two subject areas: environmental and social. Each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide. The Board is responsible to review and approve the ESG Report in order to ensure all material issues and impacts are fairly presented.

STAKEHOLDER ENGAGEMENT

The Group attaches great importance to the stakeholders and their comments on the ESG issues. In order to understand the demands and recommendations of different parties as well as to fulfill all kinds of responsibilities, the Group maintained on-going communication through various channels and means. The communication channels between the Group and key stakeholders and their expectations are as follows:

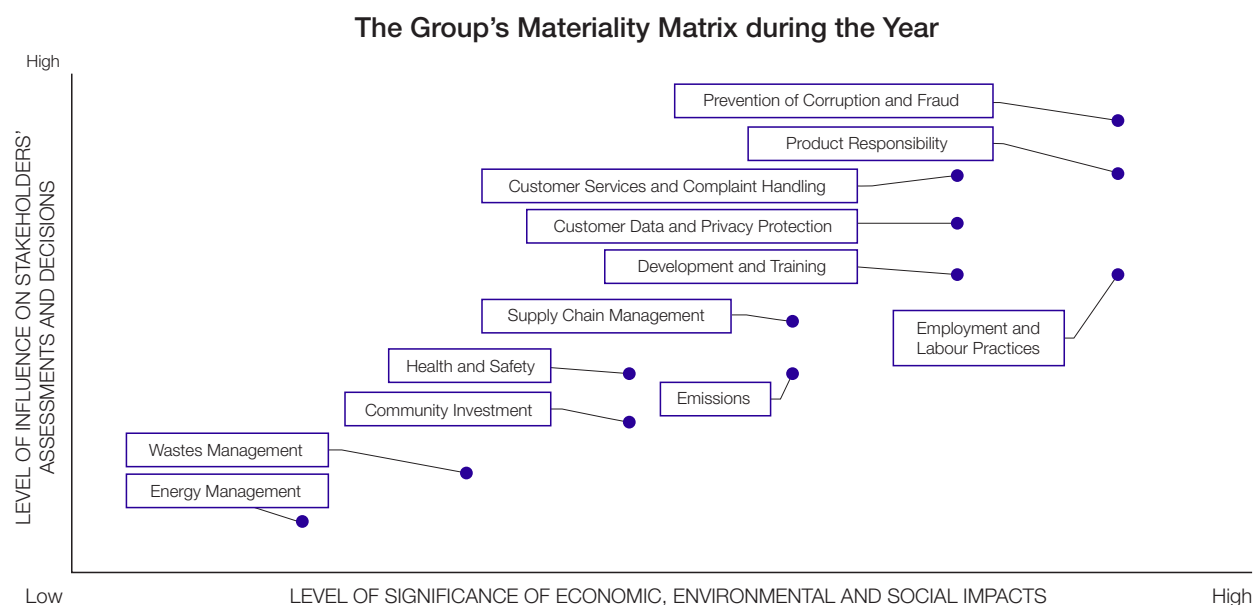
Stakeholders	Communication Channels	Expectations
Customers	<ul style="list-style-type: none">• Customer service hotline and email• Company website	<ul style="list-style-type: none">• High quality products and services• Customer services and complaint handling
Employees	<ul style="list-style-type: none">• Trainings and workshops• Performance evaluation or appraisal• Employee suggestion boxes	<ul style="list-style-type: none">• Remuneration and benefits• Occupational health and safety• Career development
Investors and shareholders	<ul style="list-style-type: none">• Annual general meeting and other shareholder meetings• Financial reports• Announcements and circulars	<ul style="list-style-type: none">• Financial performance• Information transparency• Operating risks management• Corporate sustainability
Suppliers	<ul style="list-style-type: none">• Suppliers performance assessment• Tele-conferences	<ul style="list-style-type: none">• Fair and open procurement• Supply chain management

Environmental, Social and Governance Report

Stakeholders	Communication Channels	Expectations
Community	<ul style="list-style-type: none"> Community participation ESG reports 	<ul style="list-style-type: none"> Community investment Environmental protection awareness Compliant operations

MATERIALITY ASSESSMENT

In order to better understand the views and expectations of stakeholders on the ESG performance of the Group, we have adopted a systematic method to conduct an assessment of key aspects, and invited the stakeholders of the Group to participate in the survey to rate potential major issues in terms of importance and significance of impact. We analyzed the results and generated a materiality matrix to present our material topics. The identified 12 important issues and concerns of the stakeholders had been reviewed and discussed with the management and disclosed in this ESG Report. During the Year, the materiality matrix of the Group was as follows:



ENVIRONMENTAL

Protecting environment is one of our key concerns. The Group is committed to protecting the environment and focusing on environmental protection during our operation. Through rigorous supervision and control, the Group aims to reduce long-term negative impact on the environment. The key environmental impacts from our operations mainly relate to the energy consumption and waste management.

Emissions

The Group's emissions include domestic wastewater, solid wastes and greenhouse gas ("GHG") emissions. The Group strictly adheres to emission related laws and regulations.

- **Exhaust Gas Emissions**

As our business operation does not involve direct emission and the Group does not own or operate any transport fleet, our exhaust gas emission was not significant.

- **GHG emissions**

Electricity used in the business premises and flights for business trips were the major contributors to the Group's carbon footprint. GHG emissions of the Group mainly consist of energy indirect GHG emissions (Scope 2) from the consumption of electricity, and other indirect GHG emissions (Scope 3) from business trips and paper disposal. As the Group did not consume any fossil fuels during its operation, no direct GHG emissions (Scope 1) was generated.

The Group's GHG emissions performance was shown as below:

GHG emissions ¹	Unit	2020	2019
Scope 2 – Energy indirect GHG emissions (Purchased electricity)	tCO ₂ e	25.30	25.97
Scope 3 – Other indirect GHG emissions (Business travels and paper disposal)	tCO ₂ e	13.21	8.19
Total GHG emissions	tCO ₂ e	38.51	34.16
Total GHG emissions intensity ²	tCO ₂ e/employee	1.28	1.49

Notes:

1. Greenhouse gas emission data are presented in terms of carbon dioxide equivalent, and refer to the "Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard" published by the World Resources Institute and the World Business Council for Sustainable Development, the global warming potential in the "Fifth Assessment Report" issued by the Intergovernmental Panel on Climate Change, "Sustainability Report 2019" issued by HK Electric Investments, energy statistics published by Energy Policy and Planning Office, Ministry of Energy, Thailand, and the "How to prepare an ESG report—Appendix 2: Reporting Guidance on Environmental KPIs" released by the Stock Exchange.
2. As at 31 March 2020 and 31 March 2019, the Group had a total of 30 employees and 23 employees respectively. The relevant data are used to calculate other intensity data.

- **Sewage**

Wastewater produced by the Group is mainly generated from the daily water usage from its staffs during working hours in the office, which is further discharged to the municipal wastewater treatment plant through the sewage pipe work. No significant amount of wastewater was produced from daily operation.

- **Wastes management**

Due to our business nature, the Group only disposed limited domestic wastes and solid wastes. No hazardous wastes, such as chemical wastes and clinical wastes, were produced by the Group. Our major non-hazardous wastes produced were office paper, POS terminals and adaptors. We encourage employees to reduce the use of paper by accessing the necessity of printing and where appropriate, using duplex printing and reuse single-sided printed paper. The Group also encourages electronic communication where advertisements and promotional materials are made in electronic form. In addition, the Group has implemented a number of specific measures to conserve resources, such as:

- Encourage the use of electronic communication method, e.g. e-mail;

Environmental, Social and Governance Report

- Encourage the use of electronic scanning or electronic fax to reduce photocopying; and
- Promote double-sided printing and reusing of single-sided printed paper.

With such measures implemented, our employee's awareness of paper reduction has enhanced.

The Group's wastes disposal performance was shown as below:

Types of non-hazardous wastes	Unit	2020	2019
Office paper ³	kg	271.37	575.00
POS terminals	kg	386.58	N/A
Adaptors	kg	22.82	N/A
Total non-hazardous wastes disposal	kg	680.77	575.00
Intensity	kg/employee	22.69	25.00

During the Year, the Group has not identified any material non-compliance with relevant laws and regulations in Hong Kong and Thailand relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to the Air Pollution Control Ordinance and the Waste Disposal Ordinance in Hong Kong as well as the Enhancement and Conservation of National Environmental Quality Act, B.E. 2535. in Thailand.

Use of Resources

• *Energy management*

As our operation does not involve any manufacturing activities, the Group's energy consumption limits to the use of electricity in the offices.

The Group has implemented the following energy-saving and energy efficiency measures at various office locations to reduce energy consumption:

- Install high-performance and high energy efficiency electrical equipment and products;
- Encourage employees to turn off lights and unnecessary energy devices;
- Deploy natural light as much as possible; and
- Maintain the indoor temperature of offices at 25°C.

With such measures implemented, our employee's awareness of energy conservation has enhanced.

The Group's energy consumption performance was shown as below:

Type of energy	Unit	2020	2019
Total indirect energy consumption (Purchased electricity)	kWh	39,815.00	40,650.00
Intensity	kWh/employee	1,327.17	1,767.00

- ***Water management***

The amount of water consumed was minimal and on an as-needed basis. Both the water supply and discharge are solely controlled by the building's management office, and therefore the provision of water withdrawal and discharge data or sub-meter for individual occupant are not feasible. Yet, the Group promotes water saving practices in the workplace by encouraging employees to change their consumption behaviour, and has implemented the following measures:

- Strengthen the inspection and maintenance on water tap, water pipelines and water storage; and
- Present "Saving Water Resource" posters in prominent places to encourage water conservation.

With such measures implemented, our employee's awareness of water conservation has enhanced.

Due to geographical locations of our offices, the Group does not encounter any significant issues in sourcing water that is fit for purpose.

- ***Use of Packaging Materials***

Since the Group does not engage in any product selling, packaging is not involved in the usual course of the Group's business, and therefore the use of packaging materials is not applicable.

The Environment and Natural Resources

The Group pursues the best practice between the development and the environment, and takes into careful consideration of all the aspects and activities within the value chain to mitigate the impact on the environment. To achieve the sustainable development of the environment, the Group regularly provides environmental protection information and practical advice related to environmentally friendly living style to staff for circulation.

The Group will continue to adhere to the safety, harmony and green development concept and make unremitting efforts to create a resource-saving and environmentally-friendly corporation.

EMPLOYMENT AND LABOUR PRACTICES

Employment

Employees are regarded as the greatest and most valuable assets and core competitive advantages of the Group who continuously provide the source of innovation for the Group. The Group offers competitive remuneration and welfare, and implements comprehensive performance appraisal scheme to award the staff with excellent performance and assists them with their career development and promotion within the Group by providing appropriate trainings and opportunities.

During the Year, the Group has not identified any material non-compliance with relevant laws and regulations in Hong Kong and Thailand relating to employment that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to the Employment Ordinance and the Minimum Wage Ordinance in Hong Kong as well as the Labour Protection Act, the Labour Relation Act, the Social Security Act and the Workmen Compensation Act in Thailand.

Environmental, Social and Governance Report

As at 31 March 2020, the Group had a total of 30 full-time employees, which breakdown was as follow:

	Number of employees	Percentage of total employees
Total number of employees	30	100%
<i>Gender</i>		
Male	19	63%
Female	11	37%
<i>Age Group</i>		
18 – 30	10	33%
31 – 40	8	27%
41 – 50	9	30%
51 or above	3	10%
<i>Geographical region</i>		
Thailand	18	60%
Hong Kong	8	27%
China	4	13%
<i>Service period</i>		
Less than 5 years	26	86%
5 – 10 years	2	7%
Over 10 years	2	7%

Health and Safety

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees. The operation of the Group belongs to general office operation and does not involve high-risk or high hazard work.

During the Year, the Group has not identified any material non-compliance with relevant laws and regulations in Hong Kong and Thailand relating to health and safety that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to the Occupational Safety and Health Ordinance and the Employees' Compensation Ordinance in Hong Kong, as well as the Occupational Safety, Health and the Environment Act in Thailand. Also, The Group did not record any work-related fatalities and no lost days due to work injury.

Development and Training

The Group adopts the principle of unified management and stratified training for the education and training of its staff. The Group aims at providing suitable and valuable opportunities for our employees. The Group assesses each employee at the end of every year, on working performance, attitudes and other KPIs. The appraisal results are used as one of the considerations in promotion, job title and remunerations. Through this reviewing process, they can make corresponding improvements and discuss their training needs with direct supervisors so that their potentials are realised to the fullest.

The Group provides employees with learning and development opportunities through a variety of training formats, such as internal staff sharing meeting, external industry lectures and seminars, and training by external lecturers. In respect of our business nature, our employees are ensured with sufficient trainings.

Labour Standards

All employees are made aware of the Group's employment policies and guidelines, which are in compliance with the relevant laws and regulations. The Group has committed to maintaining a work environment that is free of discrimination and all employees are treated fairly regardless of age, marital status, pregnancy, race and religion. The Group strictly complies with the relevant labour regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees in Hong Kong and Thailand. Employees are not encouraged to work beyond working hours and are entitled to overtime pay in accordance with the local regulations.

During the Year, the Group has not identified any material non-compliance with relevant laws and regulations in Hong Kong and Thailand relating to child and forced labour that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to the Employment of Children Regulations and the Employment Ordinance in Hong Kong, as well as the Labour Protection Act, the Labour Relation Act, the Social Security Act and the Workmen Compensation Act in Thailand.

OPERATING PRACTICES

Supply Chain Management

The Group acknowledges its responsibility to monitor ESG performance of suppliers along its supply chain. All suppliers are evaluated carefully and are subjected to regular monitoring and assessment. The Group strives to maintain good business relationships with its suppliers through standardised procedures.

Given that the Group does not engage in the production and consumption of raw materials, procurements are mainly POS terminals and office supplies. The only supplier for POS terminals is located in China. While purchasing POS terminals, only suppliers authorized by UPI are considered in order to ensure the quality of products. Generally, impacts on the environment will be considered during the procurement process and products made from renewable materials are preferred.

Product Responsibility

As an established merchant acquirer in providing a suite of comprehensive payment processing services, the Group places strong emphasis on service quality and customer communication in building long-term relationships. The Group is committed to providing the customers with high-quality services and settling customer complaints effectively, continuously improving service level and ensuring customer satisfaction.

During the Year, the Group has not identified any material non-compliance with relevant laws and regulations in Hong Kong and Thailand relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to the Trade Descriptions Ordinance and Personal Data (Privacy) Ordinance in Hong Kong, as well as the Personal Data Protection Act in Thailand.

During the Year, there were no service-related complaints received. Since the Group does not engage in any product selling, product recalls for safety and health reasons are not applicable.

- ***Customer services and complaint handling***

The Group values customer communication and believes that customers' complaints is valuable to its growth and development. In order to maximise customers' satisfaction and earn long-term customer's loyalty, experienced and responsible officers are assigned to supervise the daily operation to ensure compliance with the Group's internal policies, risk control management and related laws and guidelines. After handling a customer complaint, a document should be archived properly, and the relevant department shall review and develop measures to prevent the recurrence of similar complaints, so that the Group's service quality keeps improving.

- ***Customer data and privacy protection***

The Group understands the importance of protecting the privacy of customers in the collection, processing and use of their personal data. The Group has achieved the Certification of Data Destruction and Recycling as an assurance of the destruction or the erasure of data or information. Our policy ensures that customer information will only be used for business purpose, not for other unrelated purposes. All employees should handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in related privacy laws.

- ***Intellectual property right***

The Group respects the intellectual property right and strives to protect intellectual property right of its own and third parties, especially that our business has a close relationship with UPI. All employees are informed and well-educated with the UPI Trademark Usage Policy, which covered the use of "Union Pay" marks, requirements and application.

- ***Advertising and labelling***

As our business nature, the Group has limited issue on advertising and labelling. Nevertheless, the Group is committed to ensuring all our advertisement and promotion conform to the actual situation of our services. In the Group's dealings with its clients, information provided should be complete, true, accurate, clear, and comply with all relevant laws and regulations regarding the proper advertising.

Prevention of Corruption and Fraud

The Group advocates a corporate culture of integrity and honesty and takes a zero-tolerance approach towards all kinds of corruption, bribery, forgery, extortion, conspiracy, and embezzlement and collusion case. The Group requires employees to strictly conform to the code of business ethics and forbids any corruption bribe behaviour as stipulated in the employment contracts. In case of any conflict of interest, it must be reported to the Group's management immediately. Employees, who engage in business operations and represent the Company's professional image, are strictly prohibited from using business opportunities or power for personal interest or benefit.

During the Year, the Group has not identified any material non-compliance with relevant laws and regulations in Hong Kong and Thailand relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to the Prevention of Bribery Ordinance in Hong Kong as well as the Act Supplementing the Constitution Relating to the Prevention and Suppression of Corruption in Thailand. There were no legal concluded cases regarding corrupt practices brought against the Group or its employees.

COMMUNITY

Community Investment

The Group always seeks to become a positive momentum in the communities in which it operates and maintains close communications and interactions with the communities in order to contribute to local development.

The Group believes that the creation of a beautiful and peaceful community relies on the cooperation of people, corporations and the government. By working together with various community partners, the Group believes it can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will also actively encourage the staff to volunteer their time and skills to benefit local communities. It provides the employees with the opportunities to explore more issues of the society and environment and reinforce the Group's corporate values.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. 	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – GHG emissions, Wastes management
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Wastes management (not applicable – explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Wastes management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions – GHG emissions, Wastes management
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Wastes management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy management
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water management
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water management
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of packaging materials (not applicable – explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1 (Recommended Disclosures)	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2 (Recommended Disclosures)	Lost days due to work injury.	Health and Safety

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	Product Responsibility
KPI B6.1 (Recommended Disclosures)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility (not applicable – explained)
KPI B6.2 (Recommended Disclosures)	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3 (Recommended Disclosures)	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual property right
KPI B6.5 (Recommended Disclosures)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Customer data and privacy protection

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Prevention of Corruption and Fraud
KPI B7.1 (Recommended Disclosures)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Prevention of Corruption and Fraud
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

Report of the Directors

The Directors are pleased to present this annual report and the audited consolidated financial statements of Oriental Payment Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020 (the “**Year**” or “**2020**”).

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in merchant acquiring business in Thailand. Details of its principal subsidiaries as at 31 March 2020 are set out in Note 12 to the consolidated financial statements.

BUSINESS REVIEW AND FUTURE BUSINESS DEVELOPMENT

A review of the business of the Group during the Year and a discussion of the Group’s achievement of its business objectives as stated in the prospectus of the Company dated 27 September 2018 (the “**Prospectus**”) and future business developments of the Group are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report. A review of the company’s environment policies and performance is set out in the section headed “Environmental, Social and Governance Report”. A review on how the company had complied with relevant laws and regulations is set out in the section headed “Corporate Governance Report”.

The risks and uncertainties that the Group may be facing are set out in the sections headed “Management Discussion and Analysis” of this annual report.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 January 2018. Pursuant to a group reorganisation (the “**Reorganisation**”) in preparation for the listing of shares of the Company on GEM of The Stock Exchange (the “**Listing**”), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Prospectus.

SEGMENT INFORMATION

Details of segment information are set out in Note 3 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the financial positions of the Company and the Group as at 31 March 2020 are set out in the audited consolidated financial statements on page 48 to 109 of this annual report.

DIVIDEND POLICY

The Group currently does 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 interim 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 operation performance, 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 a final dividend for the Year (2019: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 110 of this annual report. This summary does not form part of the audited consolidated financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the revenue attributable to the Group's largest customer accounted for approximately 42.3% (2019: approximately 47.6%) of the Group's total revenue and the revenue attributable to the Group's five largest customers accounted for approximately 70.9% (2019: approximately 80.6%) of the Group's total revenue.

During the Year, the costs incurred in respect of the Group's largest supplier accounted for approximately 100% (2019: 100%) of the Group's total cost of services rendered and the costs incurred in respect of the Group's two largest suppliers accounted for 100% (2019: two) of the Group's total costs of services rendered.

None of the Directors or any of their close associates, or any Shareholder (who to the knowledge of the Directors own 5% or more of the issued Shares of the Company) had any beneficial interest in any the Group's major customers or suppliers during the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

INTANGIBLE ASSETS

Details of movements in the intangible assets of the Group during the Year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the Year are set out in Note 25 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the Year.

RESERVES

Details of movement in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 50 to 51 and in Note 26 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in the reserves available for distribution of the Company during the Year are set out in Note 34(a) to the consolidated financial statements. As at 31 March 2020, the Company had reserves amounted to approximately HK\$29.1 million (2019: HK\$38.4 million) available for distribution as calculated in accordance with statutory provisions applicable in the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Articles**") or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer shares on a pro rata basis to its existing shareholders of the Company.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 18 September 2018. The purpose of the Share Option Scheme is to grant options (the "**Option(s)**") to subscribe for the shares of the Company to eligible persons as defined in the Share Option Scheme as incentives or rewards for the service rendered to the Group and any entity in which any member of the Group holds any equity interest.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption on 18 September 2018. Since the adoption of the Share Option Scheme and up to 31 March 2020, no Option has been granted by the Company. As at the date of this annual report, the Company had 100,000,000 shares available for issue under the Share Option Scheme (representing 10% of the existing issued share capital of the Company as at the date of this annual report). Details of the Share Option Scheme are set out in the Prospectus.

EQUITY-LINKED AGREEMENTS

Save and except for the Share Option Scheme as disclosed in the paragraph headed "Share Option Scheme" above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company to enter into any agreement that will or may result in the Company issuing shares, was entered into by the Company during the Year or subsisted at the end of the Year.

DONATION

During the Year, the Group did not make any charitable donations with the amount not less than HK\$10,000 in accordance with relevant disclosure requirement under Hong Kong Companies Ordinance (2019: Nil).

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company, after deduction of underwriting fees and other expenses payable by the Company in connection with the Listing, were approximately HK\$51.1 million. Details of the use of proceeds are set out in the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report are as follows:

Executive Director

Mr. LinXiaofeng (*Chairman and Chief Executive Officer*) (appointed on 30 July 2019)

Mr. Yu Chun Fai (retired on 30 July 2019)

Non-executive Director

Mr. Xiong Wensen

Independent Non-executive Directors

Mr. Chung, Wai Chuen Alfred

Ms. Huang Ping

Mr. Ng Ka Po

Profiles of the Directors are set out in the section headed “Profiles of Directors and Senior Management” of this annual report.

Article 84(1) of the Articles states that “notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.”

Article 84(2) of the Articles also states that “any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.”

Article 83(3) of the Articles states that “any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.” A retiring Director shall be eligible for re-election. Particulars of Directors seeking re-election at the forthcoming annual general meeting are set out in the related circular to shareholders.

DIRECTORS’ SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 16 October 2018 (the “**Listing Date**”) or the date of appointment and shall renew automatically thereafter unless and until terminated by (i) the Company giving to any Director not less than three months’ prior notice in writing or (ii) by any Director giving to the Company not less than one month’s prior notice in writing and is subject to termination provisions therein and in the Articles.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date which may be terminated by (i) the Company giving to any Director not less than three months’ prior notice in writing or (ii) by any Director giving to the Company not less than one month’s prior notice in writing.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emolument of the Directors and five individuals with highest emoluments are set out in Notes 7 and 8 to the consolidated financial statements respectively.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 7 to the consolidated financial statements, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity associated with him has or had a material interest, whether directly or indirectly, subsisted at any time during the Year.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty committed by the Director.

CORPORATE GOVERNANCE

The Board is of the view that save and except for the deviation from code provision A.2.1, the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

ENVIRONMENTAL PROTECTION

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavored to comply with the laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections among our staff and employees.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, to the best of knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in Note 11 and Note 28 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the GEM Listing Rules.

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

As at 31 March 2020, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associate Corporations", at no time during the Year, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed under the section headed "Share Option Scheme", at no time during the Year was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

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

As at 31 March 2020, so far as known to the Directors, the following persons/entities 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 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	325,000,000	32.50%
China Smartpay Group Holdings Limited (" China Smartpay ") (Note 2)	Interest in a controlled corporation	325,000,000	32.50%
Straum Investments Limited (" Straum Investments ") (Note 3)	Beneficial owner	157,500,000	15.75%
Mr. Yu Chun Fai (" Mr. Yu ") (Note 3)	Interest in 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 Group Limited (" Original Fortune ") (Note 5)	Beneficial owner	67,500,000	6.75%
Mr. Sung Hak Keung, Andy (" Mr. Sung ") (Note 5)	Interest in 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 March 2020.
- (2) China Smartpay holds the entire issued share capital of Charm Act. Charm Act, in turn, directly holds 325,000,000 shares of the Company. Accordingly, China Smartpay is deemed to be interested in the 325,000,000 shares of the Company 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 of the Company. Accordingly, Mr. Yu is deemed to be interested in the 157,500,000 shares of the Company 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 of the Company as stated in Note (3) above. Accordingly, Ms. Choi is deemed to be interested in the 157,500,000 shares of the Company 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 of the Company. Accordingly, Mr. Sung is deemed to be interested in the 67,500,000 shares of the Company which Original Fortune is interested in by virtue of the disclosure requirements of the SFO.

Save as disclosed above, as at 31 March 2020, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

COMPETING INTERESTS

None of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 31 March 2020 which may, directly or indirectly compete with the Group's business.

DEED OF NON-COMPETITION

China Smartpay and Charm Act, being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition dated 18 September 2018 in favour of the Company (the "**Deed of Non-Competition**"). Details of the Deed of Non-Competition was set out in the Prospectus.

The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by China Smartpay and Charm Act up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules since the Listing Date and up to the latest practicable date prior to the issue of this annual report.

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.

Report of the Directors

AUDITOR

The consolidated financial statements for the Year were audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Mazars CPA Limited as the auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

As from 31 March 2020 to the date of this annual report, save as details disclosed in Note 33 to the consolidated financial statements, the Board is not aware of any significant events that have occurred which require disclosure herein.

On behalf of the board

Lin Xiaofeng

Chairman and Chief Executive Officer

Hong Kong, 26 June 2020

Independent Auditor's Report



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To the members of
Oriental Payment Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Oriental Payment Group Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 48 to 109, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the Key Audit Matter

Preference shares structure

Refer to significant accounting policy and critical accounting estimate and judgement in Note 2 and the disclosures of the relevant entity in Note 12 to the consolidated financial statements respectively

At 31 March 2020, Oriental City Group (Thailand) Co., Ltd. ("**OCG Thailand**") had issued 2,500,000 ordinary shares and 2,550,000 preference shares (the "**Preference Shares Structure**").

With reference to the Preference Shares Structure of OCG Thailand, all the OCG Thailand's issued preference share capital is owned by a Thai citizen. However, the Group is able to exercise majority voting power in any shareholders' meeting of OCG Thailand. Therefore the Group is able to control the operations of OCG Thailand by exercising its majority voting power in any shareholders' meeting of OCG Thailand.

We have identified the above matter as a key audit matter because OCG Thailand is material to the Group and the determination of whether the Group has control over OCG Thailand under the Preference Shares Structure involves a significant degree of management judgement.

Our key procedures, among others, included:

- a) enquired the management whether OCG Thailand received any queries and objections regarding committed material offences, violations or breaches of laws or regulations in Thailand in respect of the Preference Shares Structure;
- b) assessed the management's monitoring of all applicable laws and regulations in Thailand to ensure the compliance of the Preference Shares Structure with those laws and regulations;
- c) obtained an updated legal opinion from the Company's legal counsel whether the Preference Shares Structure is still in compliance with the relevant laws and regulations in Thailand; and
- d) evaluated the competence, capabilities and objectivity of the Company's legal counsel.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2019/2020 annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

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

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

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

Independent Auditor's Report

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

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 26 June 2020

The engagement director on the audit resulting in this independent auditor's report is:

Fung Shiu Hang

Practising Certificate number: P04793

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	80,485	111,802
Cost of services rendered		(55,074)	(79,221)
Gross profit		25,411	32,581
Other income	5	444	125
General administrative expenses		(18,108)	(11,774)
Selling and distribution costs		(11,498)	(11,854)
Finance costs	6	(609)	(178)
Listing expenses		–	(14,559)
Share of results of an associate	13	(58)	–
Loss before tax	6	(4,418)	(5,659)
Income tax expenses	9	(1,157)	(2,446)
Loss for the year		(5,575)	(8,105)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive loss of an associate			
– exchange difference on translation		(52)	–
Exchange difference on translation of foreign subsidiaries		(1,206)	(503)
Other comprehensive loss for the year, net of tax		(1,258)	(503)
Total comprehensive loss for the year		(6,833)	(8,608)
Loss per share			
		HK cents	HK cents
Basic	10	(0.56)	(0.94)
Diluted	10	(0.56)	(0.94)

Consolidated Statement of Financial Position

At 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Interest in an associate	13	2,090	–
Financial asset at FVPL	14	300	–
Property, plant and equipment	15	11,011	11,848
Right-of-use assets	16	1,251	–
Intangible assets	17	14,938	1,265
Deposits paid for acquisition of intangible assets		–	11,636
Deferred tax assets	23	188	256
		29,778	25,005
Current assets			
Trade receivables	18	5,626	42,970
Other receivables	18	15,741	10,579
Due from the ultimate holding company	18	2,375	2,375
Income tax recoverable		2,276	1,443
Restricted funds	19	1,392	1,858
Bank balances and cash	20	36,915	52,818
		64,325	112,043
Current liabilities			
Trade payables	21	8,128	44,516
Other payables	21	1,662	2,357
Lease liabilities	22	1,215	–
		11,005	46,873
Net current assets		53,320	65,170
Total assets less current liabilities		83,098	90,175
Non-current liabilities			
Lease liabilities	22	41	–
Deferred tax liabilities	23	1,213	1,213
Other long term liabilities	24	6,050	6,335
		7,304	7,548
NET ASSETS		75,794	82,627
Capital and reserves			
Share capital	25	10,000	10,000
Reserves		65,794	72,627
TOTAL EQUITY		75,794	82,627

These consolidated financial statements on pages 48 to 109 were approved and authorised for issue by the Board of Directors on 26 June 2020 and signed on its behalf by

Lin Xiaofeng
Director

Xiong Wensen
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Share capital HK\$'000 (Note 25)	Share premium HK\$'000 (Note 26(a))	Capital reserve HK\$'000 (Note 26(b))	Exchange reserve HK\$'000 (Note 26(c))	Statutory reserve HK\$'000 (Note 26(d))	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2018	—*	—	14,422	1,801	1,199	14,196	31,618
Loss for the year	—	—	—	—	—	(8,105)	(8,105)
Other comprehensive loss							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange difference on translation of foreign subsidiaries	—	—	—	(503)	—	—	(503)
Total comprehensive loss for the year	—	—	—	(503)	—	(8,105)	(8,608)
Transactions with owner:							
<i>Contributions and distributions</i>							
Dividends to shareholders (Note 11)	—	—	—	—	—	(5,000)	(5,000)
Issue of shares arising from the Reorganisation (Note 25(a))	—*	—	—	—	—	—	—*
Capitalisation Issue (Note 25(c))	7,500	(7,500)	—	—	—	—	—
Issue of shares by way of the share offer (Note 25(d))	2,500	52,500	—	—	—	—	55,000
Transaction cost attributable to issue of new shares (Note 25(d))	—	(13,490)	—	—	—	—	(13,490)
Listing expenses borne by China Smartpay (as defined in Note 1) (Note 26(b))	—	—	23,107	—	—	—	23,107
Total transactions with owners	10,000	31,510	23,107	—	—	(5,000)	59,617
At 31 March 2019	10,000	31,510	37,529	1,298	1,199	1,091	82,627

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

Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Share capital HK\$'000 (Note 25)	Share premium HK\$'000 (Note 26(a))	Capital reserve HK\$'000 (Note 26(b))	Exchange reserve HK\$'000 (Note 26(c))	Statutory reserve HK\$'000 (Note 26(d))	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1 April 2019	10,000	31,510	37,529	1,298	1,199	1,091	82,627
Loss for the year	-	-	-	-	-	(5,575)	(5,575)
Other comprehensive loss							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Share of other comprehensive loss of an associate – exchange difference on translation	-	-	-	(52)	-	-	(52)
Exchange difference on translation of foreign subsidiaries	-	-	-	(1,206)	-	-	(1,206)
Total comprehensive loss for the year	-	-	-	(1,258)	-	(5,575)	(6,833)
At 31 March 2020	10,000	31,510	37,529	40	1,199	(4,484)	75,794

Consolidated Statement of Cash Flows

Year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations	27(a)	(1,507)	6,751
Income tax paid		(1,966)	(3,811)
Interest paid		(609)	(178)
Interest received		258	68
Net cash (used in) from operating activities		(3,824)	2,830
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,042)	(4,106)
Purchase of intangible assets		(3,965)	(240)
Purchase of financial asset at FVPL		(300)	–
Investment in an associate		(2,200)	–
Deposits paid for acquisition of intangible assets	27(b)(ii)	–	(11,636)
Net cash used in investing activities		(10,507)	(15,982)
FINANCING ACTIVITIES			
Dividends paid	11	–	(1,500)
Repayment of lease liabilities	27(c)	(1,436)	–
Proceeds from capital injection from a preference shareholder of the subsidiary	27(c)	–	4,434
Proceeds from issue of shares by way of the share offer	25(d)	–	55,000
Payment for transaction costs attributable to issue of new shares	25(d)	–	(13,490)
Net cash (used in) from financing activities		(1,436)	44,444
Net (decrease) increase in cash and cash equivalents		(15,767)	31,292
Cash and cash equivalents at the beginning of the reporting period		52,818	21,664
Effect on exchange rate changes		(136)	(138)
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		36,915	52,818

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

1. CORPORATE INFORMATION

Oriental Payment Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability. The Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2018 (the “**Listing**”). 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 and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in merchant acquiring business in Thailand.

The immediate holding company is Charm Act Group Limited (“**Charm Act**”), which is incorporated in the British Virgin Islands (the “**BVI**”). In the opinion of the directors of the Company (the “**Directors**”), the ultimate holding company is China Smartpay Group Holdings Limited (“**China Smartpay**”), which is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of the Stock Exchange.

Pursuant to a group reorganisation (the “**Reorganisation**”) 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 as 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 Reorganisation involved the combination of a number of entities under common control before and after the Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to China Smartpay that existed immediately prior to and after the Reorganisation. Accordingly, the consolidated financial statements for the year ended 31 March 2019 have been prepared using the principles of the merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 March 2019 have been prepared on the basis as if the current group structure has been in existence throughout the relevant year, or since the respective dates of incorporation or establishment, where there is a shorter period.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Group has consistently applied all HKFRSs which are effective for the Group’s financial year beginning on 1 April 2018 for the consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group.

HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

HK(IFRIC) – Int 23: Uncertainty over Income Tax Treatments

HK(IFRIC) – Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of HK(IFRIC) – Int 23 does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

Amendments to HKFRS 9 clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss (“**FVPL**”) if specified conditions are met.

The adoption of Amendments to HKFRS 9 does not have any significant impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group’s accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.
- (c) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (d) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

As lessee – leases previously classified as operating leases (Continued)

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either:

- (a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 2.65% per annum.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows:

	HK\$'000
Operating lease commitments at 31 March 2019	464
Add: Liabilities for termination option previously not reflected in operating lease commitments	908
Gross lease liabilities at 1 April 2019	1,372
Less: Total future interest expenses	(18)
Lease liabilities at 1 April 2019, discounted using the incremental borrowing rate	1,354

At the DIA, all right-of-use assets were presented within the line item "Right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial asset at FVPL which are measured at fair value as explained in the accounting policies set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation/combinations

The consolidated financial statements comprise the financial statements items of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated/combined from the date on which the Group obtains control and continue to be consolidated/combined until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated/combined statements of profit or loss and other comprehensive income and within equity in the consolidated/combined statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling parties' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised directly in equity as part of the capital reserve. The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in Note 34 to the consolidated financial statements, investment in a subsidiary is stated at cost less accumulated impairment loss, if any. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***Associate** *(Continued)*

The Group's investment in an associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interest in an associate. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

In the Company's statement of financial position which is presented within these notes, an investment in an associate is accounted for using the equity method.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Office equipment, including POS terminals	3 – 5 years
Leasehold improvements	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets

Computer software

Computer software represents costs incurred for the development of the technology systems. Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over the estimated useful lives of 5 years.

Payment network membership

The initial cost of payment network membership is capitalised. Payment network membership with indefinite useful lives is carried at cost less accumulated impairment losses as the Directors consider that there is no foreseeable limit on the period of time over which the payment network membership can be used to generate economic benefits.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("**Mandatory FVOCI**"); (iii) equity investment measured at fair value through other comprehensive income ("**Designated FVOCI**"); or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade receivables, other receivables, due from the ultimate holding company, restricted funds and bank balances and cash.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and measurement (Continued)

2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if it is:

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

The Group's financial asset mandatorily measured at FVPL includes unlisted equity investment in Hong Kong.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade payables, other payables, lease liabilities and other long term liabilities. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost, Mandatory FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral
- (iv) industry of debtors
- (v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of Mandatory FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

All financial assets are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preference shares that are not redeemable, or are redeemable only at the Group's option; and any dividend payments are discretionary, are classified as equity.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

Business A: Merchant acquiring service in Thailand

Business B: Marketing service in Thailand

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within HKFRS 15 *(Continued)*

Identification of performance obligations (Continued)

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Merchant acquiring transaction fee income ("**MDR income**") and marketing and distribution service income are recognised at a point in time at which the service is provided, which generally coincides with the time when the transactions are approved and executed.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within HKFRS 15 (Continued)

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Income from financial assets

Foreign exchange rate discount income is recognised when the foreign currency denominated funds are received from the merchant acquiring business partner who offered a favourable exchange rate in settling its outstanding payable to the Group and converted into local currency which is usually on every business day.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Hong Kong Dollars ("**HK\$**") is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, right-of-use assets and intangible assets may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives and intangible assets that are not yet available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as an income in profit or loss immediately.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

Applicable from 1 April 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	Over the term of lease
Machinery	Over the term of lease

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Applicable from 1 April 2019 (Continued)

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

Applicable before 1 April 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group's entities established in Hong Kong in an independently administered fund.

In accordance with the rules and regulations in Thailand, the employees of Oriental City Group (Thailand) Co., Ltd. ("**OCG Thailand**") are required to participate in defined contribution retirement plans organised by local governments. Contributions to those plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and an associate, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) Critical judgements made in applying accounting policies

(i) Subsidiary – OCG Thailand

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the "**FBA**"), OCG Thailand, being a company engaged in third party merchant acquiring business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the capital and voting rights structure of ordinary shares and preference shares (together the "**Preference Shares Structure**") of OCG Thailand as described in Note 12 to the consolidated financial statements, all the OCG Thailand's issued preference share capital is owned by a Thai citizen. However, the Company is able to exercise majority voting power in any shareholders' meeting of OCG Thailand.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***Critical accounting estimates and judgements** *(Continued)***(a) Critical judgements made in applying accounting policies** *(Continued)***(i) Subsidiary – OCG Thailand** *(Continued)*

The Company's legal advisers have confirmed that the Preference Shares Structure is still in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of capital structure similar to that of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon the management's judgement on the Preference Shares Structure, the Company accounts for OCG Thailand as a subsidiary on the ground that it is able to control OCG Thailand by exercising its majority voting power in any shareholders' meetings of OCG Thailand.

(b) Key sources of estimation uncertainty**(i) Impairment of investment in an associate**

The Group assesses annually if investment in an associate has suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of the entity would affect the estimation of impairment loss and cause the adjustments of its carrying amount.

(ii) Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

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

(iii) Impairment of property, plant and equipment, right-of-use assets and intangible assets

The management determines whether the Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iv) Discount rates for calculating lease liabilities – as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

(v) Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumption and inputs used in estimating ECL are set out in Note 29 to the consolidated financial statements.

(vi) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will result in additional income tax and deferred tax provision in the period in which such determination is made.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKASs 1 and 8	Definition of Material ¹
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 16	Covid-19-Related Rent Concession ³
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 June 2020

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ The effective date to be determined

The directors are in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on merchant acquiring business in Thailand during the years ended 31 March 2020 and 2019. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs that are regularly reviewed by the executive directors of the Company, the chief operating decision maker. They review the results of the Group as a whole in order to assess financial performance and allocation of resources. Accordingly, the operation of the Group constitutes only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group's operation is mainly located in Thailand.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets and intangible assets ("**Specified Non-current Assets**"). The geographical location of revenue is based on the location of the merchants. The geographical location of Specified Non-current Assets is based on the physical location of the assets (in the case of intangible assets, the location of operations).

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

3. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(a) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Thailand	80,485	111,802

(b) Specified Non-current Assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	1,174	74
Thailand	26,026	13,039
	27,200	13,113

Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group during the years ended 31 March 2020 and 2019 is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A and its affiliates	34,046	53,223
Customer B and its affiliates	17,500	24,882

4. REVENUE

	Note	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers within HKFRS 15			
MDR income		61,540	86,250
Marketing and distribution service income		1,445	670
	(a)	62,985	86,920
Revenue from other sources			
Foreign exchange rate discount income		17,500	24,882
		80,485	111,802

- (a) Revenue recognised represents provision of merchant acquiring service and marketing and distribution service during the year which is based on variable price and recognised at a point in time from contracts with customers within HKFRS 15.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	251	124
Other interest income	193	–
Sundry income	–	1
	444	125

6. LOSS BEFORE TAX

This is stated after charging:

	2020 HK\$'000	2019 HK\$'000
Finance costs		
Finance charge on lease liabilities	21	–
Interest expenses for financial liabilities at amortised cost	588	178
	609	178
Staff costs, including key management's remuneration		
Salaries, allowances and other short-term employee benefits	9,071	4,438
Discretionary bonus (2019: included in "Listing expenses")	560	1,287
Contributions to defined contribution plans	173	108
	9,804	5,833
Other items		
Auditor's remuneration	673	718
Amortisation of intangible assets (included in "Selling and distribution costs")	1,872	282
Depreciation of property, plant and equipment	4,449	3,979
Depreciation of right-of-use assets	1,440	–
Exchange loss, net	610	32
Operating lease payments on premises	–	1,071
Operating lease payment on property, plant and equipment	–	56

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

7. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

(a) Directors' remuneration

The aggregate amounts of remuneration received and receivable by the Directors are as follows:

Year ended 31 March 2020

	Directors' fees HK\$'000	Salaries, allowances and other short-term employee benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
Executive directors					
Lin Xiaofeng (i)	–	807	–	12	819
Yu Chun Fai (ii)	–	595	–	6	601
	–	1,402	–	18	1,420
Non-executive director					
Xiong Wensen	120	–	–	–	120
Independent non-executive directors					
Chung, Wai Chuen Alfred	120	–	–	–	120
Huang Ping	120	–	–	–	120
Ng Ka Po	120	–	–	–	120
	360	–	–	–	360
	480	1,402	–	18	1,900

7. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)**(a) Directors' remuneration (Continued)**

Year ended 31 March 2019

	Directors' fees HK\$'000	Salaries, allowances and other short-term employee benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
Executive director					
Yu Chun Fai	–	170	300	6	476
Non-executive director					
Xiong Wensen	55	–	–	–	55
Independent non-executive directors					
Chung, Wai Chuen					
Alfred (iii)	55	–	–	–	55
Huang Ping (iii)	55	–	–	–	55
Ng Ka Po (iii)	55	–	–	–	55
	165	–	–	–	165
	220	170	300	6	696

(i) Mr. Lin Xiaofeng was appointed as the executive director on 30 July 2019.

(ii) Mr. Yu Chun Fai retired as the executive director on 30 July 2019.

(iii) Ms. Huang Ping, Mr. Ng Ka Po and Mr. Chung, Wai Chuen Alfred were appointed as independent non-executive directors of the Company on 18 September 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2020 and 2019. In addition, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group, or as a compensation for loss of office for the years ended 31 March 2020 and 2019.

(b) Loans, quasi-loans and other dealings in favour of directors

There were no other loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the years ended 31 March 2020 and 2019.

(c) Directors' material interests in transactions, arrangements or contracts

After consideration, other than disclosed in Note 11 to the consolidated financial statements, the Directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company, or an entity connected with the Directors, had a material interest, whether directly or indirectly, subsisted at the year or at any time during the years ended 31 March 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 March 2020 and 2019 is as follows:

	Number of individuals	
	2020	2019
Director	1	1
Non-directors <Note>	4	4
	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows <Note>:

	2020	2019
	HK\$'000	HK\$'000
Salaries, allowances and other short-term employee benefits	2,850	1,629
Discretionary bonus	285	525
Contributions to defined contribution plans	63	49
	3,198	2,203

The number of non-director highest paid employees whose remuneration fell within the following bands <Note>:

Band	Number of employees	
	2020	2019
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	2	1
	4	4

During the years ended 31 March 2020 and 2019, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office.

There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any remuneration during the years ended 31 March 2020 and 2019.

<Note>

Included in the remuneration of the highest paid non-director individuals was the remuneration paid to Mr. Yu Chun Fai, an executive director of the Company who retired on 30 July 2019 but remained as an employee of the Group, for the period from 31 July 2019 to 31 March 2020.

9. TAXATION

	2020 HK\$'000	2019 HK\$'000
Current tax		
Thailand Enterprise Income Tax	948	1,855
Withholding tax on dividend declared by a foreign subsidiary	141	568
	1,089	2,423
Deferred tax		
Utilisation of tax losses (Note 23)	68	23
Income tax expenses for the year	1,157	2,446

(a) Hong Kong Profits Tax

Hong Kong Profits Tax at the rate of 16.5% has not been provided for the years ended 31 March 2020 and 2019 as the Group's estimated assessable profits arising in or derived from Hong Kong are wholly absorbed by unrelieved tax losses brought forward from previous years.

(b) Income taxes outside Hong Kong

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

During the years ended 31 March 2020 and 2019, Thailand Enterprise Income Tax has been provided at the rate of 20% on the estimated assessable profits of the operation of OCG Thailand arising from Thailand.

From the date of incorporation to 31 March 2020, Cambodia Corporate Income Tax at the rate of 20% has not been provided as OCGC Payment Co., Ltd. ("**OCGC Payment**") has not yet commenced its business.

Dividends payable by a foreign invested enterprise in Thailand to its foreign investors are subject to a 10% withholding tax (2019: 10%), unless any foreign investor's jurisdiction of incorporation has a tax treaty with Thailand that provides for a different withholding arrangement.

Dividends payable by an enterprise in Cambodia to its foreign investors are subject to a 14% withholding tax (2019: 14%).

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

9. TAXATION (Continued)

(b) Income taxes outside Hong Kong (Continued)

Reconciliation of income tax expenses

	2020 HK\$'000	2019 HK\$'000
Loss before tax	(4,418)	(5,659)
Income tax at applicable tax rate	(581)	(614)
Non-deductible expenses	363	2,578
Tax exempt revenue	(31)	(14)
Unrecognised tax losses	1,264	–
Withholding tax on dividends declared by a foreign subsidiary	141	568
Others	1	(72)
Income tax expenses for the year	1,157	2,446

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries which the Group operates.

10. LOSS PER SHARE

Basic loss per share is calculated on the loss for the year ended 31 March 2020 attributable to the equity holders of the Company of approximately HK\$5,575,000 (2019: approximately HK\$8,105,000) and on the weighted average number of 1,000,000,000 ordinary shares (2019: 864,010,989 ordinary shares) in issue during the year ended 31 March 2020.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in Note 25(c)) has been effective on 1 April 2018.

Diluted loss per share is the same as basic loss per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2020 and 2019.

11. 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, including the entity controlled by Mr. Yu Chun Fai, the then executive director of the Company, who retired on 30 July 2019. The amount was fully settled by cash and by offsetting against the portion of listing expenses borne by China Smartpay.

No other dividend has been declared nor paid by the Group for the years ended 31 March 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

12. SUBSIDIARIES

The particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct/indirect interests are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Effective ownership interests held by the Company		Principal activities/ place of operation
			31 March 2020	31 March 2019	
Directly held by the Company					
Oriental City Group Thailand Limited (“OCG Thailand (BVI)”)	The BVI, 7 May 2007	Ordinary, United States Dollars (“US\$”) 100	100%	100%	Investment holding/ Hong Kong
Indirectly held by the Company					
OCGC Payment	Cambodia, 18 July 2017	Ordinary, Cambodian Riels (“Riels”) 40,000,000	100%	100%	Not yet commence business/ Cambodia
OCG Hong Kong Limited (“OCG HK”)	Hong Kong, 6 November 2013	Ordinary, HK\$10,000	100%	100%	Marketing and administrative services/ Hong Kong
Oriental City Group Asia Pacific Limited (“OCG Asia Pacific”)	The BVI, 8 September 2011	Ordinary, US\$1	100%	100%	Investment holding/ Hong Kong
OCG Thailand	Thailand, 27 September 2004	Ordinary, Thai Baht (“Baht”) 25,000,000	100%	100%	Merchant acquiring business/ Thailand
		Preference, Baht 25,500,000<Note>	0%	0%	

The above information of ownership interests is presented as if the current group structure had always been in existence throughout the years ended 31 March 2020 and 2019 or since the respective date of establishment or incorporation where applicable.

All entities comprising the Group have adopted 31 March as their financial period end date.

Except for the preference share capital as issued by OCG Thailand, none of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the reporting period.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

12. SUBSIDIARIES *(Continued)*

<Note>

At the end of the reporting period, OCG Thailand's share capital is comprised of 2,500,000 ordinary shares with paid up amount of Baht 25,000,000 (equivalent to approximately HK\$5,857,000) (2019: *Baht 25,000,000 (equivalent to approximately HK\$5,857,000)*) and 2,550,000 preference shares with paid up amount of Baht 25,500,000 (equivalent to approximately HK\$6,050,000) (2019: *Baht 25,500,000 (equivalent to approximately HK\$6,335,000)*).

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

The holder of preference shares, who is a Thai citizen, has the following rights:

- one vote for every ten shares held on any resolution of OCG Thailand;
- the right to receive cumulative dividend declared by OCG Thailand at the rate of 9.5% per annum on paid up value of the shares issued, prior to the ordinary shares; and
- the right to receive the distribution of the share capital, in the case of the winding up of OCG Thailand, prior to the ordinary shares, but limited to the paid up amount of the preference shares.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in the consolidated financial statements in accordance with applicable accounting standards because, although they are not redeemable, the holders of which are entitled to receive 9.5% (per annum) cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

Therefore, the results and financial position of OCG Thailand are included in the Group's consolidated financial statements, after accounting for the paid up value of the preference shares issued and its related cumulative dividend, to the extent of 100% ordinary equity interests attributable to the equity holders of the Company according to the proportion of ordinary shares indirectly held by the Company through OCG Thailand (BVI) and OCG Asia Pacific.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

13. INTEREST IN AN ASSOCIATE

	2020 HK\$'000	2019 HK\$'000
Share of net assets	1,735	–
Goodwill	355	–
	2,090	–

Details of the associate at the end of the reporting period is as follows:

Name of associate	Principal place of business and place of incorporation	Registered and paid-up capital	Proportion of value of registered capital directly held by the Company	Principal activities
Alldebit Pte. Ltd. ("Alldebit")	Singapore	Singapore dollar 715,000	33%	Payment processing services to merchants in Singapore

The associate is accounted for using the equity method in the consolidated financial statements.

On 29 February 2020, the Group acquired 33% equity interests in Alldebit from two independent third parties at a cash consideration of HK\$2,200,000.

Relationship with the associate

Alldebit, which is principally engaged in the business of development of e-commerce applications, specifically for online alternative payment and settlement and development of software and programmes, specifically software solution and internet content development, could bring a viable business opportunity for the Group to strengthen its merchant acquiring business. Also, Alldebit could allow the Group's existing services to provide more comprehensive, up-to-date and high-quality merchant acquiring services to its customers in Thailand and other countries in the Association of Southeast Asian Nations.

Fair value of investment

The associate is a private company and there is no quoted market price available for the investment.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

13. INTEREST IN AN ASSOCIATE (Continued)

Financial information of individually material associate

The financial information of Alldebit is set out below, which represents amounts shown in the associate's financial statements prepared under accounting standards applicable in Singapore.

	HK\$'000
At 31 March 2020	
<i>Gross amounts</i>	
Current assets	23,065
Non-current assets	1,405
Current liabilities	(18,947)
Non-current liabilities	(266)
Equity	5,257
<i>Reconciliation</i>	
Gross amount of equity	5,257
Group's ownership interests and voting rights	33%
Group's share of equity	1,735
Goodwill	355
Carrying amount of interests	2,090
Year ended 31 March 2020 (since acquisition)	
<i>Gross amounts</i>	
Revenue	489
Loss and total comprehensive loss for the period	(175)
Group's share of loss and comprehensive loss	(58)

14. FINANCIAL ASSET AT FVPL

	2020 HK\$'000	2019 HK\$'000
Unlisted equity investment in Hong Kong		
Mandatorily measured at FVPL	300	–

The amount represents 5.0332% (2019: Nil) interest in a private entity incorporated in Hong Kong (the "Investee"). Its principal activities are sales of point of sales machines and provision of internet payment services.

15. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Reconciliation of carrying amount – Year ended 31 March 2019			
At 1 April 2018	11,999	–	11,999
Additions	4,106	–	4,106
Depreciation	(3,979)	–	(3,979)
Exchange realignments	(278)	–	(278)
At 31 March 2019	11,848	–	11,848
Reconciliation of carrying amount – Year ended 31 March 2020			
At 1 April 2019	11,848	–	11,848
Additions	4,042	–	4,042
Depreciation	(4,449)	–	(4,449)
Exchange realignments	(430)	–	(430)
At 31 March 2020	11,011	–	11,011
At 31 March 2019			
Cost	28,318	271	28,589
Accumulated depreciation	(16,470)	(271)	(16,741)
Net carrying amount	11,848	–	11,848
At 31 March 2020			
Cost	31,096	259	31,355
Accumulated depreciation	(20,085)	(259)	(20,344)
Net carrying amount	11,011	–	11,011

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

16. LEASES

Right-of-use assets

	Office premises HK\$'000	Machinery HK\$'000	Total HK\$'000
Reconciliation of carrying amount – year ended 31 March 2020			
At 1 April 2019 – upon adoption of HKFRS 16	1,315	39	1,354
Contract modification	1,346	–	1,346
Depreciation	(1,431)	(9)	(1,440)
Exchange differences	(7)	(2)	(9)
At 31 March 2020	1,223	28	1,251
At 31 March 2020			
Cost	1,528	37	1,565
Accumulated depreciation	(305)	(9)	(314)
Net carrying amount	1,223	28	1,251

The Group leases office premises and machinery for its daily operations with lease terms of 1 to 5 years. 90% of lease contracts contain an option of renew the lease when all terms are renegotiated.

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The interest expenses and total cash flow on lease liabilities are set out in Note 6 and Note 27 to the consolidated financial information respectively.

Commitments under leases

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases which are payable as follows:

	HK\$'000
Within one year	324
In the second to fifth years inclusive	140
	464

17. INTANGIBLE ASSETS

	Computer software <Note (a)> HK\$'000	Payment network membership <Note (b)> HK\$'000	Total HK\$'000
Reconciliation of carrying amount –			
Year ended 31 March 2019			
At 1 April 2018	1,006	329	1,335
Additions	240	–	240
Amortisation	(282)	–	(282)
Exchange realignments	(22)	(6)	(28)
At 31 March 2019	942	323	1,265
Reconciliation of carrying amount –			
Year ended 31 March 2020			
At 1 April 2019	942	323	1,265
Additions	15,593	–	15,593
Amortisation	(1,872)	–	(1,872)
Exchange realignments	(33)	(15)	(48)
At 31 March 2020	14,630	308	14,938
At 31 March 2019			
Cost	1,484	323	1,807
Accumulated amortisation and impairment loss	(542)	–	(542)
Net carrying amount	942	323	1,265
At 31 March 2020			
Cost	17,011	308	17,319
Accumulated amortisation and impairment loss	(2,381)	–	(2,381)
Net carrying amount	14,630	308	14,938

<Note>:

- (a) Computer software mainly represents new acquiring and clearing system with carrying amount of HK\$7,200,000 (2019: Nil) and enhancement of host system to extend the payment process services to cover other payment network associations with carrying amount of HK\$6,300,000 (2019: Nil). At the end of the reporting period, the remaining amortisation period of the computer software is 4.5 years (2019: Nil).
- (b) The useful life of the payment network membership is determined to be indefinite because the Group is able to renew the payment network membership without incurring significant cost that there is no foreseeable limit to the period over which the payment network membership is expected to generate net cash inflows for the Group.

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18. TRADE AND OTHER RECEIVABLES

	Note	2020 HK\$'000	2019 HK\$'000
Trade receivables			
From third parties	18(a)	5,626	42,970
Other receivables			
Deposits		1,198	1,181
Prepayments		3,750	3,649
Other debtors	18(b)	10,793	5,749
		15,741	10,579
Due from the ultimate holding company	18(c)	2,375	2,375

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 29 to the consolidated financial statements.

(a) Trade receivables

Included in trade and other receivables are the following amounts denominated in a currency other than the respective functional currency of the Group's entities:

	2020 HK\$'000	2019 HK\$'000
US\$	5,593	42,657

(b) Other debtors

Included in other debtors are the advance to the Investee of approximately HK\$4,886,000 (2019: Nil) which is unsecured, interest-bearing at 8% per annum, repayable on 31 December 2022 and subject to a "repayable on demand" clause. The remaining items of other debtors are unsecured, interest-free and have no fixed repayment term.

(c) Due from the ultimate holding company

The amount due is unsecured, interest-free and repayable on demand.

19. RESTRICTED FUNDS

The amounts represent bank balances in Thailand maintained solely for the purpose of settlement of outstanding trade payables for the merchant acquiring business pursuant to the agreements signed with a merchant acquiring business partner and the balances are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in Baht.

Notes to the Consolidated Financial Statements

Year ended 31 March 2020

20. BANK BALANCES AND CASH

	2020 HK\$'000	2019 HK\$'000
Short-term time deposits	5,070	15,021
Cash at banks and in hand	31,845	37,797
	36,915	52,818

Cash at banks earns interest at floating rates based on daily floating bank deposit rates. Short-term time deposits are made between two months to three months depending on the immediate cash requirement of the Group, and earn interest at the prevailing fixed deposit rates.

	2020 HK\$'000	2019 HK\$'000
Bank balances and cash are denominated in:		
HK\$	12,520	36,776
Baht	23,784	15,431
US\$	611	611
	36,915	52,818

21. TRADE AND OTHER PAYABLES

	Note	2020 HK\$'000	2019 HK\$'000
Trade payables			
To third parties	21(a)	8,128	44,516
Other payables			
Accruals and other payables		1,662	2,357

(a) Trade payables

All trade payables are aged within 30 days, based on transaction date, at the end of each reporting period.

The creditors allow a credit period up to 30 days to the Group.

Notes to the Consolidated Financial Statements

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22. LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Lease liabilities		
Current portion	1,215	–
Non-current portion	41	–
	1,256	–

23. DEFERRED TAXATION

The movement in the Group's deferred tax (assets) liabilities for the years ended 31 March 2020 and 2019 was as follows:

Withholding tax on undistributed earnings of a foreign subsidiary

	2020 HK\$'000	2019 HK\$'000
At the beginning and at the end of the reporting period	1,213	1,213

Tax losses

	2020 HK\$'000	2019 HK\$'000
At the beginning of the reporting period	(256)	(279)
Charge to profit or loss (Note 9)	68	23
At the end of the reporting period	(188)	(256)

Recognised deferred tax (assets) liabilities at the end of each reporting period represent the following:

	2020 HK\$'000	2019 HK\$'000
Assets		
Tax losses	(188)	(256)
Liabilities		
Withholding tax on undistributed earnings of a foreign subsidiary	1,213	1,213

23. DEFERRED TAXATION *(Continued)*

At the end of each reporting period, deferred tax liabilities of approximately HK\$1,213,000 (2019: HK\$1,213,000) has been recognised for the future withholding tax implications of the portion of undistributed earnings of OCG Thailand that may be distributed in the foreseeable future. Started from 1 April 2016, certain retained earnings of OCG Thailand are kept for financing the continuing operations with reference to the working capital level. After considering the remaining retained earnings available for distribution in the foreseeable future, no provision for additional deferred taxation has been made for the years ended 31 March 2020 and 2019.

For those retained earnings required for financing the continued operation, such retained earnings would be subject to additional taxation if they are distributed. At the end of the reporting period, the estimated withholding tax effect on the distribution of further retained earnings of OCG Thailand was approximately of HK\$894,000 (2019: approximately HK\$829,000).

At the end of the reporting period, deferred tax assets of approximately HK\$188,000 (2019: approximately HK\$256,000) were recognised in respect of the entire tax losses carried forward of approximately HK\$696,000 (2019: approximately HK\$1,107,000) due to the improvement of operation results of the relevant group entity. The tax losses do not expire under current tax legislation.

Unrecognised deferred tax assets arising from

At the end of the reporting period, the Company had unused tax losses of approximately HK\$9,473,000 (2019: Nil) which do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of the unused tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

24. OTHER LONG TERM LIABILITIES

Other long-term liabilities represent preference shares issued by OCG Thailand and the major terms are set out in Note 12 to the consolidated financial statements.

At the end of the reporting period, the Group had an outstanding amount due to a non-controlling shareholder of OCG Thailand amounted to Baht 25,500,000 (equivalent to approximately HK\$6,050,000) (2019: Baht 25,500,000 (equivalent to approximately HK\$6,335,000)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9.5% per annum, with no accrued dividend payable (2019: Nil).

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Year ended 31 March 2020

25. SHARE CAPITAL

		2020		2019	
	Note	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:					
<i>Ordinary shares of HK\$0.01 each</i>					
At the beginning of the reporting period		10,000,000,000	100,000	38,000,000	380
Increase	(b)	–	–	9,962,000,000	99,620
At the end of the reporting period		10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:					
<i>Ordinary shares of HK\$0.01 each</i>					
At the beginning of the reporting period		1,000,000,000	10,000	100	–*
Issue of shares arising from the Reorganisation	(a)	–	–	100	–*
Capitalisation Issue	(c)	–	–	749,999,800	7,500
Issue of shares by way of the share offer	(d)	–	–	250,000,000	2,500
At the end of the reporting period		1,000,000,000	10,000	1,000,000,000	10,000

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

Note:

- (a) On 18 September 2018, a sale and purchase agreement was entered into among Charm Art, Straum Investments Limited ("**Straum Investments**") and Original Fortune Group Limited ("**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 OCG Thailand (BVI), 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.
- (b) 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.
- (c) 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.
- (d) 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.

26. RESERVES**26(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.

26(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 were 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 were incurred. The Group incurred total listing expenses of HK\$38,037,000, of which HK\$24,547,000 was charged to profit or loss. Starting from 1 April 2017, it was agreed with China Smartpay that 90% and 10% of such listing expenses and other listing expenses were borne by China Smartpay and the Group, respectively. Upon recognition of those expenses shared by China Smartpay, a capital contribution from China Smartpay was recorded in the Group's equity.

During the year ended 31 March 2019, capital reserve of approximately HK\$23,107,000 had been recognised as capital contribution from China Smartpay.

26(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 and an associate. The reserve is dealt with in accordance with the accounting policies as set out in Note 2 to the consolidated financial statements.

26(d) Statutory reserve

In accordance with the relevant laws and regulations in Thailand, OCG Thailand is required to appropriate not less than 5% of its net profit to the statutory reserve upon each dividend distribution, until the statutory reserve reaches 10% of its registered authorised capital. The statutory reserve is not available for dividend distribution.

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27. OTHER CASH FLOW INFORMATION

27(a) Cash (used in) generated from operations

	2020 HK\$'000	2019 HK\$'000
Loss before tax	(4,418)	(5,659)
Amortisation	1,872	282
Depreciation of property, plant and equipment	4,449	3,979
Depreciation of right-of-use assets	1,440	–
Foreign exchange differences	(46)	(8)
Bank interest income	(251)	(124)
Other interest income	(193)	–
Share of results of an associate	58	–
Finance costs	609	178
Listing expenses borne by China Smartpay	–	23,107
Operating cash flow before changes in working capital	3,520	21,755
Changes in working capital		
Trade and other receivables	30,212	(6,688)
Restricted funds	(228)	68
Trade and other payables	(35,011)	(8,384)
Cash (used in) generated from operations	(1,507)	6,751

27(b) Major non-cash transactions

- (i) During the year ended 31 March 2020, the Group acquired assets by means of lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$2,700,000 (including HK\$1,354,000 recognised upon the initial adoption of HKFRS 16).
- (ii) During the year ended 31 March 2020, the Group recognised intangible assets at HK\$15,593,000 in which the amount of HK\$11,636,000 was capitalised through deposits paid recognised in last financial year.

27. OTHER CASH FLOW INFORMATION *(Continued)***27(c) Reconciliation of liabilities arising from financing activities**

Details of the changes in the Group's liabilities from financing activities are as follows:

2020

	Lease liabilities HK\$'000	Other long-term liabilities HK\$'000
At the beginning of the reporting period	–	6,335
Cash flows	(1,457)	–
Non-cash changes		
Adoption of HKFRS 16	1,354	–
Contract modification	1,346	–
Interest expenses	21	–
Exchange realignments	(8)	(285)
At the end of the reporting period	1,256	6,050

2019

	Other long-term liabilities HK\$'000
At the beginning of the reporting period	1,936
Cash flows	4,434
Non-cash changes	
Exchange realignments	(35)
At the end of the reporting period	6,335

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28. CONNECTED AND RELATED PARTY TRANSACTIONS

Except for the transactions/information disclosed elsewhere in the consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	Nature of transaction	2020 HK\$'000	2019 HK\$'000
Key management personnel, including directors	Salaries and allowances	3,380	776
	Discretionary bonus		
	(2019: included in "Listing expenses")	188	484
	Contributions to defined contribution retirement schemes	46	20
		3,614	1,280
Close family member of key management personnel	Salaries and allowance	250	–
	Discretionary bonus	25	–
	Contributions to defined contribution retirement schemes	14	–
		289	–

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of restricted and unrestricted bank balances and cash and preference shares issued by OCG Thailand. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from its business activities.

The main risks arising from the Group's financial instruments are (i) foreign currency risk, (ii) interest rate risk, (iii) credit risk and (iv) liquidity risk. The Group does not have any written risk management policies and guidelines. However, the management identifies and evaluates risks and generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum as follows:

(i) Foreign currency risk

The Group mainly operates in Hong Kong and Thailand with majority of business transactions being denominated and settled in HK\$ and Baht which are the functional currencies of the relevant group entities.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***(i) Foreign currency risk** *(Continued)*

However, as disclosed in Note 18(a) to the consolidated financial statements, the Group's trade receivables arising from the operation of merchant acquiring business in Thailand are mainly denominated in US\$. The management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the management, the Group would only enter into foreign currency forward contracts should the needs arise. At 31 March 2020, the Group had outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$600,000 (equivalent to approximately HK\$4,652,000) (2019: US\$5,400,000 (equivalent to approximately HK\$42,386,000)). Considered the short contract period, no material fair value gain or loss has been recognised for the unrealised foreign currency forward contracts.

At the end of the reporting period, the following table indicates the approximate change in the Group's loss before tax, mainly as a result of translation of the US\$denominated financial assets in Baht with a corresponding credit/charge to profit or loss, if exchange rate of US\$ had changed against the functional currencies of the respective group entities by 5% and all other variables were held constant:

	2020 HK\$'000	2019 HK\$'000
US\$	280	2,133

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at end of the reporting period and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In addition, as detailed in Notes 19 and 20 to the consolidated financial statements, part of the restricted and unrestricted bank balances and cash are denominated in Baht. The conversion of Baht into foreign currencies, including HK\$, is subject to the rules and regulations of foreign exchange control promulgated by the Thailand government.

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets including restricted and unrestricted bank balance and cash as detailed in Notes 19 and 20 to the consolidated financial statements.

At the end of the reporting period, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for both years would have been approximately HK\$232,000 (2019: HK\$196,000) lower/higher.

The Group's sensitivity to interest rates would change in the same direction as the changes in its interest-bearing balances of financial assets as mentioned above.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the reporting period and had been applied to the exposure to interest rate risk for the average balances of the interest-bearing financial assets in existence during the reporting period. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Credit risk mainly arises from trade and other receivables, restricted funds and bank balances and cash. The Group limits its exposure to credit risk by rigorously selecting the counterparties with reference to their past credit history and/or market reputation. The Group's exposure to the maximum credit risk is summarised as follows:

	2020 HK\$'000	2019 HK\$'000
Trade receivables	5,626	42,970
Other receivables	11,991	6,930
Due from the ultimate holding company	2,375	2,375
Restricted funds	1,392	1,858
Bank balances and cash	36,915	52,818

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***(iii) Credit risk** *(Continued)****Trade receivables from third parties***

The Group trades only with recognised, creditworthy third parties. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a credit policy in place and exposures to credit risks are monitored on an ongoing basis. The Group allows a credit period up to 90 days to its trade debtors.

At the end of the reporting period, there were only two (2019: two) trade debtors accounted for all of the total outstanding trade receivables. As at 31 March 2020, the Group had a concentration of credit risk as 99% (2019: 99%) of the total trade receivables made up by the Group's largest trade receivables.

The management considers the credit risk in respect of the largest customer is minimal because it is an authorised financial institution in the People's Republic of China (the "PRC") with high credit ratings and there is no history of default or late payment. For the another customer, the management of the Group considers the ECL of this balance to be minimal after taking into account the actual credit loss experience during the year and adjusted for the current and forward-looking factors over the recoverability of the receivable. No loss allowance was recognised for the balance for year ended 31 March 2020 (2019: Nil).

There was no change in the estimation techniques or significant assumptions made during the year.

At the end of each reporting period, the ageing analysis of the trade receivables prepared based on transaction date or date of service rendered, is as follows:

	2020 HK\$'000	2019 HK\$'000
Less than 1 month	5,626	42,970

At the end of each reporting period, the ageing analysis of the trade receivables by due date, prepared based on contractual due date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Current	5,626	42,970

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risk *(Continued)*

Other receivables and due from the ultimate holding company

The Group considers that other receivables and due from the ultimate holding company have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. No loss allowance is recognised based on the measurement on 12-month ECL.

In estimating the ECL the Group has taken into account the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default. The management of the Group considers the ECL of the other receivables and due from the ultimate holding company to be insignificant after taking into account the financial position and credit quality of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the year.

Restricted funds and bank balances and cash

The credit risk on restricted funds and bank balances and cash is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance is recognised based on the measurement on 12-month ECL.

There was no change in the estimation techniques or significant assumptions made during the year.

None of the Group's financial assets are securitised by collateral or other credit enhancements at the end of the reporting period.

(iv) Liquidity risk

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment and intangible assets. The Group finances its working capital requirements mainly by the funds generated from operations.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***(iv) Liquidity risk** *(Continued)*

The Group's non-derivative financial liabilities at the end of each reporting period based on contractual undiscounted payments are summarised below:

	Within 1 year or on demand HK\$'000	2 to 5 years HK\$'000	Upon winding up of OCG Thailand <Remark 1> HK\$'000	Total HK\$'000
At 31 March 2020				
Trade payables	8,128	–	–	8,128
Other payables	1,662	–	–	1,662
Lease liabilities	1,228	41	–	1,269
Other long-term liabilities <Remark 2>	–	–	6,050	6,050
	11,018	41	6,050	17,109
At 31 March 2019				
Trade payables	44,516	–	–	44,516
Other payables	2,357	–	–	2,357
Other long-term liabilities <Remark 2>	–	–	6,335	6,335
	46,873	–	6,335	53,208

<Remark 1>

In case of the winding up of OCG Thailand, the holder of preference shares has the right to the distribution of the residual assets of OCG Thailand prior to the ordinary shares, but limited to the paid up amount of the preference shares.

<Remark 2>

The estimated annual finance cost of other long-term liabilities approximates to Baht 2,423,000 (equivalent to approximately HK\$588,000) (2019: Baht 727,000 (equivalent to approximately HK\$178,000)), which is not included in the above summary.

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30. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Assets and liabilities measured at fair value

	Level 2	
	2020 HK\$'000	2019 HK\$'000
Financial asset at FVPL		
Unlisted equity investment (Note 14)	300	–

The fair value of the unlisted equity investment is determined with reference to its net asset value.

During the year ended 31 March 2020, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(b) Assets and liabilities not measured at fair value

The carrying amounts of financial assets and liabilities not measured at fair value are carried at amounts not materially different from their fair values at 31 March 2020 and 2019.

31. COMMITMENTS

Capital expenditure commitments

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for, net of deposits paid – development expenditure of intangible assets in respect of further developing the acquiring host system and extending the payment processing services to cover other payment network associations	–	3,985

32. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The management considers the total equity as disclosed in the consolidated statement of financial position as the Group's capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2020 and 2019.

33. EVENTS AFTER THE REPORTING PERIOD

(i) Outbreak of the COVID-19 Pandemic

Since January 2020, the outbreak of the COVID-19 pandemic has certain impacts on the business operation and overall economy on the global business environment. To a certain extent, the outbreak will impact the merchant acquiring business of the Group as a result of the uncertainties of the overall Chinese tourists' spending sentiments in Thailand and lead to the suspension of Chinese tour groups to Thailand.

Despite the challenges, governments and international organisations have implemented a series of measures to contain the epidemic. The Group stays alert to the development and situation of the COVID-19 pandemic, continue to assess its impacts on the financial position and operating results of the Group, and take necessary action to maintain stability of the businesses. Up to the date of this annual report, the assessment of financial impact on the COVID-19 pandemic is still in progress.

(ii) Placing of convertible bonds

On 10 June 2020, the Company entered into a placing agreement pursuant to which it conditionally agreed to place, through the placing agent, the convertible bonds in an aggregate principal amount of up to HK\$11,850,000 to not less than six placees at the initial conversion price of HK\$0.15 per ordinary share upon and subject to the terms and conditions of the placing agreement. These transactions are completed on 26 June 2020. For details of the completion, please refer to the announcement dated 26 June 2020.

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves is set out below:

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment in a subsidiary		—*	—*
Investment in an associate		2,090	—
Financial asset at FVPL		300	—
Property, plant and equipment		31	39
Intangible assets		13,500	—
Deposits paid for acquisition of intangible assets		—	11,450
		15,921	11,489
Current assets			
Other receivables		10,586	5,769
Due from the ultimate holding company		2,375	2,375
Due from subsidiaries		12,953	4,024
Bank balances and cash		1,593	28,808
		27,507	40,976
Current liabilities			
Other payables		892	765
Due to subsidiaries		3,340	3,340
		4,232	4,105
Net current assets		23,275	36,871
NET ASSETS		39,196	48,360
Capital and reserves			
Share capital	25	10,000	10,000
Reserves	34(a)	29,196	38,360
TOTAL EQUITY		39,196	48,360

* Represent amounts less than HK\$1,000.

The statement of financial position was approved and authorised for issue by the Board of Directors on 26 June 2020 and signed on its behalf by

Lin Xiaofeng
Director

Xiong Wensen
Director

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Movements of the reserves

	Share premium HK\$'000 (Note 26(a))	Capital reserve HK\$'000 (Note 26(b))	Exchange reserve HK\$'000 (Note 26(c))	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018	-	-	-	-	-
Loss for the year and total comprehensive loss for the year	-	-	-	(16,257)	(16,257)
Transactions with owners:					
<i>Contributions and distributions</i>					
Capitalisation Issue (Note 25(c))	(7,500)	-	-	-	(7,500)
Issue of shares by way of the share offer (Note 25(d))	52,500	-	-	-	52,500
Transaction cost attributable to issue of new shares (Note 25(d))	(13,490)	-	-	-	(13,490)
Listing expenses borne by China Smartpay (Note 26(b))	-	23,107	-	-	23,107
Total transactions with owners	31,510	23,107	-	-	54,617
At 31 March 2019	31,510	23,107	-	(16,257)	38,360
At 1 April 2019	31,510	23,107	-	(16,257)	38,360
Loss for the year	-	-	-	(9,112)	(9,112)
Other comprehensive loss					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Share of other comprehensive loss of an associate					
- exchange difference on translation	-	-	(52)	-	(52)
Total comprehensive loss for the year	-	-	(52)	(9,112)	(9,164)
At 31 March 2020	31,510	23,107	(52)	(25,369)	29,196

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years. The financial information for the years ended/as at 31 March 2019 and 2020 is extracted from the consolidated financial statements in this annual report while the relevant information for the years ended/as at 31 March 2016, 2017 and 2018 are extracted from the Prospectus.

Results of the Group for the year ended 31 March

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	80,845	111,802	106,083	97,427	101,250
(Loss) Profit before taxation	(4,418)	(5,659)	1,853	10,893	14,658
Income tax expenses	(1,157)	(2,446)	(2,947)	(2,300)	(4,358)
(Loss) Profit for the year	(5,575)	(8,105)	(1,094)	8,593	10,300

Assets and liabilities of the Group as at 31 March

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Non-current assets	29,778	25,005	13,613	8,822	3,280
Current assets	64,325	112,043	74,344	30,080	38,316
Total assets	94,103	137,048	87,957	38,902	41,596
Current liabilities	(11,005)	(46,873)	(53,190)	(16,874)	(28,819)
Non-current liabilities	(7,304)	(7,548)	(3,149)	(2,960)	(2,903)
Net assets	75,794	82,627	31,618	19,068	9,874