



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 FIRST QUARTERLY REPORT



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors (the “**Directors**”) of Oriental Payment Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

RESULTS

The board (the “**Board**”) of Directors of the Company hereby announces the unaudited condensed consolidated financial statements (the “**First Quarterly Financial Statements**”) of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2020 (the “**Reporting Period**”), together with the comparative figures of the corresponding period in 2019 (the “**Corresponding Period**” or “**2019**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Notes	For the three months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	2	4,262	21,537
Cost of services rendered		(2,875)	(14,807)
Gross profit		1,387	6,730
Other income	3	217	57
General administrative expenses		(3,830)	(3,483)
Selling and distribution costs		(2,626)	(2,246)
Finance costs	4	(184)	(157)
Share of results of an associate		(184)	–
(Loss) Profit before taxation	4	(5,220)	901
Income tax expenses	5	–	(309)
(Loss) Profit for the period		(5,220)	592
Attributable to:			
Equity holders of the Company		(5,220)	592
		HK cents	HK cents
(Loss) Earnings per share attributable to equity holders of the Company			
Basic	6	(0.52)	0.06
Diluted	6	(0.52)	0.06

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

For the three months ended 30 June 2020

	For the three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) Profit for the period	(5,220)	592
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive loss of an associate – exchange difference on translation	33	–
Exchange difference on translation of foreign subsidiaries	2,049	1,746
Other comprehensive income for the period, net of tax	2,082	1,746
Total comprehensive (loss) income for the period	(3,138)	2,338
Total comprehensive (loss) income attributable to:		
Equity holders of the Company	(3,138)	2,338

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note 9(a))	Capital reserve HK\$'000 (Note 9(b))	Convertible bonds reserve HK\$'000 (Note 8)	Exchange reserve HK\$'000 (Note 9(c))	Statutory reserve HK\$'000 (Note 9(d))	Accumulated profits HK\$'000	
At 1 April 2019 (audited)	10,000	31,510	37,529	-	1,298	1,199	1,091	82,627
Profit for the period	-	-	-	-	-	-	592	592
Other comprehensive income								
<i>Item that may be reclassified subsequently to profit or loss</i>								
Exchange difference on translation of foreign subsidiaries	-	-	-	-	1,746	-	-	1,746
Total comprehensive income for the period	-	-	-	-	1,746	-	592	2,338
At 30 June 2019 (unaudited)	10,000	31,510	37,529	-	3,044	1,199	1,683	84,965

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

For the three months ended 30 June 2020

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note 9(a))	Capital reserve HK\$'000 (Note 9(b))	Convertible bonds reserve HK\$'000 (Note 8)	Exchange reserve HK\$'000 (Note 9(c))	Statutory reserve HK\$'000 (Note 9(d))	Accumulated losses HK\$'000	
At 1 April 2020 (audited)	10,000	31,510	37,529	-	40	1,199	(4,484)	75,794
Loss for the period	-	-	-	-	-	-	(5,220)	(5,220)
Other comprehensive income								
<i>Items that may be reclassified subsequently to profit or loss</i>								
Share of other comprehensive loss of an associate – exchange difference on translation	-	-	-	-	33	-	-	33
Exchange difference on translation of foreign subsidiaries	-	-	-	-	2,049	-	-	2,049
Total comprehensive loss for the period	-	-	-	-	2,082	-	(5,220)	(3,138)
Transaction with owners								
<i>Contributions and distributions</i>								
Issue of convertible bonds (Note 8)	-	-	-	876	-	-	-	876
Total transaction with owners	-	-	-	876	-	-	-	876
At 30 June 2020 (unaudited)	10,000	31,510	37,529	876	2,122	1,199	(9,704)	73,532

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 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.

The First Quarterly Financial Statements have been prepared in accordance with the applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the GEM Listing Rules.

The preparation of the First Quarterly Financial Statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses on a year to date basis. Actual results may differ from these estimates.

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 31 March 2020, and therefore, shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2020 Consolidated Financial Statements**”).

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

For the three months ended 30 June 2020

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

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in the preparation of the 2020 Consolidated Financial Statements.

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

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for both periods.

At the date of authorisation of the First Quarterly Financial Statements, the Group has not early adopted the new/revised HKFRSs that have been issued but are not yet effective.

2. REVENUE

	For the three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue from contracts with customers within HKFRS 15		
Merchant discount rate income ("MDR income")	3,469	16,169
Marketing and distribution service income	6	489
	3,475	16,658
Revenue from other sources		
Foreign exchange rate discount income	787	4,879
	4,262	21,537

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

For the three months ended 30 June 2020

3. OTHER INCOME

	For the three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Bank interest income	43	57
Other interest income	93	–
HKSAR Government subsidies	81	–
	217	57

4. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	For the three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Finance costs		
Finance charge on lease liabilities	7	5
Interest expenses for financial liabilities at amortised cost	146	152
Effective interest expenses on convertible bonds	31	–
	184	157
Staff costs, including key management's remuneration		
Salaries, allowances and other short-term employee benefits	2,757	1,791
Contribution to defined contribution plans	43	53
	2,800	1,844
Other items		
Amortisation of intangible assets (included in "selling and distribution costs")	847	76
Depreciation of property, plant and equipment	1,117	1,058
Depreciation of right-of-use assets	359	169

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

For the three months ended 30 June 2020

5. INCOME TAX EXPENSES

	For the three months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Thailand Enterprise Income Tax	–	309
Income tax expenses for the period	–	309

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

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

Thailand Enterprise Income Tax has not been provided as the operation in Thailand incurred a loss for taxation purposes for the period (2019: Thailand Enterprise Income Tax had been provided at the rate of 20% on the estimated assessable profits of the operation arising from Thailand.)

Cambodia Corporate Income Tax at the rate of 20% (2019: 20%) has not been provided for both periods as the operation in Cambodia has not yet commenced its business.

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

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

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

For the three months ended 30 June 2020

6. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated based on the loss for the period ended 30 June 2020 attributable to the equity holders of the Company of approximately HK\$5,220,000 (2019: profit of approximately HK\$592,000) and on the weighted average number of 1,000,000,000 ordinary shares (2019: 1,000,000,000 ordinary shares) in issue during the period ended 30 June 2020.

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as the effect of potential ordinary shares had anti-dilutive effects during the period (2019: there were no dilutive potential ordinary shares in existence).

7. DIVIDENDS

The directors did not recommend a payment of dividend for the three months ended 30 June 2020 (2019: Nil).

8. CONVERTIBLE BONDS

On 26 June 2020 (the "**Bond Issue Date**"), the Company issued convertible bonds, with coupon interest rate of 7% per annum, in an aggregate principal amount of HK\$11,850,000 (the "**Convertible Bonds**") to not less than six independent placees who, and where applicable, whose ultimate beneficial owners were independent third parties. The Convertible Bonds will mature on the date falling upon the expiry of two years from the Bond Issue Date (the "**Maturity Date**") or if such date is not a business day, the immediate preceding business day.

The coupon interest is accrued on a day to day basis on the principal amount of the Convertible Bonds and shall only be payable by the Company semi-annually in arrears on the dates falling six months and one year after the Bond Issue Date and on the anniversary(ies) of such dates for each year thereafter up to and including the Maturity Date. Bondholders will be entitled to receive an additional interest at the rate of 10% per annum from the Bond Issue Date up to and including the Maturity Date chargeable on the principal amount of the Convertible Bonds, which will be payable by the Company on the Maturity Date, if they have not converted any of their Convertible Bonds into new shares of the Company.

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

For the three months ended 30 June 2020

8. CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds can be converted into a maximum number of 79,000,000 ordinary shares of the Company at the initial conversion price of HK\$0.15 per share.

The Convertible Bonds recognised at the end of the reporting period are calculated as follow:

	HK\$'000
Liability component	
Fair value of liability component at the Bond Issue Date	10,951
Issue costs	(284)
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	10,667
Effective interest expenses	31
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Liability component at 30 June 2020	10,698
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Equity component	
Nominal value of the Convertible Bonds	11,850
Fair value of liability component at the Bond Issue Date	(10,951)
Issue costs	(23)
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Equity component at the Bond Issue Date and at 30 June 2020	876
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For details of the placing of the Convertible Bonds, please refer to the announcements dated 10 June 2020 and 26 June 2020 respectively.

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

For the three months ended 30 June 2020

9. RESERVES

(a) Share premium

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

(b) Capital reserves

The capital reserves represents the aggregate amount of the nominal value of the registered capital of the companies comprising the Group less consideration paid to acquire the relevant interests, after adjusting the registered capital held by those attributable to the non-controlling interests (if any).

In addition, listing expenses that 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. 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.

(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.

(d) Statutory reserve

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

10. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved by the Board on 10 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

The Group is an established merchant acquirer in providing a suite of comprehensive payment processing services to merchants of all sizes frequently visited by Chinese tourists in Thailand.

The Group has three main income streams derived from the merchant acquiring business, including (i) 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 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 Reporting Period, the Group continuously faced the risks of uncertainties in Thailand's economic outlook, the impact of Sino-US trade war and the impact of the outbreak of COVID-19 pandemic, which would affect Chinese tourists' spending sentiments in Thailand. In particular, the outbreak of COVID-19 pandemic which led to the suspension of international flights to Thailand since April 2020, resulted in a material adverse effect to the income of the Group in the last few months. 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.

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. 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.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group recorded total revenue of approximately HK\$4.3 million (2019: approximately HK\$21.5 million) derived from the merchant acquiring business, which included i) MDR income of approximately HK\$3.5 million (2019: approximately HK\$16.2 million); ii) foreign exchange rate discount income of approximately HK\$0.8 million (2019: approximately HK\$4.9 million); and iii) marketing and distribution service income of approximately HK\$6,000 (2019: approximately HK\$489,000). There was a decrease in MDR income and foreign exchange rate discount income by approximately HK\$12.7 million and HK\$4.1 million respectively when comparing with the Corresponding Period. The decrease in these two income streams was primarily due to the significant decrease in the transaction volume via UPI processed by the Group for the Reporting Period as compared with that of the Corresponding Period as a result of the outbreak of the COVID-19 pandemic. The marketing and distribution service income remained insignificant to the Group's revenue for the Reporting Period.

Cost of services rendered

Cost of services rendered of the Group includes the IT network service fee and franchise license fee for the merchant acquiring business. Total cost of services rendered for the Reporting Period amounted to approximately HK\$2.9 million (2019: approximately HK\$14.8 million). The decrease in cost of services rendered by approximately 80.6% was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit for the Reporting Period amounted to approximately HK\$1.4 million, representing a decrease of approximately HK\$5.3 million or approximately 79.4% as compared with approximately HK\$6.7 million for the Corresponding Period, which was in line with the decrease in revenue. The gross profit margin was increased from 31.2% to 32.5% for the Reporting Period 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 Reporting Period amounted to approximately HK\$3.8 million (2019: approximately HK\$3.5 million). The increase in general administrative expenses by approximately 10.0% was mainly due to the increment in salaries and benefits for directors and staff.

Selling and distribution costs

The Group recorded selling and distribution costs of approximately HK\$2.6 million for the Reporting Period (2019: approximately HK\$2.2 million). The increase in selling and distribution costs by approximately 16.9% was mainly due to the increase in amortisation cost and depreciation expenses which offset by the decrease in the transaction volume.

Share of results of an associate

The share of losses of an associate of the Group for the Reporting Period amounted to approximately HK\$184,000 (2019: nil). The results of an associate was shared by the Group since an acquisition took place in February 2020.

Finance costs

The finance costs amounted to approximately HK\$184,000 for the Reporting Period (2019: approximately HK\$157,000). The amount represented (i) the cumulative dividend accrued to a non-controlling shareholder in respect of the paid-up amount of the preference shares issued by OCG Thailand, (ii) the finance costs on lease liabilities, and (iii) the effective interest expenses on the Convertible Bonds. The increase was mainly arising from the effective interest expenses of the Convertible Bonds issued in June 2020. Details of the Convertible Bonds are set out in Note 8 to the First Quarterly Financial Statements.

Loss for the period

The Group recorded a net loss attributable to owners of the Company of approximately HK\$5.2 million for the Reporting Period (2019: profit of approximately HK\$0.6 million). The decrease in net profit was mainly attributable to the aforementioned decrease in revenue and gross profit as a result of the drop in the UnionPay transaction volume.

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 dividend 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 dividend in the amount set out in any plan of the Board or at all.

The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

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

Treasury policy

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

Foreign exchange exposure

The Group mainly operates in Thailand with transactions denominated in Baht. The Group exposes to foreign exchange risk as the Group's trade receivables are denominated in US\$. The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 30 June 2020, the Group has outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$0.3 million (equivalent to approximately HK\$2.3 million) (31 March 2020: US\$0.6 million (equivalent to approximately HK\$4.7 million)). The Directors and senior management will continue to monitor the foreign risk exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 June 2020.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2020 (2019: nil).

Significant investment, material acquisitions and disposals

During the Reporting Period, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies (2019: nil).

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

As at 30 June 2020, none of the Directors nor chief executives 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 Reporting Period, the Directors and the chief executives 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 Reporting Period 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 30 June 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 (Note 2)	Beneficial owner	325,000,000	32.50%
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 30 June 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 30 June 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has adopted principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “**CG Code**”). Except for the deviation from code provision A.2.1 of the CG Code as stated below, the Company’s corporate governance practises have complied with the CG Code.

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. Lin Xiaofeng has been appointed as the chairman and chief executive officer of the Company since 30 July 2019. 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.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

Save and except for their respective interest in the Company, none of the Directors and their respective associates (as defined in the GEM Listing Rules) had any interest in any business that directly or indirectly competed or might compete with the business of the Group during the Reporting Period.

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 of the Company dated 27 September 2018.

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 report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

INTERESTS OF COMPLIANCE ADVISER

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

SHARE OPTION SCHEME

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

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 June 2020.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2020, the audit committee comprised three independent non-executive Directors, namely Mr. Chung, Wai Chuen Alfred, Ms. Huang Ping and Mr. Ng Ka Po. Mr. Chung, Wai Chuen Alfred is the chairman of the audit committee.

The Group's First Quarterly Financial Statements have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 10 August 2020

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