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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)

2023 FIRST QUARTERLY RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Oriental Payment Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited condensed consolidated quarterly results of the Group for the three months ended 30 June 2023. This announcement, containing the full text of the 2023 first quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany the preliminary announcement of the first quarterly results.

By Order of the Board
Oriental Payment Group Holdings Limited
Mr. Tsang Chi Kit
Executive Director

Hong Kong, 9 August 2023

As at the date of this announcement, the Board comprises Mr. Tsang Chi Kit as executive Director, Mr. Shiu Shu Ming as non-executive Director and Ir Dr. Ng Yu Ki as independent non-executive Director.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.ocg.com.hk.



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2023

FIRST QUARTERLY REPORT



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 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 2023 (the “**Reporting Period**”), together with the comparative figures of the corresponding period in 2022 (the “**Corresponding Period**” or “**2022**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2023

	Notes	For the three months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	2	5,378	2,463
Cost of services rendered		(3,905)	(1,774)
Gross profit		1,473	689
Other income	3	4,516	364
General administrative expenses		(10,020)	(7,925)
Selling and distribution costs		(1,944)	(3,347)
Finance costs	4	(803)	(1,477)
Loss before tax	4	(6,778)	(11,696)
Income tax expenses	5	-	-
Loss for the period		(6,778)	(11,696)
Attributable to:			
Equity holders of the Company		(6,778)	(11,696)
		HK cents	HK cents
Loss per share attributable to equity holders of the Company			
Basic	6	(0.36)	(0.97)
Diluted	6	(0.36)	(0.97)

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

For the three months ended 30 June 2023

	For the three months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss for the period	(6,778)	(11,696)
Other comprehensive income (loss)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign subsidiaries	7	(352)
Other comprehensive loss for the period, net of tax	(6,771)	(352)
Total comprehensive loss for the period	(6,771)	(12,048)
Total comprehensive loss attributable to:		
Equity holders of the Company	(6,771)	(12,048)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2023

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000 (Note 10(a))	Capital reserve HK\$'000 (Note 10(b))	Convertible bonds reserve HK\$'000 (Note 9)	Exchange reserve HK\$'000 (Note 10(c))	Statutory reserve HK\$'000 (Note 10(d))	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2022 (audited)	12,000	44,963	37,529	876	622	1,199	(73,645)	23,544
Loss for the period	-	-	-	-	-	-	(11,696)	(11,696)
Other comprehensive loss								
<i>Item that may be reclassified subsequently to profit or loss</i>								
Exchange difference on translation of foreign subsidiaries	-	-	-	-	(352)	-	-	(352)
Total comprehensive loss for the period	-	-	-	-	(352)	-	(11,696)	(12,048)
At 30 June 2022 (unaudited)	12,000	44,963	37,529	876	270	1,199	(85,341)	11,496

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

For the three months ended 30 June 2023

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note 10(a))	Capital reserve HK\$'000 (Note 10(b))	Convertible bonds reserve HK\$'000 (Note 9)	Exchange reserve HK\$'000 (Note 10(c))	Statutory reserve HK\$'000 (Note 10(d))	Other reserve HK\$'000 (Note 10(e))	Accumulated losses HK\$'000	
At 1 April 2023 (audited)	18,596	99,777	37,529	12,128	251	1,199	(11,252)	(105,876)	52,352
Loss for the period	-	-	-	-	-	-	-	(6,778)	(6,778)
Other comprehensive income									
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference on translation of foreign subsidiaries	-	-	-	-	7	-	-	-	7
Total comprehensive loss for the period	-	-	-	-	7	-	-	(6,778)	(6,771)
At 30 June 2023 (unaudited)	18,596	99,777	37,529	12,128	258	1,199	(11,252)	(112,654)	45,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2023

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 were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2018. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The Company’s principal place of business in Hong Kong is situated at Room 5, 17/F, 80 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in merchant acquiring business in Thailand and the Philippines.

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

The 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 2023, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2023 (the “**2023 Audited Consolidated Financial Statements**”).

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 2023 Audited Consolidated Financial Statements.

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

For the three months ended 30 June 2023

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

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 adopted the new/revised HKFRSs that have been issued but are not yet effective.

2. REVENUE

	For the three months ended 30 June	
	2023 HK\$’000 (unaudited)	2022 HK\$’000 (unaudited)
Revenue from contracts with customers within HKFRS 15		
Merchant discount rate income (“MDR income”)	4,329	1,740
Marketing and distribution service income	560	10
Environmental, Social and Governance (“ESG”) consultancy services income	30	150
ESG reporting services income	–	118
	4,919	2,018
Revenue from other sources		
Foreign exchange rate discount income	459	445
	5,378	2,463

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

For the three months ended 30 June 2023

3. OTHER INCOME

	For the three months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	58	6
Gain on disposal of subsidiaries (Note 8)	4,296	–
HKSAR Government subsidies	–	136
Other interest income	160	187
Sundry income	2	35
	4,516	364

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

For the three months ended 30 June 2023

4. LOSS BEFORE TAX

This is stated after charging:

	For the three months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Finance costs		
Effective interest expenses on convertible bonds	247	752
Finance charges on lease liabilities	10	9
Interest expenses for financial liabilities at amortised cost	246	342
Interest expenses on bond payable	300	374
	803	1,477
Staff costs, including key management's remuneration		
Salaries, allowances and other short-term employee benefits	2,310	3,790
Contributions to defined contribution plans	45	63
	2,355	3,853
Other items		
Amortisation of intangible assets (included in "Selling and distribution costs")	714	401
Depreciation of property, plant and equipment	3,041	776
Depreciation of right-of-use assets	220	374

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

For the three months ended 30 June 2023

5. INCOME TAX EXPENSES

	For the three months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Income tax expenses for the period	–	–

(a) Hong Kong Profits Tax

Hong Kong Profits Tax at the rate of 16.5% (2022: 16.5%) has not been provided as the Group incurred a loss for taxation purpose for the periods.

(b) Income taxes outside Hong Kong

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

Thailand Enterprise Income Tax at the rate of 20% (2022: 20%) has not been provided as the Group's operation in Thailand incurred a loss for taxation purpose for the periods.

The Philippines Corporate Income Tax at the rate of 25% (2022: 25%) has not been provided as the Group's operation in the Philippines has commenced and has incurred a loss for taxation purpose during the Reporting Period.

Cambodia Corporate Income Tax at the rate of 20% (2022: 20%) has not been provided as the Group's operation in Cambodia has not yet commenced its business for the periods.

Dividends payable by a foreign invested enterprise in Thailand to its foreign investors are subject to a 10% (2022: 10%) withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with Thailand that provides for a different withholding arrangement.

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

For the three months ended 30 June 2023

5. INCOME TAX EXPENSES *(Continued)*

(b) Income taxes outside Hong Kong *(Continued)*

Dividends payable by a foreign invested enterprise in the Philippines to its foreign investors are subject to a 25% (2022: 25%) withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the Philippines that provides for a different withholding arrangement.

Dividends payable by an enterprise in Cambodia to its foreign investors are subject to a 14% (2022: 14%) withholding tax.

6. LOSS PER SHARE

Basic loss per share is calculated on the loss for the period ended 30 June 2023 attributable to the equity holders of the Company of approximately HK\$6,778,000 (2022: approximately HK\$11,696,000) and on the weighted average number of 1,859,566,667 ordinary shares (2022: 1,200,000,000 ordinary shares) in issue during the Reporting Period.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares has anti-dilutive effects during the periods.

7. DIVIDENDS

The Directors did not recommend a payment of a dividend for the three months ended 30 June 2023 (2022: Nil).

8. DISPOSAL OF SUBSIDIARIES

On 13 April 2023, the Company entered into a share sale agreement with an independent third party to sell the entire issued share capital of Global Principal Investment Limited (the "**Target Company**") at a total cash consideration of HK\$1 (the "**Disposal**"). Upon completion of the Disposal, the Group would no longer hold any equity interest in the Target Company, and the Target Company and its subsidiaries (one of which was principally engaged in the ESG consultancy and reporting business) would cease to be accounted as subsidiaries of the Company. The Disposal was completed on 18 April 2023.

For details of the Disposal, please refer to the announcement of the Company dated 13 April 2023.

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

For the three months ended 30 June 2023

9. CONVERTIBLE BONDS

On 26 June 2020 (the “**Bond Issue Date**”), the Company issued convertible bonds (the “**Convertible Bonds**”), with a coupon interest rate of 7% per annum, in an aggregate principal amount of HK\$11,850,000 to not less than six independent placees who, and where applicable, whose ultimate beneficial owners were independent third parties. The Convertible Bonds shall initially mature on the date (the “**Maturity Date**”) falling upon the expiry of two years from the Bond Issue Date or if such date is not a business day, the immediate preceding business day (which is 24 June 2022). 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 of the Company.

The coupon interest is accrued on a day-to-day basis on the principal amount of the Convertible Bonds outstanding 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.

The Convertible Bonds were separated into a liability component and an equity component at initial recognition and subsequent measured in accordance with the relevant accounting policies as consistent with those applied in the preparation of the 2023 Audited Consolidated Financial Statements.

On 24 June 2022, the Company executed the addendum (the “**First Addendum**”) to amend the terms and conditions of the Convertible Bonds with a view to giving effect to the extension of the maturity date of the Convertible Bonds for a period of six months to 23 December 2022 (the “**Extended Maturity Date**”) and all other terms and conditions of the Convertible Bonds remain unchanged. The First Addendum has taken effect on 20 September 2022, with the original Maturity Date of the Convertible Bonds being extended to 23 December 2022 (the “**1st Extended Maturity Date**”). Details of the Addendum are set out in the announcements of the Company dated 24 June 2022, 1 September 2022 and 20 September 2022 and the circular of the Company dated 11 August 2022.

When the First Addendum took effect, it was considered as a non-substantial modification in accordance with HKFRS 9 and the loss recognised as a result of a non-substantial modification is equal to the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate. The Company recognised a loss of approximately HK\$1,100,000 at the date of modification.

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

For the three months ended 30 June 2023

9. CONVERTIBLE BONDS *(Continued)*

On 18 October 2022, the Company executed the second addendum (the “**Second Addendum**”) to amend the terms and conditions of the Convertible Bonds with a view to giving effect to (i) the further extension of the maturity date of the Convertible Bonds for a period of twelve months to 23 December 2023 (the “**2nd Extended Maturity Date**”); (ii) the deletion of the additional interest at the rate of 10% per annum on the principal amount of the Convertible Bonds to which a holder of the Convertible Bonds is initially entitled in any event if such holder has not exercised any of its conversion rights to convert the whole or any part of the principal amount of the Convertible Bonds during the conversion period; (iii) the adjustment of the conversion price of the Convertible Bonds to HK\$0.1 per conversion share; and (iv) the extension of the scope of the conversion rights to convert the whole or part of the aggregate sum of the outstanding principal amount and any outstanding accrued interest of the Convertible Bonds into conversion shares during the conversion period, and all other terms and conditions of the Convertible Bonds remain unchanged. Details of the Second Addendum are set out in the announcements of the Company dated 18 October 2022, 21 October 2022 and 28 February 2023 and in the circular of the Company dated 10 February 2023 respectively.

On 19 October 2022, the Company was informed by the Bondholders that the Bondholders was entered into agreements to transfer the Convertible Bonds with an aggregate principal amount of HK\$6,380,000 to Metagate Investment SPC (“**Metagate**”) and HK\$5,470,000 to Mr. Choy Hok Man (“**Mr. Choy**”) respectively and such transfer was completed during the year.

On 6 March 2023, the Second Addendum and the terms and conditions of the Convertible Bonds (as amended by the Second Addendum) had been passed and taken effect. The Second Addendum was considered as significant modification resulting in the extinguishment of the original Convertible Bonds and the recognition of the new Convertible Bonds. The new Convertible Bonds were separated into a liability component and an equity component representing the conversion options of the bondholders. The fair value of the liability component was calculated using market interest rate of 9.25% per annum for instruments without a conversion option of comparable credit status which is referenced to professional valuation conducted by an independent professionally qualified valuer. The residual amount, representing the value of the equity conversion component, has been included in the convertible bonds reserve. As a result, the liability components was adjusted by approximately HK\$5,216,000 which was recognised as gain on extinguishment of convertible bonds. The convertible bonds reserve was adjusted by approximately HK\$11,252,000 which was recognised in equity under other reserve as owner’s transaction.

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

For the three months ended 30 June 2023

9. CONVERTIBLE BONDS *(Continued)*

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

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2022 and 1 April 2022 (audited)	13,669	876	14,545
Effective interest expenses	3,112	–	3,112
Interest accrued	(830)	–	(830)
Loss on non-substantial modification of Convertible Bonds	1,100	–	1,100
(Gain) Loss on extinguishment of old Convertible Bonds	(5,216)	11,252	6,036
At 31 March 2023 and 1 April 2023 (audited)	11,835	12,128	23,963
Effective interest expenses	247	–	247
Interest accrued	(199)	–	(199)
At 30 June 2023 (unaudited)	11,883	12,128	24,011

The effective interest rates of the liability component of the original Convertible Bonds and the new Convertible Bonds are 21.93% and 8.85% respectively.

No Convertible Bonds were exercised during the Reporting Period (2022: nil).

10. 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.

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

For the three months ended 30 June 2023

10. RESERVES *(Continued)*

(b) Capital reserve

The capital reserve represents:

- (i) 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); and
- (ii) listing expenses and other listing expenses borne by China Smartpay Group Holdings Limited (“**China Smartpay**”), the former ultimate holding company of the Company, as a capital contribution from China Smartpay, which 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. 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.

(e) Other reserve

The amount represents the difference between the carrying amount of the equity component of the old Convertible Bonds and the new Convertible bonds at the date of significant modification as owners’ transaction as set out in Note 9 of the condensed consolidated financial statements.

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

For the three months ended 30 June 2023

11. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2023, the Company entered into subscription agreements with two independent subscribers, namely, Mr. Wu Yao ("**Subscriber A**") and Ocean Line Holdings Limited, a company incorporated in Hong Kong with limited liability ("**Subscriber B**") (collectively the "**Subscribers**") in relation to the subscription of a total of 38,540,000 new shares of the Company by the Subscribers under general mandate at the subscription price of HK\$0.153 per subscription share (the "**Subscription**"). On 2 August 2023, the Subscription was completed, and 6,540,000 shares and 32,000,000 shares were allotted and issued to Subscriber A and Subscriber B, respectively. The net proceeds from the Subscription were approximately HK\$5.85 million. Details of the Subscription and its completion are set out in the announcements of the Company dated 19 July 2023 and 2 August 2023, respectively.

12. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved by the Board on 9 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

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

The Group has three main income streams derived from the merchant acquiring business, including (i) the MDR income; (ii) the foreign exchange rate discount income; and (iii) the marketing and distribution service income. For each successful transaction processed by the Group via its point-of-sale terminals, the MDR income is generated from 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 of Baht to United States dollars (“**US\$**”) is offered by UPI for 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 relief of policies of the mainland of the People's Republic of China (the “**PRC**”) and Hong Kong for the coronavirus disease 2019 (“**COVID-19**”) pandemic and the reopening of the mainland-Hong Kong border may bring positive impact on the local economy, but the COVID-19 pandemic aftershocks still linger.

Despite the lifting of travel restrictions in the PRC in early 2023, travelling for trips abroad from the PRC at that time had still not yet fully recovered and the spending power of visitors in Thailand was not as high as compared with that in the pre-COVID level. Hence, the Group's business in Thailand continued to face challenges from the residual effects from the COVID-19 pandemic, as well as competition from other neighbouring travel cities and limited airline capability. Further, it is observed that "zero fare" tour groups by Chinese travel agencies have resurged. These factors have collectively contributed to lower transaction volumes and in turn lower revenue during the Reporting Period as compared to that of the corresponding period in the financial years ended 31 March 2020 (at the beginning of the outbreak of the COVID-19 pandemic) and 2019 (before the outbreak of the COVID-19 pandemic). The Board believes that the post-COVID recovery process involves a transitional phase, during which the Group's revenue is still being affected.

The Group will stay alert to the development and situation of the post 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 and sustainability of the businesses. The Group will also continue to closely monitor the market conditions and adjust the Group's business strategies to cope with the fluctuations in the transaction value derived from its merchant network.

Furthermore, with the completion of the acquisition of the bCode scanners which took place on 30 March 2023, the Group would be able to extend its service offerings by providing merchants in the Philippines with the bCode optical scanning technology which could help them build their loyalty program e-tools and offer promotional tools such as spending credit and rewards programme, promoting marketing strategy with coupon promotion platform developers and analysing consumer behaviours and designing tailor-made marketing solutions for merchants, allowing the Group to tap into broader markets with wider geographical coverage. The Group has commenced the process of installing the bCode scanners at the point-of-sale of its major retailer customers in the Philippines.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group recorded a total revenue of approximately HK\$5,378,000 (2022: approximately HK\$2,463,000) derived from the merchant acquiring business and the ESG consultancy and reporting business, which included (i) the MDR income of approximately HK\$4,329,000 (2022: approximately HK\$1,740,000); (ii) the foreign exchange rate discount income of approximately HK\$459,000 (2022: approximately HK\$445,000); (iii) the ESG consultancy services income of approximately HK\$30,000 (2022: approximately HK\$150,000); and (iv) the marketing and distribution service income of approximately HK\$560,000 (2022: approximately HK\$10,000). There was no ESG reporting services income for the Reporting Period (2022: approximately HK\$118,000). The MDR income increased by approximately HK\$2,589,000 when compared with that in the Corresponding Period due to the relief of policies of the PRC and Hong Kong for the COVID-19 pandemic and the reopening of the mainland-Hong Kong border in January 2023. Some Chinese tourists have resumed travelling to Thailand and the spending of Chinese tourists and the transaction volume via UnionPay processed by the Group have gradually increased since January 2023. The increase in marketing and distribution service income by approximately HK\$550,000 as compared with that in the Corresponding Period was mainly due to the reopening of the mainland-Hong Kong border in January 2023 as mentioned above, and also the commencement of bCode business and operation in the Philippines since April 2023. No material fluctuation was noted for the foreign exchange rate discount income during the Reporting Period. There was a significant decrease in the ESG consultancy services income and the ESG reporting services income by approximately HK\$120,000 and HK\$118,000, respectively, as the disposal of subsidiaries (one of which was principally engaged in the ESG consultancy and reporting business) was completed on 18 April 2023. Please refer to Note 8 to the condensed consolidated financial statements for details.

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 and staff costs for the ESG consultancy and reporting business. The total cost of services rendered for the Reporting Period amounted to approximately HK\$3,905,000 (2022: approximately HK\$1,774,000). The increase in cost of services rendered of approximately 120.1% was mainly in line with the increase in revenue for the Reporting Period.

Gross profit and gross profit margin

The gross profit for the Reporting Period amounted to approximately HK\$1,473,000, representing an increase of approximately HK\$784,000 or approximately 113.8% as compared with that of approximately HK\$689,000 for the Corresponding Period, as a result of the increase in revenue for the Reporting Period. No material fluctuation for the gross profit margin was noted when the gross profit margin was 27.4% in the Reporting Period as compared with 28.0% in the Corresponding Period.

Other income

The other income for the Reporting Period mainly represented the gain on disposal of subsidiaries of approximately HK\$4,296,000 (2022: Nil). Please refer to Note 8 to the condensed consolidated financial statements for details.

General administrative expenses

The general administrative expenses of the Group for the Reporting Period amounted to approximately HK\$10,020,000 (2022: approximately HK\$7,925,000). The increase in general administrative expenses by approximately 26.4% was mainly due to the increment in the depreciation expenses and the technical support expenses since the commencement of operation of the bCode business in April 2023.

Selling and distribution costs

The Group recorded selling and distribution costs of approximately HK\$1,944,000 for the Reporting Period (2022: approximately HK\$3,347,000). The decrease in selling and distribution costs was mainly due to the decrease in the business development expenses during the Reporting Period.

Finance costs

The finance costs amounted to approximately HK\$803,000 for the Reporting Period (2022: approximately HK\$1,477,000). The amount represented (i) the effective interest expenses on the convertible bonds, (ii) the finance costs on lease liabilities, (iii) the finance costs on financial liabilities at amortised cost, and (iv) the finance costs of bond issued. Details of the finance costs are set out in Note 4 to the condensed consolidated financial statements.

Loss for the period

The Group recorded a net loss attributable to owners of the Company of approximately HK\$6,778,000 for the Reporting Period (2022: approximately HK\$11,696,000). The decrease in net loss was mainly attributable to the net effect of (i) the increase in revenue and gross profit, other income and general administrative expenses, and (ii) the decrease in selling and distribution costs and finance costs during the Reporting Period.

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 is 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 condensed consolidated 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 and in the Philippines with transactions denominated in Baht and PHP respectively. The Group exposes to foreign exchange risks as the Group's trade receivables are denominated in US\$. The Directors and senior management have monitored the related foreign exchange risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Board, the Group will enter into foreign currency forward contracts should the needs arise. As at 30 June 2023, the Group had no outstanding foreign currency forward contracts for the exchange of US\$ with Baht (31 March 2023: the Group had outstanding foreign currency forward contracts of approximately US\$1,451,000 (equivalent to approximately HK\$11,392,000)). The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. The Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 June 2023.

Contingent liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities (31 March 2023: Nil).

Significant investment, material acquisitions and disposals

Save as disclosed in this report, during the Reporting Period, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies (2022: Nil).

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

As at 30 June 2023, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity/ Nature of interest	Number of ordinary shares of the Company (Note 1)	Approximate percentage of issued shares of the Company (Note 2)
Mr. Tsang Chi Kit (“Mr. Tsang”)	Beneficial owner (Note 3)	4,880,000 (L)	0.26%
	Interest in a controlled corporation (Note 3)	200,000,000 (L)	10.76%
Mr. Yu Chun Fai (“Mr. Yu”)	Interest in a controlled corporation (Note 4)	138,000,000 (L)	7.42%
Mr. Shiu Shu Ming (“Mr. Shiu”)	Interest in a controlled corporation (Note 5)	41,000,000 (L)	2.20%

Notes:

- (1) "L" denotes long position.
- (2) The calculation is based on the total number of 1,859,566,667 shares of the Company in issue as at 30 June 2023.
- (3) These 4,880,000 shares were directly held by Mr. Tsang, an executive Director and the managing Director of the Group and 200,000,000 shares were held by Gold Track Ventures Limited ("**Gold Track**"), which was in turn wholly-owned by Mr. Tsang. Accordingly, Mr. Tsang was deemed to be interested in such 200,000,000 shares held by Gold Track pursuant to Part XV of the SFO.
- (4) These 138,000,000 shares were held by Straum Investments Limited ("**Straum Investments**") which was in turn wholly-owned by Mr. Yu, an executive Director. Accordingly, Mr. Yu was deemed to be interested in such 138,000,000 shares held by Straum Investments pursuant to Part XV of the SFO. On the other hand, Ms. Choi Hiu Wa is the wife of Mr. Yu and hence Ms. Choi Hiu Wa was deemed to be interested in such 138,000,000 shares due to the interest of her spouse (i.e., Mr. Yu) pursuant to Part XV of the SFO.
- (5) These 41,000,000 shares had been pledged to Best Practice Limited ("**Best Practice**") pursuant to the loan agreement dated 14 March 2022 entered into between a shareholder of the Company as borrower and chargor and Best Practice as lender. As at 30 June 2023, Best Practice was wholly-owned by Mr. Shiu, who is a non-executive Director. Accordingly, Mr. Shiu was deemed to be interested in such 41,000,000 shares due to the security interest in those shares acquired from such chargor pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company and/or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 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 above, at no time during the Reporting Period, 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).

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 which enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares, underlying shares, 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 2023, so far as known to the Directors, the following persons/entities (other than a Director or chief executive of the Company) had interests and/or short positions in the shares or 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:

Name	Capacity/ Nature of interest	Number of ordinary shares of the Company (Note 1)	Approximate percentage of issued shares of the Company (Note 2)
Mobile Technology Holdings Limited (" MTHL ") (Note 3)	Beneficial owner	476,666,667 (L)	25.63%
Mr. Choy Hok Man (" Mr. Choy ") (Note 4)	Beneficial owner Interest in a controlled corporation	19,880,000 (L) 304,460,000 (L)	1.07% 16.37%
Rainbow Capital Limited (" Rainbow Capital ") (Note 4)	Interest in a controlled corporation	304,460,000 (L)	16.37%

Name	Capacity/ Nature of interest	Number of ordinary shares of the Company (Note 1)	Approximate percentage of issued shares of the Company (Note 2)
Metagate Investment SPC ("Metagate") (Note 4)	Beneficial owner	304,460,000 (L)	16.37%
Gold Track (Note 5)	Beneficial owner	200,000,000 (L)	10.76%
Straum Investments (Note 6)	Beneficial owner	138,000,000 (L)	7.42%
Ms. Choi Hiu Wa (Note 6)	Interest of spouse	138,000,000 (L)	7.42%

Notes:

- (1) "L" denotes long position.
- (2) The calculation is based on the total number of 1,859,566,667 shares of the Company in issue as at 30 June 2023.
- (3) These 476,666,667 shares were directly held by MTHL.
- (4) These 19,880,000 shares were directly held by Mr. Choy and 304,460,000 shares were held by Metagate, which was in turn wholly-owned by Rainbow Capital. As at 30 June 2023, Rainbow Capital was ultimately and beneficially wholly-owned by Mr. Choy. Accordingly, each of Rainbow Capital and Mr. Choy was deemed to be interested in such 304,460,000 shares held by Metagate pursuant to Part XV of the SFO.
- (5) These 200,000,000 shares were held by Gold Track which was in turn wholly-owned by Mr. Tsang, an executive Director and the managing Director of the Group.
- (6) These 138,000,000 shares were held by Straum Investments which was in turn wholly-owned by Mr. Yu, an executive Director. Ms. Choi Hiu Wa is the wife of Mr. Yu and hence Ms. Choi Hiu Wa was deemed to be interested in such 138,000,000 shares due to the interest of her spouse (i.e., Mr. Yu) pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares or 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.

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 Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to achieving high standard of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as the basis of the Company's corporate governance practices since its listing on GEM of the Stock Exchange on 16 October 2018.

Pursuant to the changes to Appendix 15 to the GEM Listing Rules, the following policies were proposed and adopted by the Board on 6 January 2023:

- (i) Statement on purpose, values and strategy
- (ii) Shareholders' communication policy
- (iii) Policy on obtaining independent views and input
- (iv) Board diversity policy;
- (v) Whistleblowing policy; and
- (vi) Anti-corruption policy.

Pursuant to the changes to Chapter 23 of and Appendix 15 to the GEM Listing Rules, revised terms of reference of the remuneration committee of the Board (the “**Remuneration Committee**”) was adopted by the Board on 23 December 2022 such that the Remuneration Committee shall also be responsible for reviewing and/or approving matters relating to share schemes under Chapter 23 of the GEM Listing Rules (as amended from time to time).

The Board is of the view that during the Reporting Period and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code.

NON-COMPLIANCE WITH RULES 5.05(1), 5.05(2), 5.28 AND 5.34 OF THE GEM LISTING RULES AND TERMS OF REFERENCE OF COMMITTEES

At the annual general meeting of the Company held on 21 July 2023, each of Mr. Yu Chun Fai, the then executive Director, and Mr. Chung, Wai Chuen Alfred and Mr. Ng Ka Po, the then independent non-executive Directors, did not offer themselves for re-election as they would like to devote more time to their other commitments, and accordingly, have retired as an executive Director and independent non-executive Directors, respectively, upon the conclusion of the annual general meeting. Since the conclusion of the annual general meeting and up to the date of this report, no independent non-executive Directors have been appointed in place of Mr. Chung, Wai Chuen Alfred and Mr. Ng Ka Po, and therefore as at the date of this report:

- (i) the number of independent non-executive Directors fell below the minimum number as required under Rule 5.05(1) of the GEM Listing Rules which requires the Board to comprise at least three independent non-executive Directors;
- (ii) the composition of the Board would not meet the requirements under Rule 5.05(2) of the GEM Listing Rules which requires at least one of the independent non-executive Directors to have appropriate professional qualifications or accounting or related financial management expertise;
- (iii) the number of members of the audit committee of the Board (the “**Audit Committee**”) (which comprised one independent non-executive Director, namely Ir Dr. Ng Yu Ki (being a member of the Audit Committee)) fell below the minimum number as required under Rule 5.28 of the GEM Listing Rules which requires the Audit Committee to comprise a minimum of three members;

- (iv) the composition of the Audit Committee would not meet the requirements under Rule 5.28 of the GEM Listing Rules which requires the Audit Committee to be chaired by an independent non-executive Director and to comprise a majority of independent non-executive Directors;
- (v) the composition of the Remuneration Committee would not meet the requirements under Rule 5.34 of the GEM Listing Rules which requires the Remuneration Committee be chaired by an independent non-executive Director and to comprise a majority of independent non-executive Directors; and
- (vi) the number of members of each of the Audit Committee, the nomination committee of the Board (the “**Nomination Committee**”) and the Remuneration Committee fell below the minimum number as required under the respective terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee.

As at the date of this report, the Company was still in the process of identifying suitable candidates to fill up the vacancies and will endeavor to appoint any suitable candidates so as to fulfill the minimum requirements under Rules 5.05(1), 5.05(2), 5.28 and 5.34 of the GEM Listing Rules within three months from 21 July 2023.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

None of the Directors and controlling shareholders of the Company (if any) nor their respective associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 30 June 2023 which may, directly or indirectly compete with the Group’s business.

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 with all Directors, each of the Directors has confirmed that he has complied with the Standard of Dealings during the Reporting Period.

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 date of adoption of the Share Option Scheme and up to 30 June 2023, no Option has been granted by the Company. As at the date of this report, the Company has 100,000,000 shares available for issue under the Share Option Scheme (representing approximately 5.27% of the total number of the existing issued shares of the Company as at the date of this report). Details of the Share Option Scheme are set out in the prospectus of the Company dated 27 September 2018.

REVIEW BY THE AUDIT COMMITTEE

The Group’s First Quarterly Financial Statements have been reviewed by the Audit Committee, which was 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
Mr. Tsang Chi Kit
Executive Director

Hong Kong, 9 August 2023

As at the date of this report, the Board comprises Mr. Tsang Chi Kit as executive Director, Mr. Shiu Shu Ming as non-executive Director and Ir Dr. Ng Yu Ki as independent non-executive Director.