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**China Smartpay Group Holdings Limited**  
**中國支付通集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8325)**

**(1) FURTHER ANNOUNCEMENT ON MAJOR TRANSACTION  
IN RESPECT OF THE ARRANGEMENT UNDER  
THE NEW FRAMEWORK AGREEMENT; AND  
(2) CANCELLATION OF THE PROPOSED  
REFRESHMENT OF GENERAL MANDATE**

**(1) FURTHER ANNOUNCEMENT ON MAJOR TRANSACTION IN RESPECT  
OF THE ARRANGEMENT UNDER THE NEW FRAMEWORK AGREEMENT**

**(i) The entering into of the Formal Agreements**

The Board wishes to update the Shareholders that Mr. Lin and Mr. Wu have completed the establishment of Shanghai Yongle on 27 May 2014. Pursuant to the terms and conditions of the LOIs, Shanghai Yongle has entered into the Formal Agreements with the relevant parties on 9 July 2014. The terms of the Option Agreement, the WK Pledge Agreement, the First Loan Agreement and the Receivable Assignment Agreement are substantially the same as those of the Option Letter of Intent, the WK Pledge Letter of Intent, the First Loan Letter of Intent and the Receivable Assignment LOI, details of which have been set out in the Announcements. The terms of the WK S&P Agreement are also substantially the same as those of the WK S&P Letter of Intent, save for certain amendments mentioned in this announcement.

Pursuant to the Receivable Assignment Agreement, the PRC Company shall transfer the deposits in the amount RMB37,716,393 (equivalent to approximately of HK\$50 million) paid by OCG Hainan to the PRC Company under the Framework Agreement (as amended and supplemented by the supplemental agreement dated 27 December 2013) to Beijing Weike Shareholders as part of the consideration payable by Shanghai Yongle under the WK S&P Agreement.

**(ii) The entering into of the Supplemental Agreement**

On 9 July 2014, the parties to the New Framework Agreement entered into the Supplemental Agreement, pursuant to which (i) the parties have agreed to amend and supplement and/or procure to amend and supplement certain terms of the Control Agreements, the Loan Agreements, the WK S&P Agreement, the WK Articles and the LC Articles; (ii) each of Mr. Lin and Mr. Wu will provide the Undertaking; and (iii) Shenzhen Yongle shall be granted the exclusive rights to acquire the interests and all the assets and businesses of the Licence Company.

**(iii) Other information on the arrangement under the New Framework Agreement (as amended and supplemented by the Supplemental Agreement)**

Upon Completion, Shanghai Yongle will be fully consolidated in the Group's consolidated financial statements as if it were a subsidiary of the Group. Beijing Weike (together with its 90% owned subsidiary, the Licence Company) will be recognised as a joint venture of the Group upon Completion. However, Beijing Weike will still be accounted for using the equity method of accounting in accordance with the Group's accounting policies to the extent of its 33% equity interest.

On the other hand, in order to facilitate the Group's control on Beijing Weike and the Licence Company, the Group will implement certain internal control measures.

**(2) CANCELLATION OF THE PROPOSED REFRESHMENT OF GENERAL MANDATE**

In view that the next annual general meeting of the Company is expected to be convened on 25 July 2014 and resolution in respect of the refreshment of the Existing General Mandate will be proposed thereat, the Company decides to cancel its proposal of convening the Refreshment EGM for the purposes of approving the Proposed Refreshment of General Mandate.

Reference is made to the announcements (the “**Announcements**”) of the Company dated 27 May 2014 and 30 June 2014 respectively in relation to, amongst other things, the entering into of the New Framework Agreement and the transactions contemplated thereunder. Unless otherwise expressly indicated, the capital terms used herein shall have the same meanings as those defined in the Announcements.

**(1) FURTHER ANNOUNCEMENT ON MAJOR TRANSACTION IN RESPECT OF THE ARRANGEMENT UNDER THE NEW FRAMEWORK AGREEMENT**

**(i) The entering into of the Formal Agreements**

The Board wishes to update the Shareholders that Mr. Lin and Mr. Wu have completed the establishment of Shanghai Yongle on 27 May 2014. Pursuant to the terms and conditions of the New Framework Agreement and (i) the WK S&P Letter of Intent; (ii) the Option Letter of Intent; (iii) the WK Pledge Letter of Intent; (iv) the First Loan Letter of Intent; and (v) the Receivable Assignment LOI (collectively, the “**LOIs**”), Shanghai Yongle has entered into the WK S&P Agreement, the Option Agreement, the WK Pledge Agreement, the First Loan Agreement and the Receivable Assignment Agreement (collectively, the “**Formal Agreements**”) with the relevant parties on 9 July 2014. The terms of the Option Agreement, the WK Pledge Agreement, the First Loan Agreement and the Receivable Assignment Agreement are substantially the same as those of the Option Letter of Intent, the WK Pledge Letter of Intent, the First Loan Letter of Intent and the Receivable Assignment LOI, details of which have been set out in the Announcements. The terms of the WK S&P Agreement are also substantially the same as those of the WK S&P Letter of Intent, save for the amendments as mentioned below.

*Amendments to the WK S&P Agreement*

In addition to those set out in the Announcements, the following conditions (which shall not be waived) are also included in the WK S&P Agreement as conditions precedent to completion of the transactions contemplated under the WK S&P Agreement:

- (i) Mr. Zhang and Shanghai Yongle having entered into the WK Resolutions (as defined below) and the WK Articles Amendment Agreement (as defined below);
- (ii) Beijing Weike and Shareholder A having entered into the LC Resolutions (as defined below) and the LC Articles Amendment Agreement (as defined below);
- (iii) Beijing Weike and Shenzhen Yongle having entered into the Exclusive Equity Acquisition Agreement (as defined below); and

- (iv) the Licence Company and Shenzhen Yongle having entered into the Exclusive Assets Acquisition Agreement (as defined below).

Pursuant to the Receivable Assignment Agreement, the PRC Company shall transfer the deposits in the amount of RMB37,716,393 (equivalent to approximately HK\$50 million) paid by OCG Hainan to the PRC Company under the Framework Agreement (as amended and supplemented by the supplemental agreement dated 27 December 2013) to Beijing Weike Shareholders as part of the consideration payable by Shanghai Yongle under the WK S&P Agreement.

To facilitate the acquisition of the 33% interests (or 90% upon the exercise of the Option) in Beijing Weike, Shenzhen Yongle will provide Shanghai Yongle with up to three loans under the Loan Agreements amounting to a maximum of RMB468 million. Such aggregate loan amount is determined after taking into account of, among other things, the preliminary valuation by the Independent Valuer on the Licence Company as at 31 December 2013. The valuation was prepared under the market-based approach with reference to the ratios of price-to-annual issuing amount, price-to-book and price-to-sales of the comparable transactions. Details of the valuation will be set out in the Circular.

**(ii) The entering into of the Supplemental Agreement**

On 9 July 2014, the parties to the New Framework Agreement entered into a supplemental agreement (the “**Supplemental Agreement**”). Details of the Supplemental Agreement are set out below:

**Date:** 9 July 2014

**Parties:**

- (i) Shenzhen Yongle;
- (ii) Beijing Weike;
- (iii) Beijing Weike Shareholders; and
- (iv) Mr. Lin and Mr. Wu.

**Subject matters:** Pursuant to the Supplemental Agreement, parties have agreed to, amongst other things, the following:

- (i) certain amendments are to be made to, inter alia, the WK S&P Agreement, the Control Agreements and the Loan Agreements (please refer to the sections headed “Amendments to the WK S&P Agreement” above and “Amendments to the Control Agreements and the Loan Agreements” below for details);
- (ii) upon completion of Shanghai Yongle’s acquisition of 33% equity interests in Beijing Weike, the board of directors of Beijing Weike must comprise a director to be nominated by Shanghai Yongle, and shareholders of Beijing Weike shall resolve to elect such person as nominated by Shanghai Yongle as a director of Beijing Weike accordingly at shareholders’ meeting;
- (iii) in addition to the Conditions Precedent as set out in the Announcements, the following conditions (which shall not be waived) will also be included as Conditions Precedent to Completion:
  - (a) Mr. Zhang and Shanghai Yongle having entered into an agreement (the “**WK Articles Amendment Agreement**”) and shareholders resolutions (the “**WK Resolutions**”) to amend the articles of association of Beijing Weike (the “**WK Articles**”), details of which are set out in the sections headed “WK Articles Amendment Agreement” and “WK Resolutions” below respectively;
  - (b) Beijing Weike and Shareholder A having entered into an agreement (the “**LC Articles Amendment Agreement**”) and shareholders’ resolutions (the “**LC Resolutions**”) to amend the articles of association of the Licence Company (the “**LC Articles**”), details of which are set out in the sections headed “LC Articles Amendment Agreement” and “LC Resolutions” below respectively;

- (c) Shenzhen Yongle and Beijing Weike having entered into an agreement (the “**Exclusive Equity Acquisition Agreement**”) in respect of the grant of an exclusive right by Beijing Weike to Shenzhen Yongle for designating a qualified PRC company to acquire the 90% equity interests in the Licence Company at the lowest price as permitted by the PRC laws in the event that Beijing Weike is compulsorily liquidated or is likely to be compulsorily liquidated under the relevant PRC laws (subject to approval of the PBOC) (please refer to the section headed “Exclusive Equity Acquisition Agreement” below for details);
  
- (d) the Licence Company and Shenzhen Yongle having entered into an agreement (the “**Exclusive Assets Acquisition Agreement**”) in respect of the grant of an exclusive right by the Licence Company to Shenzhen Yongle for designating a qualified PRC company to acquire the assets and businesses of the Licence Company (including but not limited to prepaid card businesses and internet payment businesses) at the lowest price as permitted by the PRC laws in the event that the Licence Company is compulsorily liquidated or is likely to be compulsorily liquidated under the relevant PRC laws (subject to approval of the PBOC) (please refer to the section headed “Exclusive Assets Acquisition Agreement” below for details);

- (e) each of Mr. Lin and Mr. Wu (as the shareholders of Shanghai Yongle) having provided certain undertakings (the “**Undertakings**”) to safeguard the interests of Shenzhen Yongle and its direct or indirect shareholders and to ensure the return of relevant rights and funds upon termination of the Control Agreements and the Loan Agreements (please refer to the section headed “Undertakings to be given by Mr. Lin and Mr. Wu” below for details);
- (iv) the parties have agreed to extend the long stop date for fulfillment and/or waiver of the Conditions Precedent (including those conditions set out in paragraph (iii) above) to 30 September 2014, or such other date as may be agreed by the parties; and
- (v) Shanghai Yongle, Shenzhen Yongle, Mr. Lin and Mr. Wu have undertaken to amend the Control Agreements and/or other relevant documents from time to time in order to comply with any amendments to the laws, regulations and rules in the PRC from time to time and/or any amendments to the rules and requirements of the Stock Exchange from time to time, provided that such amendment(s) shall be subject to the requirements under the GEM Listing Rules and other applicable laws, rules and regulations, including but not limited to obtaining approval by the Shareholders (if applicable).

#### *WK Articles Amendment Agreement*

Pursuant to the Supplemental Agreement, as one of the Conditions Precedent, Mr. Zhang and Shanghai Yongle shall enter into the WK Articles Amendment Agreement and the WK Resolutions to amend the WK Articles. Such amendments include but not limited to the following:

- (i) all matters regarding Beijing Weike (including but not limited to assets disposal and other material matters) can only be carried out unless approved by shareholders holding 100% of the voting rights of Beijing Weike;

- (ii) Shanghai Yongle shall have the right to nominate a director of Beijing Weike and shareholders of Beijing Weike shall resolve to elect such person as nominated by Shanghai Yongle as a director of Beijing Weike accordingly at shareholders' meeting;
- (iii) consent from the director nominated by Shanghai Yongle is required for all matters to be resolved at board meetings of Beijing Weike; and
- (iv) shareholders of Beijing Weike must resolve to distribute the profit of Beijing Weike in the event that Beijing Weike records a profit in a financial year and such distribution must be completed on or before 31 January of the following financial year.

#### *WK Resolutions*

Pursuant to the WK Resolutions, the following resolutions will be resolved and approved:

- (i) all matters regarding Beijing Weike (including but not limited to asset disposals and other material matters) can only be carried out unless approved by shareholders holding 100% of the voting rights of Beijing Weike;
- (ii) in the event that Beijing Weike records a profit in a financial year, shareholders, of Beijing Weike must resolve to distribute such profit at shareholders meeting, and such distribution must be completed on or before 31 January of the following financial year;
- (iii) to replace an existing director of Beijing Weike with a person nominated by of Shanghai Yongle. The director is to be appointed for a term of three years, and can be re-elected and re-appointed upon expiry of the term;
- (iv) all matters to be resolved in the board meetings of Beijing Weike must be approved by the new director nominated by Shanghai Yongle; and
- (v) the WK Articles be amended to give effect to the aforesaid resolutions.

#### *LC Articles Amendment Agreement*

Pursuant to the Supplemental Agreement, as one of the Conditions Precedent, Beijing Weike and Shareholder A shall enter into the LC Articles Amendment Agreement and the LC Resolutions to amend the LC Articles. Such amendments include but not limited to the following:



- (i) all matters regarding the Licence Company (including but not limited to asset disposals and other material matters) can only be carried out unless approved by shareholders holding not less than 90% (including 90%) of the voting rights of the Licence Company.

#### *LC Resolutions*

Pursuant to the LC Resolutions, the following resolutions will be resolved and approved:

- (i) all matters regarding the Licence Company (including but not limited to asset disposals and other material matters) can only be carried out unless approved by shareholders holding not less than 90% (including 90%) of the voting rights of the Licence Company; and
- (ii) the LC Articles be amended to give effect to the aforesaid resolution.

#### *Exclusive Equity Acquisition Agreement*

Pursuant to the Supplemental Agreement, as one of the Conditions Precedent, Shenzhen Yongle and Beijing Weike shall enter into the Exclusive Equity Acquisition Agreement. Principal terms and conditions of the Exclusive Equity Acquisition Agreement are set out as follows:

- (i) Shenzhen Yongle shall be irrevocably granted an exclusive right (the “**Equity Acquisition Right**”) to designate a qualified PRC company to acquire the 90% equity interests in the Licence Company from Beijing Weike at one time during the term of the Exclusive Equity Acquisition Agreement subject to the compliance with the requirements under applicable laws, regulations and rules of the PRC and other jurisdictions and the terms and conditions of the Exclusive Equity Acquisition Agreement;
- (ii) the Exclusive Equity Acquisition Agreement shall be effective perpetually from the date of its signing until Shenzhen Yongle agrees in writing to its termination;
- (iii) the Equity Acquisition Right under the Exclusive Equity Acquisition Agreement can only be exercised in the event that Beijing Weike is compulsorily liquidated or is likely to be compulsorily liquidated;

- (iv) the consideration for the Equity Acquisition Right is RMB1 and shall be paid by Shenzhen Yongle to Beijing Weike on the effective date of the Exclusive Equity Acquisition Agreement; and
- (v) the consideration for acquiring the 90% equity interests in the Licence Company should be the lowest price as permitted by the PRC laws at the relevant time.

#### *Exclusive Assets Acquisition Agreement*

Pursuant to the Supplemental Agreement, as one of the Conditions Precedent, the Licence Company and Shenzhen Yongle shall enter into the Exclusive Assets Acquisition Agreement. Principal terms and conditions of the Exclusive Assets Acquisition Agreement are set out as follows:

- (i) Shenzhen Yongle shall be irrevocably granted an exclusive right (the “**Asset Acquisition Right**”) to designate a qualified PRC company to acquire all the assets and businesses (including but not limited to the prepaid card businesses and the internet payment businesses) of the Licence Company at one time during the term of the Exclusive Assets Acquisition Agreement subject to the compliance with the requirements under applicable laws, regulations and rules of the PRC and other jurisdictions and the terms and conditions of the Exclusive Assets Acquisition Agreement;
- (ii) the Exclusive Assets Acquisition Agreement shall be effective perpetually from the date of its signing until Shenzhen Yongle agrees in writing to its termination;
- (iii) the Asset Acquisition Right under the Exclusive Assets Acquisition Agreement can only be exercised in the event that the Licence Company is compulsorily liquidated or is likely to be compulsorily liquidated;
- (iv) the consideration for the Asset Acquisition Right is RMB1 and shall be paid by Shenzhen Yongle to the Licence Company on the effective date of the Exclusive Assets Acquisition Agreement; and
- (v) the consideration for acquiring all the assets and businesses of the Licence Company should be the lowest price as permitted by the PRC laws at the relevant time.

As advised by the PRC Legal Adviser, the only legal or regulatory restriction to the exercise of the aforesaid rights is due to the foreign ownership restrictions under the Guidance of Foreign Enterprise Investments (2011 Amended). In addition, even if the foreign ownership restriction is relaxed, the transfer of the relevant equity interests in and/or assets and businesses of the Licence Company to the Group's designated PRC company may still be subject to substantial costs.

*Amendments to the Control Agreements and the Loan Agreements*

Pursuant to the Supplemental Agreement, the following major amendments will be made to the Control Agreements and the Loan Agreements:

1. In respect of the services to be provided by Shenzhen Yongle, the service fees and payment terms under the Business Cooperation Agreement:
  - (i) details of the scope of services to be provided by Shenzhen Yongle to Shanghai Yongle, the service fees and the payment terms are to be set out in the Technical Consultation and Services Agreement.
2. In respect of the service fees payable under, and the term of, the Technical Consultation and Services Agreement:
  - (i) the quarterly floating service fees payable by Shanghai Yongle to Shenzhen Yongle under the Technical Consultation and Services Agreement shall be in the amount equivalent to the net income of Shanghai Yongle in the relevant quarter, including but not limited to, its revenue and all of the dividends derived from its interests in Beijing Weike in the relevant quarter (provided that when Shanghai Yongle repays the loans to Shenzhen Yongle under the Loan Agreements, only 50% of the dividends derived from its interests in Beijing Weike will be used to settle the service fees); and
  - (ii) the Technical Consultation and Services Agreement shall take effect as of the date of its execution and shall remain perpetual unless terminated by Shenzhen Yongle in writing.
3. In respect of the termination clause of the Pledge Agreements:
  - (i) If (a) the Control Agreements (other than the Pledge Agreements) and the Loan Agreements are terminated in accordance with their respective terms; (b) Shanghai Yongle shall no longer be held responsible for any obligations under the Control Agreements and the Loan Agreements; and (c) Shenzhen Yongle agrees in writing to terminate the Pledge Agreements, the Pledge Agreements shall be terminated and Shenzhen Yongle shall then terminate the equity pledge under the Pledge Agreements as soon as reasonably practicable.

4. In respect of the undertakings to be given by Mr. Lin and Mr. Wu (as the shareholders of Shanghai Yongle) and Shanghai Yongle under the Pledge Agreements, the Share Disposal Agreements and the Voting Rights Proxy Agreements:
  - (i) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not commence any operation activities (including but not limited to ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liabilities;
  - (ii) shall maintain the asset value of Shanghai Yongle and shall not conduct any act or omission which will affect the operating conditions and asset value of Shanghai Yongle; and
  - (iii) unless with the prior written consent of Shenzhen Yongle, Shanghai Yongle shall not enter into any agreement with other party.
5. In respect of the purchase price of the equity interests of Mr. Lin or Mr. Wu in Shanghai Yongle under the Share Disposal Agreements:
  - (i) the purchase price of the equity interests of Mr. Lin or Mr. Wu in Shanghai Yongle upon the exercise of the Equity Interest Purchase Option by Shenzhen Yongle should be the lowest price as permitted by the laws of PRC at the relevant time.
6. In respect of dispute resolution for the Business Cooperation Agreement, the Technical Consultation and Services Agreement, the Pledge Agreements, the Share Disposal Agreements, the Voting Rights Proxy Agreements and the Loan Agreements:
  - (i) a clause in relation to dispute resolution among the parties shall be included, whereby upon request by a disputing party, the courts in the PRC, Hong Kong and Cayman Islands shall have the power to grant interim remedies, such as withholding or freezing of the assets or on the equity interests of the party in breach. Upon the coming into effect of the relevant arbitral award, any party shall have the right to apply to the courts in the abovementioned jurisdictions for execution of such award.

7. In respect of the designee of Shenzhen Yongle and the term of the Voting Rights Proxy Agreements:
  - (i) to specify that the designee of Shenzhen Yongle should be the director or his/her successor (including a liquidator replacing such director and his/her successor) of the direct or indirect shareholder of Shenzhen Yongle; and
  - (ii) the Voting Rights Proxy Agreements shall remain effective perpetually until Shenzhen Yongle consents in writing to its termination.
  
8. In respect of the repayment of loans under the Loan Agreements:
  - (i) loans under the Loan Agreements shall be repaid by Shanghai Yongle using 50% of the dividends arising from its interests in Beijing Weike.

Save as the amendments disclosed above, all other terms and conditions of the Control Agreements and the Loan Agreements remain unchanged.

*Undertakings to be given by Mr. Lin and Mr. Wu*

Pursuant to the Supplemental Agreement, as one of the Conditions Precedent, each of Mr. Lin and Mr. Wu (as shareholders of Shanghai Yongle) shall provide the following undertakings to safeguard the interests of Shenzhen Yongle and its direct or indirect shareholders:

- (i) the relevant instructions of Shenzhen Yongle in relation to the amendments to or termination of the Control Agreements and/or the Loan Agreements for compliance with (i) the laws, regulations and rules in the PRC (as amended from time to time); (ii) the GEM Listing Rules and the relevant rules and requirements as promulgated or amended from time to time; and (iii) the approval of Shareholders (other than those required to abstain from voting under the GEM Listing Rules) at the general meeting of the Company in respect of amendments to or termination of the Control Agreements and/or the Loan Agreements shall be followed. Mr. Lin and Mr. Wu shall also agree with such amendments to or termination of the Control Agreements and/or the Loan Agreements and procure Shanghai Yongle to agree to the same;

- (ii) after termination of the Control Agreements and/or the Loan Agreements, Mr. Lin or Mr. Wu (as the case may be) will immediately and unconditionally return to Shenzhen Yongle the consideration received in any form pursuant to the Control Agreements and/or the Loan Agreements. Each of Mr. Lin and Mr. Wu further undertakes that he would procure Shanghai Yongle to do the same;
- (iii) necessary arrangements have been made to protect the rights of Shenzhen Yongle under the Control Agreements in case of death, bankruptcy or divorce of Mr. Lin or Mr. Wu (as the case may be);
- (iv) his interest in Shanghai Yongle and all the rights attached thereto shall be transferred at the lowest price as permitted by the PRC laws at the relevant time to the individual or entity as designated by Shenzhen Yongle in accordance with the applicable PRC laws in the event that Mr. Lin or Mr. Wu (as the case may be) becomes incapable of performing the normal duty as a shareholder of Shanghai Yongle due to death, bankruptcy, divorce or any other incident of Mr. Lin or Mr. Wu (as the case may be); and
- (v) unsecured personal loan (either one-off or accumulated) in an aggregate amount of more than RMB100,000 shall not be incurred without written consent of Shenzhen Yongle or its direct or indirect shareholders.

### **Reasons for entering into the Supplemental Agreement**

According to the PRC Legal Adviser, foreign investors who wish to invest in the internet payment services business in the PRC must possess, among other things, (i) the relevant experience in the value-added telecommunications industry under the administrative regulation of the Ministry of Industry and Information Technology of the PRC (the “MIIT”); and (ii) the administrative measures governing the qualification of foreign investors and the permitted foreign investment proportion in the internet payment business to be promulgated by the PBOC, subject to approval by the State Council of the PRC. Based on the consultation with the MIIT by the PRC Legal Adviser, it is understood that if the nature or substance of business run by a foreign enterprise is the same or similar to the value-added services in the telecommunication industry as described in 電信業務分類目錄 (translated as the “**Category of Telecommunication Businesses**”) of the PRC, such foreign enterprise can be deemed to have the required operating track records and operation experience in value-added telecommunications industry. Since the Group has been conducting the business of card acceptance using public telecommunication networks in Thailand, the PRC Legal Adviser considers that the industry experience requirements of the MIIT should be satisfied.

However, foreign investment in internet payment business by non-financial institutions is only permitted by way of application to and approval by the PBOC. After consultation with the PBOC, the Company was advised by the PRC Legal Adviser that since no relevant administrative measures have been promulgated by the State Council of the PRC, the PBOC normally does not accept applications for foreign direct investment in (i) a PRC company holding a payment services licence (which allows the holder to engage in internet payment and issuance and acceptance of prepaid card businesses); and (ii) the parent company of such licensed company (irrespective of the proportion of interests to be invested). Therefore, the PRC Legal Adviser considers that the PBOC currently does not allow foreign investors to invest in the internet payment business either directly or indirectly (irrespective of the proportion of such investment). In light of the above, the Board considers that the entering into of the New Framework Agreement (as amended and supplemented by the Supplemental Agreement) and other relevant documents is the most practicable way to enable the Group to participate in the payment businesses in the PRC.

The amendments to the WK Articles and the LC Articles, the entering into of the Exclusive Equity Acquisition Agreement and the Exclusive Assets Acquisition Agreement and the provision of the Undertakings by Mr. Lin and Mr. Wu as contemplated under the Supplemental Agreement will facilitate the Group's control on Beijing Weike and the Licence Company and enhance the security of the assets of the Licence Company. In addition, the amendments to the service fees arrangement under the Business Cooperation Agreement and the Technical Consultation and Services Agreement will enable the Group to enjoy all the economic benefits from Shanghai Yongle. The addition of the clause relating to dispute resolution, which specifies the method and jurisdictions to resolve dispute and the grant of interim remedies in support of arbitration proceedings, if any, under the Control Agreements and the Loan Agreements, would protect the interest of the Group. In light of the abovementioned reasons, the Directors are of the view that the terms and conditions of the Supplemental Agreement are fair and reasonable and the entering into of the Supplemental Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Group will continue to work with other relevant parties towards fulfillment of the Conditions Precedent.

**(iii) Other information on the arrangement under the New Framework Agreement (as amended and supplemented by the Supplemental Agreement)**

*Structure of the contractual arrangement under the New Framework Agreement (as amended and supplemented by the Supplemental Agreement)*

Due to the restriction on foreign investment in the Licence Company, the PBOC's non-acceptance of any application for foreign direct investment in view of the absence of relevant administrative measures of the State Council of the PRC, the Group (as foreign investor or foreign enterprise) cannot acquire directly or indirectly the interest in the Licence Company and the most feasible way is to provide capital to Shanghai Yongle by way of loans to facilitate its acquisition of Beijing Weike. Although the loans provided by the Group must have a definite term and detailed repayment arrangement as required by the relevant PRC laws, as advised by the PRC Legal Adviser, the full repayment of loans and expiry of the Loan Arrangement shall not affect the duration and execution of the Control Agreements.

In view that profit sharing arrangements under normal contractual arrangements (where operating company, being the source of economic benefits, is one of the parties to the contractual arrangements) would channel out the entire profit of the operating company, it is not possible for the Group to establish the contractual arrangement directly with the Licence Company or Beijing Weike for channeling out a portion of net profit of the Licence Company at first stage and re-establish another contractual arrangement at second stage. Instead, the Group enters into the Control Agreements, the Loan Agreements and other relevant documents with Shanghai Yongle, Beijing Weike and their owners. Under this structure, Shanghai Yongle will hold 33% interests in Beijing Weike, which in turn owns 90% interests in the Licence Company, and the contractual arrangement to be established between Shenzhen Yongle and Shanghai Yongle will enable Shenzhen Yongle to receive the entire economic benefits of Shanghai Yongle, that is equivalent to an effective interest of 29.7% economic benefits of the Licence Company.

This structure also allows the Company to conduct the transactions with the Licence Company in two stages so as to reduce its risk exposure. When the initial investment in Shanghai Yongle or the Licence Company proves to be promising, the Company will instruct Shanghai Yongle to exercise the Option and the loan under the Third Loan Agreement will be granted whereby Shanghai Yongle's shareholding interest in Beijing Weike will increase to 100% and the profit contribution from Beijing Weike to Shanghai Yongle or Shenzhen Yongle will



automatically be increased without the need to amend the existing contractual arrangement. With the Control Agreements, the WK Pledge Agreement and other ancillary agreements, it is considered that the economic benefits of the Licence Company can be channeled to Shenzhen Yongle through Shanghai Yongle and Beijing Weike.

Since the Shanghai Yongle Shareholders are employees of the Company, they are required to follow instructions of the Company. In addition, pursuant to the Voting Rights Proxy Agreements, Mr. Lin and Mr. Wu will irrevocably authorise Shenzhen Yongle (or the director of its direct or indirect shareholders) as their proxy to exercise all the rights of the shareholders of Shanghai Yongle and such authorisation shall not be altered unless Shenzhen Yongle or its designated party consents in writing. Therefore, it is unlikely that there will be potential conflicts of interests between the Company and the Shanghai Yongle Shareholders. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the Shanghai Yongle Shareholder(s).

#### *Accounting effect of the Supplemental Agreement*

As disclosed in the Announcements, the Company is able to control Shanghai Yongle under the principles as outlined in Hong Kong Financial Report Standard 10 “Consolidated financial statements” issued by the Hong Kong Institute of Certified Public Accountants where the Company is exposed, or has rights, to variable returns from its involvement with Shanghai Yongle and has the ability to affect those returns through its power over Shanghai Yongle. Therefore, Shanghai Yongle will be fully consolidated in the Group’s consolidated financial statements as if it were a subsidiary of the Group upon Completion.

However, due to the fact that all strategic, financial and operating decisions in relation to Beijing Weike require the consent of all of its shareholders and Shanghai Yongle has a veto power in the board of Beijing Weike subsequent to the amendments to the WK Articles as contemplated under the WK Articles Amendment Agreement, the Company, through Shanghai Yongle, is considered to have joint control over Beijing Weike together with other shareholders. Therefore, Beijing Weike (together with its 90% owned subsidiary, the Licence Company) will be recognised as a joint venture of the Group upon Completion. However, Beijing Weike will still be accounted for using the equity method of accounting in accordance with the Group’s accounting policies to the extent of its 33% equity interest. Similar to the typical equity investment, the Group is neither obligated to share any losses in Shanghai Yongle, Beijing Weike and the Licence Company nor

to provide financial support in addition to the amount under the Loan Agreements to Shanghai Yongle in covering the losses exceeding the initial investments, if any, made and/or committed by the Group pursuant to the New Framework Agreement (as amended and supplemented by the Supplemental Agreement), the Loan Agreements and the Control Agreements.

Set out below is the summary of key unaudited financial information on the Licence Company for each of the three years ended 31 December 2013:

	<b>For the year ended 31 December 2011 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2012 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2013 (RMB'000) (unaudited)</b>
Revenue	19,739	27,155	30,631
Loss before taxation	(2,061)	(2,381)	(1,968)
Loss after taxation	(2,061)	(2,381)	(1,968)
Total assets	422,378	574,093	530,018
Net assets	98,480	98,040	98,259

*Internal control measures to be implemented by the Group*

In order to facilitate the Group's control on Beijing Weike and the Licence Company, the Group will implement the following internal control measures in the following aspects:

*Management controls*

- (i) The Group will, through Shanghai Yongle, appoint a board representative (the "**Representative**") to the board of Beijing Weike. The Representative is required to conduct weekly reviews on the operations of Beijing Weike and the Licence Company and shall submit the weekly reviews to the Board. The Representative is also required to check the authenticity of the monthly management accounts of both Beijing Weike and the Licence Company;
- (ii) The Representative shall establish a team to be funded by the Group who shall station at the Licence Company and shall be actively involved in various aspects of the daily managerial and operational activities of the Licence Company;

- (iii) Under the New Framework Agreement (as amended and supplemented by the Supplemental Agreement), any major events or management decisions of Beijing Weike must be approved by Shanghai Yongle. Upon receiving notification of any major events of Beijing Weike by the Representative or Beijing Weike, the Shanghai Yongle Shareholders must report to the company secretary of the Company (the “**Company Secretary**”), who must in turn report to the Board;
- (iv) The Company Secretary shall conduct regular site visits to Shanghai Yongle, Beijing Weike and the Licence Company and conduct personnel interviews quarterly and submit reports to the Board; and
- (v) All seals, chops, incorporation documents and all other legal documents of Shanghai Yongle must be kept at the office of Shenzhen Yongle.

*Financial controls*

- (i) The financial controller of the Company (the “**FC**”) shall to collect monthly management accounts, bank statements and cash balances and major operational data of the Licence Company, Beijing Weike, Shanghai Yongle for review. Upon discovery of any suspicious matters, the FC must report to the Company Secretary, who shall in turn report to the Board;
- (ii) According to the WK Articles Amendment Agreement and the WK Resolutions, Beijing Weike is obligated to distribute all its profits as dividends each year. If there is any distribution for a particular year and such distribution has been delayed, the Shanghai Yongle Shareholders and/or the FC must visit Beijing Weike for investigation and must report to the Board at the earliest possible date; and
- (iii) If the payment of the service fees from Shanghai Yongle to Shenzhen Yongle is delayed, the FC must meet with the Shanghai Yongle Shareholders to investigate, and should report any suspicious matters to the Board. In extreme cases, the Shanghai Yongle Shareholder(s) will be removed and replaced.

*Legal review*

- (i) The Company Secretary will consult the Company’s PRC legal advisers from time to time to check if there are any legal developments in the PRC affecting the arrangements contemplated under the New Framework Agreement (as amended and supplemented by the Supplemental Agreement), and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made.

## **(2) CANCELLATION OF THE PROPOSED REFRESHMENT OF GENERAL MANDATE**

In view that the next annual general meeting of the Company is expected to be convened on 25 July 2014 and a resolution in respect of the refreshment of the Existing General Mandate will be proposed thereat, the Company decides to cancel its proposal of convening the Refreshment EGM for the purposes of approving the Proposed Refreshment of General Mandate.

By order of the Board  
**China Smartpay Group Holdings Limited**  
**Zhang Huaqiao**  
*Chairman*

Hong Kong, 9 July 2014

*As at the date of this announcement, the Board comprises (i) five executive Directors, namely, Mr. Cheng Nga Ming Vincent, Ms. Cheng Nga Yee, Mr. Cao Guoqi, Mr. Fung Weichang and Mr. Xiong Wensen; (ii) one non-executive Director, namely, Mr. Zhang Huaqiao; and (iii) three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.*

*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 Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at [www.ocg.com.hk](http://www.ocg.com.hk).*