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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)

VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE PROPOSED ACQUISITION OF 67% OF THE EQUITY INTERESTS IN BEIJING WEIKE

Reference is made to the September Circular in relation to, among others, the entering into of the New Framework Agreement and the transactions contemplated thereunder, and the Completion Announcement in relation to, among others, completion of the transactions contemplated under the New Framework Agreement.

VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE PROPOSED ACQUISITION OF 67% OF THE EQUITY INTERESTS IN BEIJING WEIKE

As the Company intends to formalise the structure for the exercise of the Option to acquire 67% of the equity interests in Beijing Weike (which would result in controlling 90% equity interests in 開聯通網路技術服務有限公司 (Open Union Network Technology Services Limited*), i.e. the Licence Company), on 15 October 2014 (after trading hours), Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle entered into the Option Framework Agreement, pursuant to which, among other things,

- (i) the Second WK Resolutions and the Second WK Articles Amendment Agreement were entered into on the same day to amend the WK Articles such that the number of board members of Beijing Weike was to be increased from three to four and Shanghai Yongle shall have the right to nominate two persons to act as the directors of Beijing Weike before the exercise of the Option;
- (ii) the Option Supplemental Agreement was entered into on the same day to amend certain terms of the Option Agreement;
- (iii) the New Third Loan Agreement was entered into on the same day, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB78.8 million to Shanghai Yongle for the payment of the Second Deposit to Mr. Zhang; and

- (iv) within two weeks after the fulfillment or waiver (as the case may be) of all the Option CP, Shanghai Yongle shall serve the Exercise Notice to Mr. Zhang to exercise the Option where the Second WK S&P Agreement and other documents necessary to effect the transfer of the 67% of the equity interests in Beijing Weike will be entered into within three days after the Exercise Notice has been received, and the Fourth Loan Agreement shall be entered into upon the serving of the Exercise Notice, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB169.2 million to Shanghai Yongle for the payment of the balance of the exercise price of the Option.

Upon Completion, Beijing Weike will become a wholly-owned subsidiary of Shanghai Yongle such that Shanghai Yongle will have the full control over the board of Beijing Weike (including the right of nomination of all directors) and, having confirmed with the Company's auditors, Beijing Weike will be fully consolidated to the accounts of the Group in accordance with the Group's accounting policies.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as calculated pursuant to Rule 19.07 of the GEM Listing Rules) in respect of the Transaction (together with the acquisition of 33% equity interests in Beijing Weike pursuant to the New Framework Agreement) exceeds 100%, the Transaction constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

GENERAL

The Company will convene an EGM for the Shareholders to consider, and if thought fit, approve by way of poll, the entering into of the Option Framework Agreement and the transactions contemplated thereunder (including the entering into of the Option Supplemental Agreement, the New Third Loan Agreement, the Fourth Loan Agreement and the Second WK S&P Agreement). As no Shareholder is regarded to have material interests in the aforesaid agreements, all Shareholders are eligible to vote on the relevant resolutions to be proposed at the EGM for approving the aforesaid agreements and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Option Framework Agreement and the transactions contemplated thereunder; (ii) the accountants' report of Beijing Weike and the Licence Company prepared by independent accountants; (iii) the valuation report prepared by the Independent Valuer; and (iv) a notice of the EGM, will be despatched to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders by no later than 28 November 2014.

As completion of the Transaction is subject to the fulfillment of certain conditions and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the circular (the “**September Circular**”) of the Company dated 1 September 2014 in relation to, among others, the entering into of the New Framework Agreement and the transactions contemplated thereunder, and the announcement (the “**Completion Announcement**”) of the Company dated 23 September 2014 in relation to, among others, completion of the transactions contemplated under the New Framework Agreement.

On 25 May 2014, in order to participate in the businesses of prepaid cards and internet payment services in the PRC, the New Framework Agreement was entered into by Shenzhen Yongle. On 18 September 2014, the ordinary resolution to approve the New Framework Agreement and the transactions contemplated thereunder was passed at an extraordinary general meeting of the Company. On 23 September 2014, all the Framework CP had been fulfilled and the Framework Completion took place. Upon the Framework Completion, relevant parties entered into the Second Loan Agreement, the Control Agreements and other relevant documents such that the Group can facilitate the acquisition of 33% of the equity interests in Beijing Weike by Shanghai Yongle and would be able to exercise effective control over the rights to enjoy the economic benefits in the assets of Beijing Weike (including 90% of the equity interests in the Licence Company).

VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE PROPOSED ACQUISITION OF 67% OF THE EQUITY INTERESTS IN BEIJING WEIKE

As the Company intends to formalise the structure for the exercise of the Option to acquire 67% of the equity interests in Beijing Weike (which would result in controlling 90% equity interests in the Licence Company), on 15 October 2014 (after trading hours), Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle entered into the Option Framework Agreement, pursuant to which, among other things, (i) the Second WK Resolutions and the Second WK Articles Amendment Agreement were entered into on the same day to amend the WK Articles such that the number of board members of Beijing Weike was to be increased from three to four and Shanghai Yongle shall have the right to nominate two persons to act as the directors of Beijing Weike before the exercise of the Option; (ii) the Option Supplemental Agreement was entered into on the same day to amend certain terms of the Option Agreement; (iii) the New Third Loan Agreement was entered into on the same day, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB78.8 million to Shanghai Yongle for the payment of the Second Deposit to Mr. Zhang; and (iv) within two weeks after the fulfillment or waiver (as the case may be) of all the Option CP, Shanghai Yongle shall serve the Exercise Notice to Mr. Zhang to exercise the Option where the Second WK S&P Agreement and other documents necessary to effect the transfer of the 67% of the equity interests in Beijing Weike will be entered into within three days after the Exercise Notice has been received, and the Fourth Loan Agreement shall be entered into upon the serving of the Exercise Notice, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB169.2 million to Shanghai Yongle for the payment of the balance of the exercise price of the Option.

Upon Completion, Beijing Weike will become a wholly-owned subsidiary of Shanghai Yongle such that Shanghai Yongle will have full control over the board of Beijing Weike (including the right of nomination of all directors) and, having confirmed with the Company's auditors, Beijing Weike will be fully consolidated to the accounts of the Group in accordance with the Group's accounting policies. The Company will indirectly bear all the economic risk of Beijing Weike and the losses of Beijing Weike (if any) will be consolidated into the Company. In the event that Beijing Weike and/or the Licence Company encounter operating losses or financial difficulties, the Group may have to provide financial support to Beijing Weike and/or the Licence Company through loan, injection of capital or other kinds of financial assistance.

Set out below are the principal terms of the Option Framework Agreement and the transactions contemplated thereunder.

(I) The Option Framework Agreement

Date: 15 October 2014

Parties: (i) Beijing Weike;
(ii) Mr. Zhang;
(iii) Shanghai Yongle;
(iv) the Shanghai Yongle Shareholders; and
(v) Shenzhen Yongle.

Arrangements upon the entering into of the Option Framework Agreement: Pursuant to the Option Framework Agreement, on 15 October 2014 (i) Mr. Zhang and Shanghai Yongle entered into the Second WK Resolutions; and (ii) Beijing Weike, Mr. Zhang and Shanghai Yongle entered into the Second WK Articles Amendment Agreement such that the number of board members of Beijing Weike was to be increased from three to four and Shanghai Yongle shall have the right to nominate two persons to act as directors of Beijing Weike before the exercise of the Option.

Pursuant to the Option Framework Agreement, Shanghai Yongle and Mr. Zhang also entered into the Option Supplemental Agreement on 15 October 2014 to amend certain terms of the Option Agreement (including the addition of a provision for the payment of the Second Deposit in the amount of RMB78.8 million by Shanghai Yongle to Mr. Zhang within three days after the entering into of the Option Supplemental Agreement, provided that the Second WK Resolutions and the Second WK Articles Amendment Agreement had been entered into by the relevant parties.

Exercise of the Option: Shanghai Yongle shall, within two weeks after the fulfillment or waiver (as the case may be) of all the Option CP, serve the Exercise Notice to Mr. Zhang to exercise the Option, and the Second WK S&P Agreement and other documents necessary to effect the transfer of the 67% of the equity interests in Beijing Weike (the “**Transaction Documents**”) shall be entered into within three days after the Exercise Notice has been received. The balance of the exercise price for the Option in the amount of RMB169.2 million shall be payable by Shanghai Yongle to Mr. Zhang within 10 business days after the entering into of the Transaction Documents.

Matters relating to the Loan Arrangements: Pursuant to the Option Framework Agreement, (i) instead of entering into the Third Loan Agreement upon the exercise of the Option as contemplated under the New Framework Agreement, Shanghai Yongle and Shenzhen Yongle entered into the New Third Loan Agreement on 15 October 2014, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB78.8 million to Shanghai Yongle for the payment of the Second Deposit to Mr. Zhang; and (ii) when Shanghai Yongle serves the Exercise Notice to Mr. Zhang to exercise the Option within two weeks after fulfillment or waiver (as the case may be) of all the Option CP, Shenzhen Yongle and Shanghai Yongle shall enter into the Fourth Loan Agreement, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB169.2 million to Shanghai Yongle for the payment of the balance of the exercise price of the Option.

- Conditions precedent:
- (i) Shenzhen Yongle having been reasonably satisfied with the relevant due diligence results in respect of, among others, the financial, legal, business, operational and other aspects of Beijing Weike and the Licence Company and having not been aware of any material adverse changes or potential material adverse changes thereof before Option Completion;
 - (ii) (if necessary) the PRC legal advisors having issued a PRC legal opinion relating to the due incorporation, shareholdings and business scope of Beijing Weike and the Licence Company and other matters as may be reasonably requested by Shenzhen Yongle in the form and substance to the reasonable satisfaction of Shenzhen Yongle;
 - (iii) the Company having obtained the approval of the Shareholders at the EGM approving the Option Framework Agreement and the transactions contemplated thereunder (including the entering into of the Option Supplemental Agreement, the New Third Loan Agreement, the Fourth Loan Agreement, the Second WK S&P Agreement and the transactions contemplated thereunder);
 - (iv) the Option Framework Agreement and the transactions contemplated thereunder having complied with all other applicable laws, rules and regulations (including but not limiting to the GEM Listing Rules);
 - (v) (if necessary) the Independent Valuer having issued a valuation report on the business or assets (if applicable) of Beijing Weike and/or the Licence Company in compliance with the GEM Listing Rules and in the form and substance to the reasonable satisfaction of Shenzhen Yongle;

- (vi) (if necessary) the reporting accountants considered to be acceptable by Shenzhen Yongle having issued (i) the audited consolidated accounts of Beijing Weike for the three financial years ended 31 December 2013 and the five months ended 31 May 2014; and (ii) the audited accounts of the Licence Company for the three financial years ended 31 December 2013 and the five months ended 31 May 2014 in the form and substance to the reasonable satisfaction of Shenzhen Yongle;
- (vii) the parties to the Option Framework Agreement (if applicable) having obtained the necessary approvals, filling consents and/or waivers from the relevant third parties (including but not limited to governmental or regulatory authorities or bodies such as the Stock Exchange, the Securities and Futures Commission of Hong Kong (“SFC”) and/or the PBOC), and the government, official organisations or regulatory authorities (such as the Stock Exchange and the SFC and/or the PBOC) having not promulgated or adopted any laws, rules or regulations or decisions that would prohibit or restrict the entering into of the Option Framework Agreement and the transactions contemplated thereunder); and
- (viii) (if necessary) the Company having completed the relevant fund-raising activities and having obtained sufficient net proceeds for completion of the Option Framework Agreement and the transactions contemplated thereunder.

In the event that the abovementioned Option CP are not fulfilled or waived, fully or partially, in writing by Shenzhen Yongle (other than the Option CP (iii), (iv), (vii) and (viii) above which shall not be waived) on or before 31 December 2014 or such later date as the parties to the Option Framework Agreement may agree (the “**Option Long Stop Day**”), (i) the Option Framework Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the parties thereunder shall cease and determine; and (ii) Mr. Zhang shall return the First Deposit and the Second Deposit in the aggregate amount of RMB142.8 million to Shanghai Yongle within 3 days from the Option Long Stop Day.

The abovementioned Option CP which are capable of being waived are intended to provide flexibility for the Company and Shenzhen Yongle in deciding whether or not to proceed with the Option Completion. As at the date of this announcement, the Company and Shenzhen Yongle had no intention to waive any of the Option CP as mentioned in paragraphs (i), (ii), (v) and (vi) above and will only exercise the right to waive such Option CP if it is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(II) The Second WK Resolutions

Date: 15 October 2014

Parties: (i) Mr. Zhang; and
(ii) Shanghai Yongle.

Resolutions: Pursuant to the Second WK Resolutions, the parties have agreed to increase the number of board members of Beijing Weike from three to four persons and Shanghai Yongle shall have the right to nominate two persons to act as directors of Beijing Weike, and the parties have also agreed that Mr. Wu, nominated by Shanghai Yongle, shall be appointed as one of the directors of Beijing Weike for a term of three years, and can be re-elected and re-appointed upon expiry of such term.

It is also resolved and approved that the WK Articles shall be amended to give effect to the aforesaid resolutions and the relevant amendments to the WK Articles shall be filed to the relevant AIC within 5 business days from the effective date of the Second WK Resolutions.

(III) The Second WK Articles Amendment Agreement

Date: 15 October 2014

Parties: (i) Mr. Zhang;
(ii) Shanghai Yongle; and
(iii) Beijing Weike

Amendments: the number of board members of Beijing Weike shall be increased from three to four persons and Shanghai Yongle shall have the right to nominate two persons to act as directors of Beijing Weike.

(IV) The Option Agreement (as amended and supplemented by the Option Supplemental Agreement)

Principal terms of the Option Agreement (as amended and supplemented by the Option Supplemental Agreement) are set out below:

Date: 9 July 2014 (as amended and supplemented by the Option Supplemental Agreement dated 15 October 2014)

Parties: (i) Mr. Zhang; and
(ii) Shanghai Yongle.

Subject matter: Pursuant to the Option Agreement, Mr. Zhang shall irrevocably grant the Option to Shanghai Yongle whereby upon fulfillment or waiver (as the case may be) of all the conditions precedent under the Option Agreement, Shanghai Yongle shall have the discretion to exercise the Option to acquire from Mr. Zhang 67% of the equity interests in Beijing Weike at any time, subject to the compliance with the requirements of the PRC laws and terms and conditions of the Option Agreement, within one year from the date of completion of the acquisition of 33% of the equity interests in Beijing Weike by Shanghai Yongle pursuant to the WK S&P Agreement. The price for the Option is RMB1 and the exercise price of the Option is RMB312 million, which was determined after taking into account, among other things, the preliminary valuation of the Licence Company as at 31 December 2013 by the Independent Valuer.

Shanghai Yongle shall pay to Mr. Zhang (i) a sum of RMB64 million as the First Deposit within 7 days from the date of satisfaction of all the Framework CP; and (ii) a sum of RMB78.8 million as the Second Deposit to Mr. Zhang within 3 days from the date of the Option Supplemental Agreement, provided that the Second WK Resolutions and the Second WK Articles Amendment Agreement have been entered into by the relevant parties.

If Shanghai Yongle (i) did not exercise the Option; or (ii) decided not to exercise the Option and serve a written notice to Mr. Zhang of such decision during the exercise period; or (iii) the Option CP are not fulfilled on or before the Option Long Stop Day, Mr. Zhang shall return the First Deposit and the Second Deposit in the aggregate amount of RMB142.8 million to Shanghai Yongle within 3 days from the expiry of the exercise period, the date of notification of foregoing notice or the Option Long Stop Date (as the case may be).

Shanghai Yongle may exercise the Option after the fulfillment and/or waiver (as the case may be) of all the Option CP by serving the Exercise Notice to Mr. Zhang. Shanghai Yongle and Mr. Zhang shall enter into the Second WK S&P Agreement and other documents necessary to effect the transfer of the 67% of the equity interests in Beijing Weike within 3 days after receiving the Exercise Notice. Shanghai Yongle shall pay the balance of the exercise price of the Option in the amount of RMB169.2 million to Mr. Zhang within 10 business days from the date of execution of the Second WK S&P Agreement and the relevant transfer documents.

Conditions precedent: The Option CP as set out in the Option Framework Agreement form part of the conditions precedent of the Option Agreement.

(V) The New Third Loan Agreement

Pursuant to the Option Framework Agreement, instead of entering into the Third Loan Agreement upon the exercise of the Option as contemplated under the New Framework Agreement, Shanghai Yongle and Shenzhen Yongle entered into the New Third Loan Agreement on 15 October 2014. Principal terms of the New Third Loan Agreement are set out below:

Date: 15 October 2014

Parties: (i) Shenzhen Yongle (as lender); and
(ii) Shanghai Yongle (as borrower).

Particulars: Pursuant to the New Third Loan Agreement, Shenzhen Yongle shall lend to Shanghai Yongle a non-interest bearing loan in the amount of RMB78.8 million solely for the purpose of settling the Second Deposit.

The term of the loan shall commence on the date on which Shenzhen Yongle has transferred the loan to the bank account as designated by Shanghai Yongle and shall end on the date on which Shanghai Yongle has fully settled the loan.

Shanghai Yongle will use 50% of the dividends arising from its interests in Beijing Weike to repay the loan. Repayment can be made, after obtaining the prior written consent of Shenzhen Yongle, in single or multiple installments on 31 December of each year.

(VI) The Fourth Loan Agreement (to be entered into upon serving of the Exercise Notice)

Parties: (i) Shenzhen Yongle (as lender); and
(ii) Shanghai Yongle (as borrower).

Particulars: Pursuant to the Fourth Loan Agreement, Shenzhen Yongle shall lend to Shanghai Yongle a non-interest bearing loan in the amount of RMB169.2 million solely for the purpose of settling the balance of the exercise price of the Option for the acquisition of 67% of the equity interests in Beijing Weike.

The term of the loan shall commence on the date on which Shenzhen Yongle has transferred the loan to the bank account as designated by Shanghai Yongle and shall end on the date on which Shanghai Yongle has fully settled the loan.

Shanghai Yongle will use 50% of the dividends arising from its interests in Beijing Weike to repay the loan. Repayment can be made, after obtaining the prior written consent of Shenzhen Yongle, in single or multiple installments on 31 December of each year.

The New Third Loan Agreement and the Fourth Loan Agreement are governed by and construed in accordance with the PRC laws and contain a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and the 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. However, due to restrictions of the PRC laws, the PRC Legal Adviser is of the view that, even though the Loan Agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by the PRC courts.

(VII) The Second WK S&P Agreement (to be entered into within three days after the Exercise Notice has been received)

- Parties:
- (i) Shanghai Yongle (as purchaser); and
 - (ii) Mr. Zhang (as vendor).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Mr. Zhang is a third party independent of each of the Company and connected persons of the Company.

Assets to be acquired: Pursuant to the Second WK S&P Agreement, Shanghai Yongle has conditionally agreed to acquire, and Mr. Zhang has conditionally agreed to sell, 67% of the equity interests in Beijing Weike.

Consideration: The consideration for the 67% equity interests in Beijing Weike is RMB312 million. In accordance with the terms of the Option Agreement, the remaining balance of RMB169.2 million shall be payable by Shanghai Yongle to Mr. Zhang within 10 business days from the date of execution of the Second WK S&P Agreement and the relevant transfer documents.

- Conditions precedent:
- (i) Mr. Zhang being entitled to all the rights and interests of the 67% of equity interests in Beijing Weike and such interests are not encumbered by any mortgage, pledge, guarantee, charge and other matters which would otherwise, as a matter of law or fact, affect the transfer of such interests from Mr. Zhang to Shanghai Yongle;
 - (ii) there having not been any material adverse changes or potential material adverse changes in the operation of Beijing Weike and its subsidiaries (including the Licence Company), including but not limited to the payment service licence (支付業務許可證) issued by the PBOC, from the date of the Second WK S&P Agreement up to Completion;

- (iii) the terms of the Second WK S&P Agreement and the transactions contemplated thereunder having been approved by the shareholders of Beijing Weike at a shareholders' meeting;
- (iv) Mr. Zhang having full civil capacity to execute the Second WK S&P Agreement and perform the obligations thereunder;
- (v) the parties to the Second WK S&P Agreement having obtained all the necessary approval, permission, consent, filing or waiver from the relevant third parties (including but not limited to governmental and regulatory authorities), including but not limited to registration of the transfer of equity interests with AIC, and the government, official organisations or regulatory authorities having not promulgated or adopted any laws, rules, regulations or decisions that would prohibit or restrict the entering into of the Second WK S&P Agreement and the transactions contemplated thereunder;
- (vi) Shanghai Yongle having not been aware of any of the warranties made by Mr. Zhang being inaccurate or untrue on the date of the Second WK S&P Agreement or on such other dates when the warranties were made or the date of Completion;
- (vii) the Second WK S&P Agreement and the transactions contemplated thereunder having complied with all other applicable laws, rules and regulations (including but not limited to the GEM Listing Rules);
- (viii) (if necessary) a valuer having issued a valuation report on the business or assets (if applicable) of Beijing Weike and its subsidiaries (including the Licence Company) in compliance with the GEM Listing Rules and in the form and substance to the reasonable satisfaction of Shanghai Yongle; and

- (ix) (if necessary) the reporting accountants considered to be acceptable by Shanghai Yongle having issued (i) the audited consolidated accounts of Beijing Weike for the three financial years ended 31 December 2013 and the five months ended 31 May 2014; and (ii) the audited accounts of the Licence Company for the three financial years ended 31 December 2013 and the five months ended 31 May 2014 in the form and substance to the reasonable satisfaction of Shanghai Yongle.

In the event that the abovementioned conditions precedent are not fulfilled or waived (as the case may be), fully or partially, in writing by Shanghai Yongle (other than conditions (iii), (v) and (vii) above which shall not be waived) on or before Option Long Stop Date or such later date as the parties to the Second WK S&P Agreement may agree, the Second WK S&P Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the parties thereunder shall cease and determine.

The abovementioned conditions precedent which are capable of being waived are intended to provide flexibility for the Company and Shanghai Yongle in deciding whether or not to proceed with Completion. As at the date of this announcement, the Company and Shanghai Yongle had no intention to waive any of the conditions precedent as mentioned in paragraphs (i), (ii), (iv), (vi), (viii) and (ix) above and will only exercise the right to waive such conditions precedent if it is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Upon Completion, Beijing Weike will become a wholly-owned subsidiary of Shanghai Yongle and, having confirmed with the Company's auditors, Beijing Weike will be fully consolidated to the accounts of the Group in accordance with the Group's accounting policies. The Company will indirectly bear all the economic risk of Beijing Weike and the losses of Beijing Weike (if any) will be consolidated into the Company. In the event that Beijing Weike and/or Licence Company encounter operating losses or financial difficulties, the Group may have to provide financial support to Beijing Weike and/or Licence Company through loan, injection of capital or other kind of financial assistance.

The aggregate amount of the loans of RMB312 million to be provided by Shenzhen Yongle to Shanghai Yongle in relation to the exercise of the Option under the Second Loan Agreement, the New Third Loan Agreement and the Fourth Loan Agreement, being equivalent to the amount of the consideration pursuant to the Second WK S&P Agreement for the acquisition of 67% of the equity interests in Beijing WeiKe, was determined after arm's length negotiations between the Company and the Shanghai Yongle Shareholders, having considered, among other things, the following factors:

- (i) a preliminary valuation by the Independent Valuer under market approach on the Licence Company as at 31 December 2013 and the valuation by the Independent Valuer on the Licence Company as at 31 May 2014;
- (ii) the business development and prospects of the Licence Company in the medium to long term. The Licence Company plans to expand its sales network and channel and intends to co-operate with strategic partners to broaden accepting payment networks;
- (iii) the terms of the PRC third-party payment businesses transacted by listed companies recently; and
- (iv) the Licence Company possesses one of the six licences which allow the holders (namely, 渤海易生商務服務有限公司 (Bohai Easy Pay Business Service Co. Ltd*), 資和信電子支付有限公司 (Zihexin Electronic Payment Co., Ltd*), 裕福支付有限公司 (Yufu Payment Co., Ltd*), 海南新生信息技術有限公司 (Hainan Xinsheng Information Technology Co., Ltd*), 平安付科技服務有限公司 (Ping An Payment Technology Service Co., Ltd.* (formerly known as 深圳市壹卡會科技服務有限公司, Shenzhen Eka Technology Service Co., Ltd.*)) and the Licence Company to issue and accept prepaid cards within the PRC on a nationwide basis and to integrate prepaid cards with internet payment account. Holders of the prepaid cards issued by the Licence Company can be used on a nationwide basis after the Licence Company has expanded its network coverage across the PRC in the future. The major requirements for obtaining the licence to conduct payment business on a nationwide basis such as (i) the minimum registered capital of RMB100 million; and (ii) the good track record and experience in providing value-added telecommunications services has resulted in a limited number of nationwide licences and this sets a high entry barrier for competitors to enter into the nationwide prepaid card market arena where prepaid cards issued by provincial licence holders can only be used at designated provinces. Therefore, the Company does not expect a significant increase in the number of competitors in the future.

INFORMATION ON THE PARTIES TO THE OPTION FRAMEWORK AGREEMENT, THE OPTION SUPPLEMENTAL AGREEMENT, THE NEW THIRD LOAN AGREEMENT, THE FOURTH LOAN AGREEMENT AND THE SECOND WK S&P AGREEMENT

Shenzhen Yongle, a wholly-foreign-owned enterprise established in the PRC, is indirectly wholly-owned by the Company as at the date of this announcement. The business scope of Shenzhen Yongle includes (i) development and provision of consultancy of computer hardware and software and network technology; (ii) provision of relevant technological services in respect of marketing promotion of bank cards and payment platform related products; and (iii) provision of consultancy of economic information.

Shanghai Yongle is a company established in the PRC with limited liability in accordance with the instruction of the Company for the investment in the Licence Company by the Group as contemplated under the New Framework Agreement. The business scope of Shanghai Yongle includes provision of relevant technology development, technological services, technological consultation, technology transfer, software development and sales, graphic design, integration of computer system, sales and lease of hardware, consumable resources and office equipment (except finance lease) and network technology (excluding technology intermediary) within the scope of information technology (where the projects which require approval under laws shall only commence operating activities after the grant of approval by the relevant authority). Mr. Lin and Mr. Wu, both being the ultimate shareholders of Shanghai Yongle, own 90% and 10% of the equity interests in Shanghai Yongle respectively as at the date of this announcement. Mr. Lin and Mr. Wu are both employees of the Company.

Mr. Zhang is the chairman and controlling shareholder of Beijing Weike. Mr. Zhang was the deputy general manager of Beijing Weike during 2009 and 2013 and he is principally responsible for the business development of Beijing Weike.

INFORMATION ON BEIJING WEIKE AND THE LICENCE COMPANY

Beijing Weike is a company established in the PRC with limited liability and is owned as to 33% by Shanghai Yongle and 67% by Mr. Zhang respectively. The principal businesses of Beijing Weike are research and development and provision of internet technology for e-commerce and mobile payment system such as prepaid cards.

The Licence Company, a company established in the PRC with limited liability which is principally engaged in prepaid card business and internet payment services in the PRC. A substantial portion of revenue and profit of the Licence Company was derived from its prepaid card business. The Licence Company generates revenue via its prepaid card business by (i) charging card issuance service fee on a percentage of the total prepaid amount; (ii)

charging merchant services fees at a percentage of transaction amount to merchants (such as supermarkets and chain-stores) who accept the prepaid cards issued by the Licence Company and use the point-of-sale (“POS”) system supplied by the Licence Company in the settlement process; (iii) receiving interest income arising from the deposit of cardholders; and (iv) receiving commission income by selling goods on behalf of merchants at the card centres of the Licence Company. As at the date of this announcement, it is owned by (i) Beijing Weike as to 90% of the equity interests; and (ii) Shareholder A as to the remaining 10% of the equity interests. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Licence Company and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Licence Company was founded in November 2010 in Beijing, the PRC, with a registered capital of RMB100 million. On 3 May 2011, the Licence Company obtained the payment service licence from the PBOC, allowing it to issue and process prepaid cards and offer internet payment services nationwide (as at the date of this announcement, only six of such licences had been granted in the PRC). The licence is valid for five years until 2 May 2016. Subject to the approval of the PBOC, the valid period of this licence can be extended for a period of five years upon its expiry. Pursuant to the “Administrative Measures Relating to Payment Services by Non-financial Institutions (非金融機構支付服務管理辦法)” (hereinafter referred to as the “**Payment Service Measures**”), the application for extension of the payment service licence must be made to the relevant branch of the PBOC within six months prior to its expiry. As advised by the PRC Legal Adviser, there is currently no detailed requirement on the extension of the payment service licence specified by the PBOC and none of the payment service licence expired as at the date of this announcement. However, it is normally perceived that the PBOC may take into account, among others, the compliance record and operating status of the licencees when it considers the application for extension of payment service licence. As such, the Company does not foresee any impediments for the extension of licence. As at the date of this announcement, the Licence Company operates three card centres in Beijing, one card centre in Shanghai and another one in Xi’an. The prepaid cards issued by the Licence Company are mainly under anonymous basis whilst some are under real-name basis and the existing main product of the Licence Company is Lianxin Card (連心卡), a prepaid card that can be used at numerous POS operated by around 1,900 merchants in Beijing Shanghai and Xi’an, the PRC over a network of around 11,000 POS terminals and the cash value in the prepaid cards is denominated in Renminbi only. The Licence Company has a few revenue streams, namely (i) card issuing service fee; (ii) merchant service fee incomes; (iii) interest income; and (iv) commission income. Firstly, when a prepaid card is issued to a cardholder, the Licence Company will charge a card issuing service fee, which is usually a percentage of the total prepaid amount. Secondly, when a cardholder uses the Licence Company’s prepaid card for payment at a merchant, the merchant service fee is charged from the relevant merchant at a predetermined rate and such fee may be settled daily or monthly depending on the pre-agreed terms. Thirdly, the aggregate card value

in cash received from customers is deposited into specific float fund custodian accounts at designated banks and the Licence Company is able to earn interest income from such deposits. Lastly, the Licence Company may occasionally sell goods on behalf of merchants at the card centres of the Licence Company and charge commission.

The Licence Company is developing an electronic gift card, which will be issued and used on the internet and for mobile payment. The Licence Company is allowed to issue e-cards, which is one form of prepaid cards, under its current payment service licence. The Licence Company will develop new prepaid cards after taking into account the potential of the relevant industry, for instance healthcare payment cards to be applied in clinics and hospitals. In July 2014, the Licence Company entered into a strategic cooperation agreement (the “**YLZ Strategic Cooperation Agreement**”) with 易聯眾信息技術股份有限公司 (YLZ Information Technology Co., Ltd*, “**YLZ**”), a social and healthcare information service provider in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300096). Pursuant to the YLZ Strategic Cooperation Agreement, parties will set up a joint venture in the PRC to develop value-added products, such as real-name prepaid cards, that are designed to be used for payment of medical expenses at hospitals and pharmacies in the PRC. Pursuant to the YLZ Strategic Cooperation Agreement, the Licence Company and YLZ, entered into a cooperation agreement (the “**Fujian Agreement**”) in July 2014 whereby the parties have agreed to set up a joint venture (the “**JV**”) in Fujian Province, the PRC with a registered capital of RMB10 million, 51% and 49% of which to be contributed by YLZ and the Licence Company (by using its own cash and the cash redeemed from short term investments) respectively. Since (i) the registered capital of the JV will be contributed by the Licence Company with its internal resources; (ii) there is no other capital commitment of the Licence Company under the YLZ Strategic Cooperation Agreement and the Fujian Agreement; and (iii) the JV is not yet in operation, the Company does not expect any impact on the valuation of the Licence Company and the consideration for the acquisition of Beijing Weike as a result of the establishment of the JV.

If necessary, the Licence Company may identify the strategic partners for co-branding prepaid card business. The Licence Company will then liaise with merchants in the relevant industries in respect of the acceptance of prepaid cards. Prepaid cards will then be produced by suppliers of the Licence Company and the Licence Company will record the serial number of each prepaid card on its database for settlement with banks and merchants and to capture the transaction record. Prepaid cards will be activated and charged with value at the sales office upon sales according to the amount prepaid by cardholders. As advised by the PRC Legal Adviser, the development and issue of prepaid cards for other industries or co-branding business partners are within the scope of the payment service licence of the Licence Company and does not require additional licence or approval from the PRC government.

The major customers of the Licence Companies are corporate clients who make bulk purchases of prepaid cards issued by the Licence Company for welfare distribution to their employees. The major suppliers of the Licence Company are manufacturers of secured cards in the PRC. There are around 1,900 merchants in Beijing, Shanghai and Xi'an including nationwide supermarket chain stores, gas stations, department stores and retail merchants at various shopping malls and some of them have multiple POS.

The Licence Company markets its products through its own website and at leading search engines. The Licence Company also places advertisement at its merchants and malls. In addition, the sales team of the Licence Company pay visits to its major customers from time to time to maintain relationship with them and induce them to purchase additional prepaid cards.

The Licence Company invests approximately RMB20 million annually in its merchant network expansion, replacement of POS terminals and maintenance of computer system and such expenses are financed by the internal resources of the Licence Company.

The business of the Licence Company faces a low level of credit risk, liquidity risk and interest rate risk. The Licence Company grants credit period to certain customers such as those who make bulk purchases of prepaid cards and certain merchants such as nationwide supermarket chains and department stores and the credit period is normally less than 1 month. During the last three financial years, the Licence Company did not encounter any bad debt. Meanwhile, the Licence Company conducts its clearing and settlement with merchants on a daily or monthly basis whilst the majority of unutilised card value is deposited as short term deposits at designated banks. As a result, it is theoretically possible that there may be a mismatch of funding requirements at particular time and the Licence Company is unable to fulfill its obligation under the settlement arrangement. However, as the Licence Company maintain an ample level of cash and cash equivalents in its bank accounts, the Licence Company has not encountered such mismatch issue in the past. Finally, the Licence Company deposits the aggregate card value in cash received from customers at designated banks and earn interest income from such deposit. As the interest rate of bank deposits fluctuates, the interest income of the Licence Company varies from time to time which may affect the financial performance of the Licence Company. To address such risk, the Licence Company diversifies the deposit terms of the unutilised float funds.

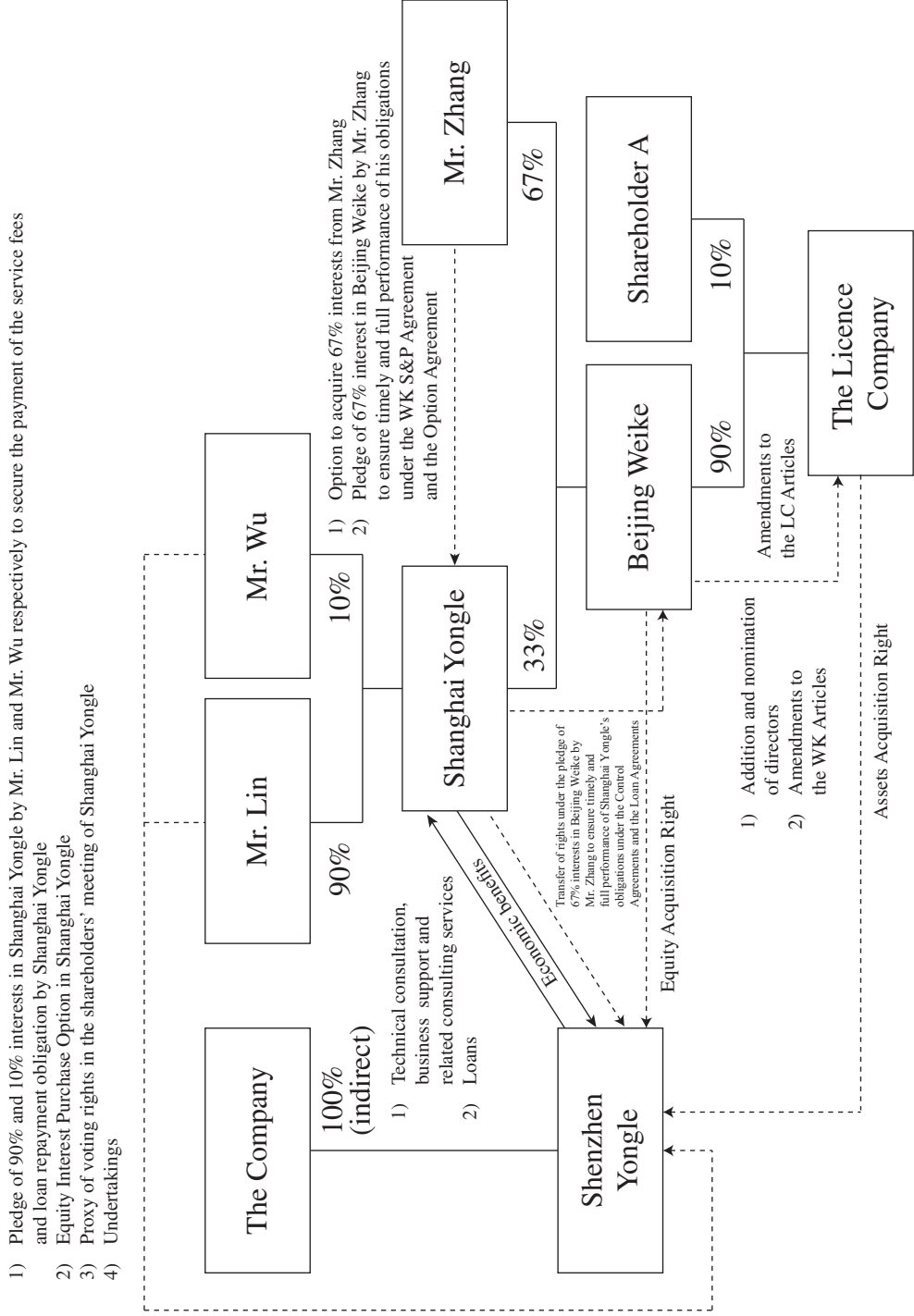
On the other hand, the Licence Company has invested RMB20 million in 上海東方網通信技術有限公司 (Shanghai Eastern Net Communication Technology Company Limited*) (“**Eastern Net**”) since 2012 for the promotion of prepaid cards and provision of related customer services in Shanghai, the PRC. Eastern Net has started to sell prepaid card products in August 2012 and the total issuing amount reached approximately RMB46 million up to the date of this announcement. As the Licence Company intended to develop Eastern Net as the operating platform for its prepaid cards business in the Eastern PRC, the Licence Company has to recruit a strategic partner who has strong local business network. Therefore, the Licence Company and other joint venture partner transferred part of their interests in Eastern Net to a new investor, 上海唐鎮投資發展(集團)有限公司 (Shanghai TangZhen Investment Development (Group) Limited*) (“**Tangzhen Investment**”), in March 2014 in order to provide incentive for such investor to jointly develop the business of Eastern Net. Tangzhen Investment is entrusted by the local government to manage and operate certain town-level collective assets and has various investments in Shanghai, the PRC including those relating to payment industry such as the development of Shanghai Bank Card Industrial Park (上海市銀行卡產業園).

On 3 September 2014, the Company and 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.*) (“**Zhongchao Hismart**”) entered into a strategic cooperation agreement (the “**ZH Strategic Cooperation Agreement**”) in respect of collaboration on exploring and developing universal citizen prepaid cards (which can be applied in, among others, local tourism and payments by drivers) for a term from the date of the ZH Strategic Cooperation Agreement to 30 April 2019 (automatically extended for five years upon expiry unless objected by the parties in writing). Zhongchao Hismart is a subsidiary of 中國印鈔造幣總公司 (China Banknote Printing and Minting Corporation*), a state-owned corporation and direct affiliate of the PBOC which carries out the minting of renminbi coins and printing of renminbi banknotes in the PRC. As a start-up, the Company, by utilising the resources and expertise of the Licence Company, and Zhongchao Hismart will jointly launch, among others, (i) 廣東省旅遊刷卡無障礙示範項目 (Barrier-free Tourism Card Pilot Program in Guangdong Province*) which enables the cardholder to settle the entrance fees, parking fees, shopping, hotel accommodation and entertainment at various tourist spots in Guangdong Province using one single card; and (ii) 廣西駕駛員卡 (Driver’s Payment card) which enables the cardholder to pay almost all driving-related expenses, such as tolls, traffic fines, repair and maintenance fees, vehicle insurance and annual vehicle examination fee.

Shareholding structure

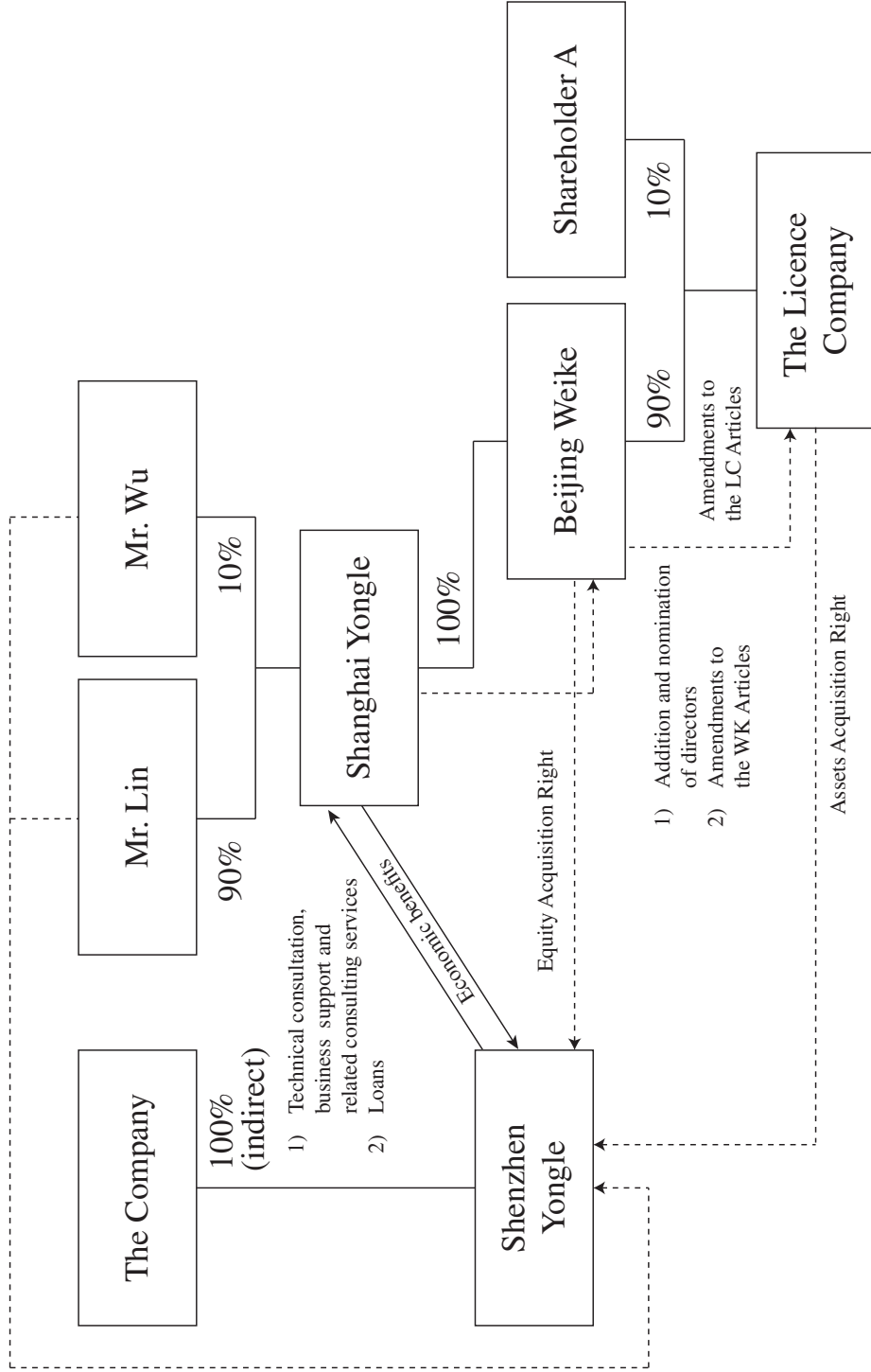
The structure chart of Shenzhen Yongle, Shanghai Yongle, Beijing Weike and the Licence Company (i) as at the date of this announcement; and (ii) immediately after Completion are as follows:

(i) Structure chart as at the date of this announcement



(ii) Structure chart immediately after Completion

- 1) Pledge of 90% and 10% interests in Shanghai Yongle by Mr. Lin and Mr. Wu respectively to secure the payment of the service fees and loan repayment obligation by Shanghai Yongle
- 2) Equity Interest Purchase Option in Shanghai Yongle
- 3) Proxy of voting rights in the shareholders' meeting of Shanghai Yongle
- 4) Undertakings



As at the date of this announcement, the rights under the pledge of 67% equity interests in Beijing Weike (the “**WK Pledge**”) by Mr. Zhang have been transferred to Shenzhen Yongle pursuant to the WK Pledge Agreement so as to ensure timely and full performance of Shanghai Yongle’s obligations under, inter alia, the Control Agreements and the Loan Agreements. Upon Completion, the WK Pledge in respect of the 67% equity interests in Beijing Weike held by Mr. Zhang shall cease to effect and if so required by AIC for the purposes of the Transaction, the parties shall facilitate the cancellation of the registration of the WK Pledge. Since the Equity Acquisition Right serves the purpose of protecting the Company’s interests in the Licence Company in the event that Beijing Weike is compulsorily liquidated or it is likely to be compulsorily liquidated, the Company has no intention to terminate Exclusive Equity Acquisition Agreement after Completion.

According to the PRC Legal Adviser, the existing contractual arrangements between Shenzhen Yongle and Shanghai Yongle are unaffected by the entering into the Option Framework Agreement and the acquisition of 67% equity interests in Beijing Weike. Besides, the Second WK Resolutions and the Second WK Articles Amendment Agreement would increase the number of board members of Beijing Weike and provide a right to Shanghai Yongle to nominate two persons to the board of Beijing Weike before the exercise of the Option so that the Company would have greater extent of control and monitoring over Beijing Weike before the exercise of the Option.

On the other hand, according to the PRC Legal Adviser, the completion of the Transaction would result in the indirect acquisition or control of the 90% equity interests in the Licence Company and Beijing Weike would become a sole proprietorship of Shanghai Yongle. Under the PRC Company Laws, sole proprietorship does not require shareholders’ meeting and its sole shareholder has absolute power over such sole proprietorship. Thus, being the sole shareholder of Beijing Weike, Shanghai Yongle has absolute discretion over all matters regarding Beijing Weike (including asset disposal, nomination of all directors and other material matters). In addition, pursuant to the amended articles and the relevant resolutions of the Licence Company, all matters regarding the Licence Company (including asset disposal 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. Given that Beijing Weike now controls 90% equity interests of the Licence Company, the completion of the Transaction would further strengthen the control over Beijing Weike and the Licence Company by Shenzhen Yongle (via Shanghai Yongle).

Pursuant to the Company's Undertaking, the Company undertakes to unwind the Control Agreements and the Loan Agreements and procure Shenzhen Yongle to exercise the Equity Interest Purchase Option to acquire the entire equity interests of Shanghai Yongle from the Shanghai Yongle Shareholders when the relevant foreign investment restrictions in the PRC no longer exist such that the Company is allowed to hold interests in the Licence Company directly or indirectly. According to the PRC Legal Adviser, save for the relevant foreign investment restrictions in the PRC, there is no limitation in exercising the Equity Interest Purchase Option under the Share Disposal Agreements. Meanwhile, under the Contract Law of the PRC, the Share Disposal Agreements are legally enforceable and in effect and there is no situation under which the Share Disposal Agreements would be invalidated. However, even if the foreign ownership restriction is relaxed, the transfer of all or part of the equity interest in Licence Company to the Shenzhen Yongle or its designated person may still subject to substantial costs.

Financial information

Set out below are the key financial figures of the Licence Company for each of the three years ended 31 December 2013 (audited) and eight months ended 31 August 2014 (unaudited) and the key unaudited consolidated financial figures of Beijing Weike for the eight months ended 31 August 2014 (the accounts of the Licensed Company has been consolidated since 30 April 2014, being the completion date of acquisition of the Licence Company by Beijing Weike) prepared in accordance with the Hong Kong Financial Reporting Standards.

Licence Company

	For the year ended 31 December 2011 (RMB'000)	For the year ended 31 December 2012 (RMB'000)	For the year ended 31 December 2013 (RMB'000)	For the eight months ended 31 August 2014 (RMB'000) (unaudited)
Revenue	19,739	27,155	30,631	18,333
Profit/(Loss) before taxation	(2,061)	(2,381)	(1,968)	1,345
Profit/(Loss) after taxation	(2,061)	(2,381)	(1,968)	1,289

	As at 31 December 2011 (RMB'000)	As at 31 December 2012 (RMB'000)	As at 31 December 2013 (RMB'000)	As at 31 August 2014 (RMB'000) (unaudited)
Total assets	422,378	574,093	530,018	683,498
Net assets	98,480	98,040	98,259	99,614

Beijing Weike

	For the eight months ended 31 August 2014 (RMB'000) (unaudited)
Revenue	9,358
Loss before taxation	236
Loss after taxation	236

	As at 31 August 2014 (RMB'000) (unaudited)
Total assets	1,104,879
Net assets	109,388

THE EXISTING CONTRACTUAL ARRANGEMENT UNDER THE NEW FRAMEWORK AGREEMENT

Pursuant to the New Framework Agreement, certain agreements have been entered into among the parties to facilitate the contractual arrangement among, Shenzhen Yongle, Shanghai Yongle, Beijing Weike and the Licence Company.

The Loan Arrangements are to facilitate the acquisition of equity interests in Beijing Weike by providing capital to Shanghai Yongle.

Through the Control Agreements, the Group is able to exercise full and effective control over the finance and operation of Shanghai Yongle and in effect obtain the entire economic interest and benefits in Shanghai Yongle. Accordingly, the accounts of Shanghai Yongle will be fully consolidated into the financial statements of the Group upon Completion.

The Business Cooperation Agreement and the Technical Consultation and Services Agreement are to ensure the profits or income generated by Shanghai Yongle can be directed to Shenzhen Yongle in the form of service fees. Pursuant to the WK Resolutions, if Beijing Weike records a profit in a financial year, shareholders of Beijing Weike must resolve to distribute such profit at the shareholders' meeting and, subject to the requirements under the PRC laws, in the event that the Licence Company records a profit in a financial year, Beijing Weike, as the shareholder of the Licence Company, must vote in favour of the resolution in respect of the profit distribution of the Licence Company such that the relevant resolution at the shareholders' meeting of the Licence Company will be approved. As Beijing Weike holds 90% of the equity interests in the Licence Company, it has absolute control over the decision to be made by the Licence Company, including the distribution of profits. In addition, pursuant to the LC Resolutions, 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. As advised by the PRC Legal Adviser, the WK Articles and the LC Articles (as amended by the WK Articles Amendment Agreement, the Second WK Articles Amendment Agreement, the WK Resolutions, the Second WK Resolutions, the LC Articles Amendment Agreement and the LC Resolutions) are legally enforceable. Therefore, the Company has effective control over the Licence Company to ensure that it distributes its profits, through Beijing Weike, to Shanghai Yongle for settlement of the service fees under the Technical Consultation and Services Agreement.

The Pledge Agreements are to secure the due performance of obligations of Shanghai Yongle under the Control Agreements and the Loan Agreements and to ensure that the Shanghai Yongle Shareholders cannot transfer their respective equity interests in Shanghai Yongle to the other parties without the consent of Shenzhen Yongle.

The Voting Rights Proxy Agreements are to grant Shenzhen Yongle (or its designee, which can be a director or his/her successor of the direct or indirect shareholder of Shenzhen Yongle (including a liquidator replacing such director and his/her successor)) voting rights in respect of the equity interests of the Shanghai Yongle shareholders in Shanghai Yongle so that Shenzhen Yongle can control Shanghai Yongle. Besides, pursuant to the Voting Rights Proxy Agreements, the Shanghai Yongle Shareholders have empowered Shenzhen Yongle the rights to (i) convene and attend shareholders' meeting of Shanghai Yongle; (ii) vote at all resolutions which require discussion and approval of the Shanghai Yongle Shareholders (including, but not limited to, nomination and appointment of directors, general manager and other senior management); (iii) execute any documents, minutes and other filing documents with relevant companies registry which require execution by the Shanghai Yongle Shareholders; (iv) exercise all voting rights and other rights that a shareholder of Shanghai Yongle would be entitled to pursuant to the PRC laws and regulations and the articles of Shanghai Yongle as amended from time to time.

The Share Disposal Agreements provide that if the Shanghai Yongle Shareholders act against the interests of Shenzhen Yongle, Shenzhen Yongle can designate another person to acquire their equity interests in Shanghai Yongle at the lowest price as permitted by the PRC laws at the relevant time. They also provide that when the PRC laws lifts the restrictions on foreign investment in companies engaged in internet payment service, Shenzhen Yongle may acquire and hold the equity interests in Shanghai Yongle directly at the lowest price as permitted by the PRC laws at the relevant time.

In addition, pursuant to the Undertakings, the Shanghai Yongle Shareholders have undertaken to make the necessary arrangements to protect the rights of the Company and to avoid any practical difficulties in enforcing the New Framework Agreement in case of death, bankruptcy or divorce of the Shanghai Yongle Shareholders and will transfer their interests in Shanghai Yongle and all the rights attached thereto to the individual or entity as designated by Shenzhen Yongle in accordance with the applicable PRC laws and regulations in the event that the Shanghai Yongle Shareholders become incapable of performing the normal duty as a shareholder of Shanghai Yongle due to the aforesaid events.

Pursuant to the WK Articles, 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. Although Shanghai Yongle is only interested in 33% of the equity interests in Beijing Weike before the exercise of the Option, Shanghai Yongle has the veto power in the board of Beijing Weike, which secures the assets and rights of Beijing Weike. Upon exercising the Option, Shenzhen Yongle, via Shanghai Yongle, will have the power to deal with the assets and other rights of Beijing Weike. According to the LC Articles, all material matters of the Licence Company are only subject to the approval by its shareholders holding two-third voting rights of Licence Company. LC Articles also require all matters regarding the Licence Company (including but not limited to assets disposal and other material matters) to be approved by shareholders holding not less than 90% (including 90%) of the voting rights of the Licence Company. Therefore, Beijing Weike, a holder of 90% of the equity interests in the Licence Company, will have the absolute right to deal with all materials matters of the Licence Company. Since the Shanghai Yongle Shareholders are both employees of the Company and Shanghai Yongle was established in accordance with the instruction of the Company for the investment in the Licence Company by the Group as contemplated under the New Framework Agreement, the Company, via Shenzhen Yongle, has the right to deal with the assets of Shanghai Yongle, Beijing Weike and the Licence Company.

Under the relevant provision of the PRC Company Laws, a liquidator has the power to exercise all rights under the Business Cooperation Agreement and the Technical Consultation and Services Agreement on behalf of Shanghai Yongle prior to its deregistration in order to protect the interests of Shanghai Yongle. Since Shenzhen Yongle is the creditor of Shanghai Yongle, Shenzhen Yongle will have the rights to lodge any claim in relation to the debt due to Shanghai Yongle if Shanghai Yongle is liquidated. Secondly, pursuant to the Exclusive Equity Acquisition Agreement, in the event that Beijing Weike is compulsorily liquidated or it is likely to be compulsorily liquidated, the designated PRC company of Shenzhen Yongle will have the right to acquire the 90% of the equity interests in the Licence Company from Beijing Weike at the lowest price as permitted by the PRC laws at the relevant time. Thirdly, pursuant to the Exclusive Assets Acquisition Agreement, in the event that the Licence Company is compulsorily liquidated or it is likely to be compulsorily liquidated, the designated PRC company of Shenzhen Yongle will have the right to acquire all the assets and businesses (including but not limited to the prepaid card businesses and the internet payment services) of the Licence Company at the lowest price as permitted by the PRC laws at the relevant time. Through the abovementioned arrangements, the Directors are of the view that the assets of Shanghai Yongle, Beijing Weike and the Licence Company can be controlled by the Company even if there is a winding-up situation in Shanghai Yongle, Beijing Weike and the Licence Company.

The Control Agreements are governed by and constructed in accordance with the PRC laws and contain a provision for resolving disputes by arbitration at South China International Economic and Trade Arbitration Commission, Shenzhen in accordance with its then prevailing arbitration rules. The Business Cooperation Agreement, the Technical Consultation and Services Agreement, the Pledge Agreements, the Share Disposal Agreements and the Voting Rights Proxy Agreements include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and the 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. However, due to restrictions of the PRC laws, the PRC Legal Adviser is of the view that, even though the abovementioned agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by the PRC courts.

The PRC Legal Adviser is of the opinion that the Control Agreements and the Loan Agreements do not violate the mandatory laws and regulations in the PRC and are not considered to be in violation of Article 52 of the PRC Contract Law, which renders void any contracts deemed to be “concealing illegal intentions with a lawful form”, and the related rules of the General Principle of Civil Law of the PRC, and therefore they are valid, binding and enforceable among relevant parties. As advised by the PRC Legal Adviser, (i) the WK Articles and the LC Articles are empowered by the PRC Company Laws to govern the shareholders relationship among Shanghai Yongle, Beijing Weike and the Licence Company; and (ii) the Control Agreements and the Loan Agreements are legally enforceable. Therefore, the Directors consider that New Framework Agreement and the aforesaid agreements are enforceable under the relevant laws and regulations and confer on the Group significant control over and economic benefits in the assets of Beijing Weike (including 90% of the equity interests in the Licence Company).

As at the date of this announcement, Shenzhen Yongle, Shanghai Yongle, Beijing Weike and the Licence Company have not encountered any interference or encumbrance from any governing bodies in operating its business through the contractual arrangements under the New Framework Agreement and the relevant agreements.

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, the Shanghai Yongle Shareholders have irrevocably authorized Shenzhen Yongle (or its designee, which can be a director or his/her successor of the direct or indirect shareholders of Shenzhen Yongle (including a liquidator replacing such director and his/her successor)) as their proxy to exercise all the rights of the shareholders of Shanghai Yongle and such authorisation shall not be altered unless otherwise instructed by Shenzhen Yongle. 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).

REASONS FOR AND BENEFITS OF THE TRANSACTION

Regarding the use of contractual arrangement

The Group is principally engaged in operating electronic payment, trading and settlement platforms in the PRC, Hong Kong and Thailand. As disclosed in the third quarterly report of the Company for the nine months ended 31 December 2013, the Group is negotiating for the acquisition of the equity interests in a company which, together with its subsidiary, is principally engaged in prepaid card business in the PRC. Meanwhile, the Group will continue to seek new opportunities aiming to broaden its revenue base and enhance the profitability of the Group and in turn increase the value of the Company.

The Licence Company is engaged in the issuance and acceptance of prepaid cards and internet payment services in the PRC and it possesses a licence which allows it to issue and accept prepaid cards within the PRC on a nationwide basis. The payment service business currently engaged by the Licence Company is subject to regulations in accordance with, among others, the Payment Service Measures. The Payment Service Measures stipulates that non-financial institutions must not engage in the provision of payment services (such as online payments, the issue and acceptance of prepaid cards, and POS systems) without first obtaining an approval and a payment service licence from the PBOC. In accordance with Article 9 of the Payment Service Measures, regulations and rules addressing the scope of business and ownership restrictions for foreign investment in non-financial institutions engaged in payment services shall be separately stipulated by the PBOC and approved by the State Council of the PRC. As at the date of this announcement, the PBOC has not yet stipulated any relevant rules and regulations nor granted any payment service licence to any foreign invested enterprise intending to be engaged in the provision of prepaid card business and internet payment services.

Moreover, according to the Guidance of Foreign Enterprise Investments (2011 Amended) the internet payment service provided by the Licence Company is a type of value-added telecommunications business where foreign investment is restricted. According to the Administrative Provisions on Foreign-Invested Telecommunications Enterprises, the foreign investor of a foreign-invested telecommunications services provider needs to demonstrate a good track record and experience in providing value-added telecommunications services. Based on the consultation with the Ministry of Industry and Information Technology of the PRC (“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 telecommunications industry as described in 電信業務分類目錄 (“**Category of Telecommunications Businesses**”) of the PRC, such foreign enterprise can be deemed to have the required operating track records and operating experience in value-added telecommunications industry. Since the Group has been conducting business of card

acceptance using public telecommunications networks in Thailand, the PRC Legal Adviser considers that the industry experience requirements of the MIIT should be satisfied.

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 any application for foreign direct investment in (i) a PRC company holding a payment service 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 and irrespective of the proportion of such investment. Thus, it is not possible for the Group to participate in prepaid card business and internet payment services in the PRC through direct or indirect acquisition of the equity interests in the Licence Company and the most feasible way in achieving this is to provide capital to Shanghai Yongle by way of loans to facilitate its acquisition of Beijing Weike, which holds 90% of the equity interests in the Licence Company, and to obtain effective control over and the rights to enjoy the economic benefits in the assets of Beijing Weike, including 90% of the equity interests in the Licence Company through the Control Agreements and other arrangements under the New Framework Agreement.

Thus, on 9 July 2014, Shenzhen Yongle and other parties entered into the New Framework Agreement in order to participate in the businesses of prepaid cards and internet payment services in the PRC. On 18 September 2014, ordinary resolution to approve the New Framework Agreement and the transactions contemplated thereunder was passed at the extraordinary general meeting. On 23 September 2014, all the Framework CP had been fulfilled and the Framework Completion took place. Upon the Framework Completion, relevant parties entered into the Control Agreements and other relevant documents such that the Group can exercise effective control over the rights to enjoy the economic benefits in the assets of Beijing Weike (including 90% of the equity interests in the Licence Company). Under the existing structure, Shanghai Yongle holds 33% of the equity interests in Beijing Weike, which in turn owns 90% of the equity interests in the Licence Company, and these arrangements between Shenzhen Yongle and Shanghai Yongle 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 (i.e. acquisition of the 33% equity interests in Beijing Weike and the Option conferring the rights to further acquire the remaining 67% equity interests in Beijing Weike) also allows the Company to conduct the transactions with the Licence Company in two stages so as to reduce its risk exposure. As advised by the PRC Legal Adviser, there is no restrictions under the current PRC laws for Shanghai Yongle in exercising the Option to acquire the 67% equity interests in Beijing Weike from Mr. Zhang under the Option Agreement (as supplemented by the Option Supplemental Agreement).

Regarding the entering into of the Option Framework Agreement

In addition to the investment in the business of the Licence Company, the Company has been investing in other payment related businesses in the PRC in 2014. For instance, in January 2014, the Group acquired 100% equity interests in MCONE, which is engaged in cross-border e-commerce solution business. The cross-border e-commerce solution business of MCONE provides a channel to connect the PRC e-commerce merchants with overseas customers and covers wide range of services such as product sourcing and distribution, cross-border payment, logistics, advertising. Target customer group of MCONE comprises mini to medium-sized merchants which do not have sufficient resources to set up their own e-commerce platforms. Furthermore, in March 2014, the Group acquired 22.22% interest in Koolcloud, which is a manufacturer and operator of cutting-edge smart POS terminal technology. This smart POS terminal technology accepts various payment products in a single platform and can provide diversified services to merchants and consumers. This technology provides convenience to and saves cost of merchants clients and at the same time it provides a channel for merchants and consumers to use the prepaid cards of the Licence Company. Hence it facilitates the expansion of the business of the Licence Company. Besides, the Company has been identifying strategic partners with strong business background for the issuance of co-brand prepaid cards. For instance, on 3 September 2014, the Company and Zhongchao Hismart entered into the Strategic Cooperation Agreement in relation to, among others, the prepaid card programs in Guangdong province, the PRC.

As mentioned in the quarterly report of the Company for the three months ended 30 June 2014, the Group will gradually shift the strategic focus to payment business in the PRC (the “**PRC payment business**”). The Group will base the PRC payment business on prepaid payment (particularly the co-brand prepaid business), internet payment, mobile payment and online-offline services and develop innovative internet and mobile payment products. The PRC payment business will ultimately enable the Group to build a large-scale real-name customer information database and to offer comprehensive personal financial services to the customers. The Company currently has no intention, negotiation or understanding to downsize the existing card acceptance business and/or cross-border e-commerce solution business after Completion.

Having reviewed, among others, the operating performance as well as the industry prospect of the Licence Company, the Company is optimistic of the business prospect of the Licence Company. The entering into of the Option Framework Agreement allows the Company, via Shanghai Yongle, to increase the number of directors of Beijing Weike and nominate half of the board members of Beijing Weike before the exercise of the Option such that the Company can impose more control over the board of directors of Beijing Weike to facilitate the Group’s business strategy of developing co-brand prepaid programs (such as the cooperation with YLZ and Zhongchao Hismart) and innovative internet and mobile payment products earlier.

After Completion, the Company will enjoy the economic benefit of the Licence Company to a larger extent (i.e. 90%) and will become the sole shareholder of Beijing Weike (i.e. Shanghai Yongle will have the full control over the board of Beijing Weike, including nomination of all directors).

The Group has accumulated the relevant experience in payment business in the PRC through the operation of MCONE and Koolcloud since 2014 and believes that these companies may mutually benefit from each other in the future if the Company has more influence on them and is able formulate collaborative plans. Besides, there was no vote against the resolution to approve the New Framework Agreement and the transactions contemplated thereunder and it may indicate the Shareholders' support to the Company's investment in the Licence Company. Moreover, the Company has recently completed the Placing, the Top-up Subscription and the Subscriber's Subscription which provide additional capital to the Company for, among others, the further investment in the Licence Company upon the exercise of the Option. In view that the First Deposit and the Second Deposit relating to the Option are refundable and the 67% equity interests in Beijing Weike held by Mr. Zhang are pledged to Shanghai Yongle pursuant to the WK Pledge Agreement, the company considers that the credit risk to it is relatively low. In light of the abovementioned, the Company decides to enter into the Option Framework Agreement.

The Directors consider that the terms of the Option Framework Agreement, the Option Supplemental Agreement, the Second WK Articles Amendment Agreement, the Second WK Resolutions, the New Third Loan Supplemental Agreement, the Fourth Loan Agreement, the Second WK S&P Agreement and the transactions contemplated thereunder (including the exercise of the Option) are fair and reasonable and are arrived at after arm's length negotiation between the relevant parties and are in the interests of the Company and the Shareholders as a whole.

The Company is considering conducting fundraising activity mainly for the capital required for the Transaction or other payment card business and investment opportunities which may arise in the future or otherwise as general working capital of the Group, details of which are yet to be determined as at the date of this announcement. The Company will comply with the relevant requirements under the GEM Listing Rules for the fundraising as and when appropriate. Pursuant to the Option Framework Agreement, the Company will exercise the Option and serve the Exercise Notice to Mr. Zhang within two weeks after fulfilling all the Option CP.

ADDITIONAL INFORMATION

I. Industry overview

The third party payment market in the PRC is fragmented with a lot of market players and is divided into different categories such as internet payment, mobile payment, fixed line payment, digital television payment, prepaid card, bank card acceptance businesses and others. As compared to traditional payment methods (such as cash payment, bank transfer and cheque payment) or credit card payment, third party payment offers a secured payment environment outside the banking system and it does not require full access to/disclosure of personal information of the payer to the payee. According to iResearch¹, an independent market research agency, in 2012, the total value of transactions through third-party payment was approximately RMB12.9 trillion in the PRC, representing a growth rate of 54.2% over that of 2011.

¹ *iResearch Inc. (“iResearch”), an independent third party and a PRC-based internet market research institution. According to the website of iResearch, iResearch focuses on in-depth research in the PRC’s internet industry, including online media, e-commerce, online games, mobile internet and wireless value-added services, etc. with more than 200 experts and own research systems and database. iResearch has also published various research reports relating to electronic payment (including internet and mobile) and/or third payment industry in 2013. iResearch was commissioned by the Company to prepare the research report “China Payment Industry Research and Payment Licenses Evaluation Report 2013” (中國支付行業研究與支付牌照價值評估報告2013年) in respect of the third-party payment industry in the PRC, such as prepaid card and internet payment. iResearch’s independent research was undertaken through both primary and secondary research conducted in the PRC. The primary research involved in-depth interviews with industry experts, enterprises and channels. The secondary research utilized Internet-based methods for Internet research and involved comprehensive in-house research of public information for industry research, including government data and information, relevant economic data, industry data, company annual reports, quarterly reports, publications by industry experts and data from iResearch’s own research database. iResearch integrates analysis from its internet advertising observation system, and internet-user online behavior research system. The Company paid a total consideration of RMB104,000 for the preparation of the research report.*

In addition, in 2010, the PBOC started to regulate the third-party payment industry by issuing payment service licences for individual payment business or a combination of businesses where licences are classified under national licence or provincial licence. According to the website of the PBOC, as at the date of this announcement, 269 companies have been granted such licences, among which there are 167 licences relating to issuance and/or acceptance of prepaid card (only 6 of them are on the nationwide basis), 98 licences relating to internet payment, 55 licences relating to bank card acceptance, 42 licences relating to mobile payment, 13 licences relating to fixed line payment, 7 licences relating to digital television payment and 6 licences relating to prepaid card acceptance. Some licences allow their holders to carry out multiple payment business stated above. Amongst the licencees, there are several established dominant players in the internet payment and card acceptance business in the PRC. There are two main types of prepaid cards which are (i) open loop and (ii) closed loop cards. Closed loop cards are merchant-specific and used for transactions exclusively at particular merchant's locations. Open loop cards (or multi-purpose prepaid cards) are associated with an electronic payment network and used wherever the payment network is accepted. Closed loop cards are regulated by the Ministry of Commerce of China while open loop cards are regulated by the PBOC. Therefore, there is no single player who can dominate the prepaid card business in the PRC as the market is highly fragmented as the prepaid cards exist in different forms and can only be used at designated places and within designated networks and there is neither a card which can be universally used across all available networks nor a network which can accept all prepaid cards.

II. Regulatory overview

Regulations Relating to Foreign Investments in the Value-added Telecommunications Industry

The Licence Company is engaged in the issuance and acceptance of prepaid card and internet payment services in the PRC and it possesses a licence which allows it to issue and accept prepaid cards within the PRC on a nationwide basis. Such licence also allows the Licence Company to integrate prepaid card with internet payment account.

The payment service business currently engaged by the Licence Company is subject to regulations in accordance with, among others, the Payment Service Measures, which came into effect on 1 September 2010. The Payment Service Measures stipulates that non-financial institutions must not engage in the provision of payment services (such as online payments, the issuance and acceptance of prepaid cards, and POS systems) without first obtaining approval and a payment service licence from the PBOC. In accordance with Article 9 of the Payment Service Measures, regulations and rules

addressing the scope of business and ownership restrictions for foreign investment in non-financial institutions engaged in payment services shall be stipulated by the PBOC separately and shall be approved by the State Council of the PRC. As at the date of this announcement, the PBOC has not yet stipulated any relevant rules and regulations nor granted the payment service licence to any foreign invested enterprise intending to be engaged in the provision of prepaid card business and internet payment services.

Moreover, according to the Guidance of Foreign Enterprise Investments (2011 Amended) the internet payment service provided by the Licence Company is a type of value-added telecommunications business where foreign investment is restricted. According to the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (外商投資電訊企業管理規定), the foreign investor of a foreign-invested telecommunications services provider needs to demonstrate a good track record and experience in providing value-added telecommunications services.

Ongoing capital requirements

Pursuant to the Payment Service Measures, registered capital of companies engaged in the nationwide payment business must not be less than RMB100 million and must be fully paid-up.

Ongoing liquidity requirements

Pursuant to the Payment Service Measures, the paid-up registered capital of companies engaged in payment business must not be less than 10% of the average of day-end bank balance of clients' deposits over the previous 90 days.

Ongoing regulatory filing requirements

Pursuant to the Payment Service Measures, companies engaged in payment business must apply to the PBOC for extension of payment service licence six months before the expiry of the licence. Companies should also obtain the PBOC's approval before making any registration to the relevant registration authorities in respect of change in company name, registered capital, corporate structure and principal investor, merger and split of the companies and change in business nature or business coverage. Companies should also apply to the PBOC in respect of the cease of payment business.

Requirements on use of clients' deposits

Pursuant to the Payment Service Measures, companies engaged in payment business should only transfer the clients' deposits according to the respective clients' instruction. The Measures for Deposit of Reserves of Payment Institutions' Clients (支付機構客戶備付金存管辦法) requires that clients' deposit must be used for the payment as entrusted by clients and the situations specified in the Measures for Deposit of Reserves of Payment Institutions' Clients. The Measures for Deposit of Reserves of Payment Institutions' Clients also imposes certain requirements for companies engaged in payment business, such as (i) limitation of the number of bank accounts which are used for payment purpose; (ii) prohibition of bank accounts (other than the clients' depository bank account) from processing cross-bank withdrawal; and (iii) that accounts for payment business must be opened in depository bank accounts and that must be reported to the PBOC.

III. Risk factors

Risks relating to the contractual arrangements

The PRC government may determine that the Control Agreements and the Loan Agreements do not comply with the applicable laws and regulations

The PRC Legal Adviser is of the opinion that the Control Agreements and the Loan Agreements do not violate the mandatory laws and regulations in the PRC and are not considered to be in violation of Article 52 of the PRC Contract Law, which renders void any contracts deemed to be “concealing illegal intentions with a lawful form”, and the related rules of the General Principle of Civil Law of the PRC, and therefore they are valid, binding and enforceable among relevant parties. However, the PRC Legal Adviser is also of the view that there can be no assurance that the Control Agreements and the Loan Agreements will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Control Agreements and the Loan Agreements will be deemed to be in compliance of the PRC laws and regulations. In particular, any future acquisition of rights, benefits or assets of or equity interests in the Licence Company pursuant to the Control Agreements and the Loan Agreements will be subject to the laws and regulations then applicable.

The Control Agreements may not be as effective as direct ownership in providing control over the Licence Company

The Group relies on contractual arrangements with Shanghai Yongle to operate the prepaid card business and internet payment services of the Licence Company (i.e. value-added telecommunications service) in the PRC. These contractual arrangements may not be as effective in providing the Group with control over the Licence Company as direct ownership in rare circumstance. If the Group had direct ownership of the Licence Company, the Group would be able to deal with the equity interests in and the assets of the Licence Company in winding up situation rather than acquiring such assets by exercising the Equity Acquisition Right or the Assets Acquisition Right which are subject to the approval of the PBOC.

The Shanghai Yongle Shareholders may potentially have a conflict of interests with the Group

The Group's control over the Licence Company is based on the contractual arrangement under the Control Agreements and the Loan Arrangements with, among others, Shanghai Yongle. Therefore, conflict of interests of the Shanghai Yongle Shareholders will adversely affect the interests of the Company. Since the Shanghai Yongle Shareholders are employees of the Company, they are required to follow instructions of the Company. However, there is no absolute certainty that the Shanghai Yongle Shareholders will act in favour of the Group at all times and the Group may suffer from any potential conflict of interests.

The contractual arrangements under the New Framework Agreement may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the Control Agreements, the Loan Agreements, the Exclusive Equity Acquisition Agreement and the Exclusive Assets Acquisition Agreement were not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Shanghai Yongle, and this could further result in late payment fees and other penalties to Shanghai Yongle for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

The Company does not have any insurance which covers the risks relating to the New Framework Agreement and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the New Framework Agreement and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the New Framework Agreement in the future, such as those affecting the enforceability of the Control Agreements and the relevant agreements for the transactions contemplated thereunder and the operation of Shanghai Yongle, Beijing Weike and the Licence Company, the results of the Group may be adversely affected.

Certain provisions in the Control Agreements and the Loan Agreements may not be enforceable under PRC laws

The Control Agreements and the Loan Agreements contain a provision for resolving disputes by arbitration at South China International Economic and Trade Arbitration Commission, Shenzhen in accordance with its then prevailing arbitration rules. The Control Agreements and the Loan Agreements include a clause in relation to dispute resolution among the parties where 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.

However, due to restrictions of the PRC laws, the Legal Adviser is of the view that, even though the Control Agreements and the Loan Agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by the PRC courts. As a result, in the event that Shanghai Yongle or any of the Shanghai Yongle Shareholders breaches the terms of the Control Agreements and the Loan Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Shanghai Yongle, Beijing Weike and the Licence Company could be materially and adversely affected.

Risks relating to the business and operation of the Licence Company

The business and operations of the Licence Company are highly regulated, and the business, financial condition, results of operations and prospects of the Licence Company could be materially and adversely affected by regulatory changes

The Licence Company's business and operations are highly regulated by the relevant rules, regulations and government guidelines in the PRC, in particular the Payment Service Measures and the Measures for Deposit of Reserves of Payment Institutions' Clients. Certain provisions also govern the capital requirement and liquidity of the Licence Company and the restrictions (e.g. maximum stored value) on the payment products of the Licence Company. Changes in laws, rules and regulation applicable to the business of the Licence Company (e.g. uplift of the capital requirement and liquidity ratio and removal of restriction on foreign investment to value-added telecommunications industry) may adversely affect its business operation and thus its financial performance.

The Licence Company may not be able to obtain or renew the licence in respect of the provision of nationwide payment service by prepaid cards and internet payment in the PRC

The first batch of licences granted by the PBOC in 2011 in respect of the provision of nationwide payment service by prepaid cards and internet payment in the PRC currently to, among others, the Licence Company will expire in May 2016 and the extension of which is subject to approval by the PBOC. As at the date of this announcement, none of these licences expired and thus none of them has been renewed insofar. There is no assurance that such extension will be approved by the PBOC in the future. If the Licence Company fails to renew the licence, the third party payment business of the Licence Company will have to cease, which would result in a material adverse effect on the results of the Group.

The Licence Company does not have long term contracts with the ultimate users of its prepaid cards

Although the Licence Company has entered into business contracts with merchants and strategic partners in relation to the development and acceptance of prepaid cards, the ultimate users are individuals who do not enter into any long term contract with the Licence Company for the continuous use of its prepaid cards. In addition, cardholders may also redeem the prepaid amount at any time after purchase. The results of the Licence Company, to a certain extent, depend on the capability of the Licence Company to develop new payment products and to retain the loyalty of cardholders and may be adversely affected if the use of the prepaid cards or internet payment of the Licence Company is reduced due to, among others, industry competition or introduction of new payment methods.

The Licence Company has a relatively short track record period for its business in the PRC

The Licence Company has commenced the third party payment business after obtaining its nationwide licence for prepaid card and internet payment in the PRC in May 2011 and thus its track record of business is relatively short. Although the business of the Licence Company has been expanding, such short track record may not be indicative to the future prospect or results of the Licence Company.

IV. Internal control measures implemented by the Group

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

Management controls

- (i) The Group will, through Shanghai Yongle, appoint two board representatives (the "**Representatives**") to the board of Beijing Weike. The Representatives are 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 Representatives are also required to check the authenticity of the monthly management accounts of both Beijing Weike and the Licence Company;
- (ii) The Representatives 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, 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 Representatives 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, 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.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Transaction (together with the acquisition of 33% equity interests in Beijing Weike pursuant to the New Framework Agreement) exceeds 100%, the Transaction constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders’ approval requirements thereunder.

GENERAL

The Company will convene an EGM for the Shareholders to consider, and if thought fit, approve by way of poll, the entering into of the Option Framework Agreement and the transactions contemplated thereunder (including the entering into of the Option Supplemental Agreement, the New Third Loan Agreement, the Fourth Loan Agreement and the Second WK S&P Agreement). As no Shareholder is regarded to have material interests in the aforesaid agreements, all Shareholders are eligible to vote on the relevant resolutions to be proposed at the EGM for approving the aforesaid agreements and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Option Framework Agreement and the transactions contemplated thereunder; (ii) the accountants' report of Beijing Weike and the Licence Company prepared by independent accountants; (iii) the valuation report prepared by the Independent Valuer; and (iv) a notice of the EGM, will be despatched to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders by no later than 28 November 2014.

As completion of the Transaction is subject to the fulfillment of certain conditions and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“AIC”	Industrial and Commercial Administration Bureau in the PRC
“associates”	shall have the same meaning as ascribed to it under the GEM Listing Rules
“Beijing Weike”	微科睿思在線(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited*), a company established in the PRC with limited liability, being the shareholder holding 90% of the equity interests in the Licence Company as at the date of this announcement, which is owned as to 67% by Mr. Zhang and 33% by Shanghai Yongle respectively as at the date of this announcement
“Beijing Weike Shareholders”	shareholders of Beijing Weike immediately before completion of the acquisition of 33% of the equity interests in Beijing Weike by Shanghai Yongle, namely Mr. Zhang, Mr. Chen Baoji, Ms. Zhao Yan, Mr. Yu Haiying, Mr. Liu Bin and Mr. Chen Bing
“Board”	the board of Directors
“Business Cooperation Agreement”	an agreement dated 23 September 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to, among other things, the scope of business cooperation

“Company”	China Smartpay Group Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the GEM
“Company’s Undertaking”	the undertaking dated 8 August 2014 given by the Company in relation to the contractual arrangements under the New Framework Agreement
“Completion”	completion of the acquisition of 67% interests in Beijing Weike pursuant to the terms and conditions of the Second WK S&P Agreement
“Conditions Precedent”	the conditions precedent to completion of the Second WK S&P Agreement
“Control Agreements”	the Business Cooperation Agreement, the Technical Consultation and Services Agreement, the Pledge Agreements, the Share Disposal Agreements, the Voting Rights Proxy Agreements and the Spouse Consent entered into by the relevant parties at the Framework Completion after fulfillment or waiver (as the case may be) of all the Framework CP
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company proposed to be convened and held to consider and approve, among other things, the entering into of the Option Framework Agreement and the transactions contemplated thereunder (including the entering into of the Option Supplemental Agreement, the New Third Loan Agreement, the Fourth Loan Agreement and the Second WK S&P Agreement)
“Equity Acquisition Right”	an exclusive right granted by Beijing Weike to Shenzhen Yongle for designating a qualified PRC company to acquire 90% of the equity interests in the Licence Company from Beijing Weike at one time during the term of the Exclusive Equity Acquisition Agreement, subject to 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

“Equity Interest Purchase Option”	an exclusive right granted to Shenzhen Yongle to require the Shanghai Yongle Shareholders to fulfill and complete all approval and registration procedures as required under PRC laws so as to allow Shenzhen Yongle to purchase, or designate one or more persons to purchase, the entire equity interests of the Shanghai Yongle Shareholders in Shanghai Yongle or any part thereof
“Exclusive Assets Acquisition Agreement”	an agreement dated 23 September 2014 entered into between the Licence Company and Shenzhen Yongle, pursuant to which the Licence Company shall irrevocably grant an exclusive right to Shenzhen Yongle for acquisition of its assets and business (including but not limited to the prepaid card businesses and the internet payment services)
“Exclusive Equity Acquisition Agreement”	an agreement dated 23 September 2014 entered into between Shenzhen Yongle and Beijing Weike, pursuant to which Beijing Weike shall irrevocably grant an exclusive right to Shenzhen Yongle for acquisition of its 90% equity interests in the Licence Company
“Exercise Notice”	a written notice to be served to Mr. Zhang for the exercise of the Option under the Option Agreement
“First Deposit”	an amount of RMB64 million payable by Shanghai Yongle to Mr. Zhang within 7 days from the date of satisfaction of all Framework CP as the first deposit for the exercise of the Option pursuant to the Option Agreement
“First Loan Agreement”	the loan agreement dated 9 July 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of loan in the amount of RMB80 million by Shenzhen Yongle to Shanghai Yongle
“First Side Letter”	the side letter to the New Framework Agreement dated 31 July 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle
“First WK S&P Supplemental Agreement”	the supplemental agreement to the WK S&P Agreement dated 31 July 2014 entered into between Shanghai Yongle and the Beijing Weike Shareholders

“Fourth Loan Agreement”	the loan agreement to be entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of loan in the amount of RMB169.2 million to Shanghai Yongle by Shenzhen Yongle upon serving of the Exercise Notice
“Framework Completion”	completion of the transactions contemplated under the New Framework Agreement
“Framework CP”	the conditions precedent to the Framework Completion
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Roma Appraisals Limited, an independent professional valuer engaged for conducting the business valuation on the Licence Company
“Licence Company”	開聯通網路技術服務有限公司 (Open Union Network Technology Services Limited*), a company established in the PRC with limited liability which holds the licence to conduct the prepaid card business and internet payment services in the PRC
“Loan Agreements”	the First Loan Agreement, the Second Loan Agreement, the New Third Loan Agreement and the Fourth Loan Agreement
“Loan Arrangements”	the relevant arrangements under the Loan Agreements in relation to the provision of non-interest bearing loans in the aggregate amount of up to RMB468 million by Shenzhen Yongle to Shanghai Yongle in accordance with their respective terms (and the transactions contemplated thereunder)
“MCONE”	MCONE (HONG KONG) LIMITED, a wholly-owned subsidiary of the Company as at the date of this announcement

“Mr. Lin”	Mr. Lin Xiaofeng, the senior vice president overseeing investment of the Company, holding 90% of the equity interests in Shanghai Yongle as at the date of this announcement
“Mr. Wu”	Mr. Wu Mianqing, an employee of the Company, holding 10% of the equity interests in Shanghai Yongle as at the date of this announcement
“Mr. Zhang”	Mr. Zhang Zebin, a PRC citizen holding 67% of the equity interests in Beijing Weike as at the date of this announcement
“New Framework Agreement”	the framework agreement dated 25 May 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle (as amended and supplemented by the New Supplemental Agreement and the Side Letters)
“New Supplemental Agreement”	the supplemental agreement to the New Framework Agreement dated 9 July 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle
“New Third Loan Agreement”	the loan agreement dated 15 October 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of loan in the amount of RMB78.8 million to Shanghai Yongle by Shenzhen Yongle
“Option”	the exclusive option to acquire 67% of the equity interests in Beijing Weike granted by Mr. Zhang to Shanghai Yongle pursuant to the terms of the Option Agreement
“Option Agreement”	the agreement dated 9 July 2014 entered into between Shanghai Yongle and Mr. Zhang in relation to the granting of an exclusive option by Mr. Zhang to Shanghai Yongle to acquire 67% of the equity interests in Beijing Weike at a consideration of RMB312 million (as amended and supplemented by the Option Supplemental Agreement)
“Option Completion”	completion of the transactions contemplated under the Option Framework Agreement
“Option CP”	the conditions precedent to the Option Framework Agreement

“Option Framework Agreement”	the framework agreement dated 15 October 2014 entered into among Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders, Shenzhen Yongle in relation to the exercise of the Option
“Option Supplemental Agreement”	the supplemental agreement to the Option Agreement dated 15 October 2014 entered into between Shanghai Yongle and Mr. Zhang
“PBOC”	the People’s Bank of China
“Placing”	the placing of existing Shares by Tian Li to the placees who are independent third parties pursuant to a placing and subscription agreement dated 10 September 2014 entered into between, among others, the Company and Tian Li
“Pledge Agreement”	the agreements dated 23 September 2014 entered into by each of the Shanghai Yongle Shareholders with Shenzhen Yongle and Shanghai Yongle in relation to the pledge of their respective equity interests in Shanghai Yongle to Shenzhen Yongle
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Adviser”	Grandall Law Firm, the legal adviser to the Company as to PRC laws
“RMB”	Renminbi, the lawful currency in the PRC
“Koolcloud”	Shanghai Koolcloud Technology Co. Limited, an associate company of the Company, and approximately 22.22% interests is owned by the Company as at the date of this announcement
“Second Deposit”	an amount of RMB78.8 million payable by Shanghai Yongle to Mr. Zhang within 3 days from the date of the Option Supplemental Agreement as the second deposit for the exercise of the Option

“Second Loan Agreement”	the loan agreement dated 23 September 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of loan in the amount of RMB140 million to Shanghai Yongle by Shenzhen Yongle
“Second Side Letter”	the side letter to the New Framework Agreement dated 12 August 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle
“Second WK Articles Amendment Agreement”	the agreement dated 15 October 2014 entered into between Mr. Zhang and Shanghai Yongle in relation to the proposed amendments to be made to the WK Articles
“Second WK Resolutions”	the shareholders’ resolutions of Beijing Weike dated 15 October 2014 signed by Mr. Zhang and Shanghai Yongle in relation to the proposed amendments made to the WK Articles
“Second WK S&P Agreement”	the sale and purchase agreement to be entered into between Shanghai Yongle and Mr. Zhang following the exercise of the Option to acquire the remaining 67% equity interests in Beijing Weike from Mr. Zhang
“Second WK S&P Supplemental Agreement”	the supplemental agreement to the WK S&P Agreement dated 12 August 2014 entered into between Shanghai Yongle and the Beijing Weike Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended and supplemented from time to time)
“Shanghai Yongle”	上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Limited*), a company established on 27 May 2014 in Shanghai, the PRC with limited liability, which is owned by Mr. Lin and Mr. Wu as to 90% and 10% respectively
“Shanghai Yongle Shareholders”	Mr. Lin and Mr. Wu
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Share Disposal Agreements”	the agreements dated 23 September 2014 entered into by each of the Shanghai Yongle Shareholders with Shenzhen Yongle and Shanghai Yongle in relation to the sale and purchase of their respective equity interests in Shanghai Yongle
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder A”	開聯信息技術有限公司 (Kai Lian Information Technology Limited*), a company established in the PRC with limited liability, which is one of the shareholders holding 10% of the equity interests in the Licence Company as at the date of this announcement, the business scope of which includes, among others, provision of internet services, development of new and high-end technology and development and sale of computer software and telecommunication equipment
“Shenzhen Yongle”	深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Side Letters”	the First Side Letter, the Second Side Letter and the Third Side Letter
“Spouse Consent”	the letter of consent dated 23 September 2014 signed by the spouse of Mr. Lin in relation to dealing of the equity interests in Shanghai Yongle held by, and registered under the name of, Mr. Lin
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber’s Subscription”	the subscription of new Shares at by an independent third party pursuant to a subscription agreement dated 10 September 2014 entered into between the Company and the aforesaid independent third party
“Technical Consultation and Services Agreement”	the agreement dated 23 September 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of technical consultation and services to Shanghai Yongle by Shenzhen Yongle

“Third Loan Agreement”	an agreement to be entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of loan in the amount of RMB248 million to Shanghai Yongle by Shenzhen Yongle upon the exercise of the Option as contemplated under the New Framework Agreement
“Third Side Letter”	the side letter to the New Framework Agreement dated 29 August 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle
“Tian Li”	Tian Li Holdings Limited, which is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee, the sister of Mr. Cheng, respectively, is a substantial shareholder of the Company as at the date of this announcement
“Top-up Subscription”	the subscription of new Shares by Tian Li pursuant to a placing and subscription agreement dated 10 September 2014 entered into between, among others, the Company and Tian Li
“Transaction”	the acquisition of 67% of the equity interests in Beijing Weike by Shanghai Yongle upon the exercise of the Option
“Undertakings”	the undertakings dated 23 September 2014 provided by each of the Shanghai Yongle Shareholders
“Voting Rights Proxy Agreements”	the agreements dated 23 September 2014 entered into by each of the Shanghai Yongle Shareholders with Shenzhen Yongle and Shanghai Yongle in relation to entrusting Shenzhen Yongle (or its designee) as the proxy of each of the Shanghai Yongle Shareholders to vote at the shareholders’ meeting of Shanghai Yongle and to execute of all necessary documents to be signed by shareholders of Shanghai Yongle, minutes of Shanghai Yongle and any documents for registration to be lodged with the relevant authorities for and on behalf of the Shanghai Yongle Shareholders
“WK Articles”	the articles of association of Beijing Weike

“WK Pledge Agreement”	the agreement dated 9 July 2014 entered into among Shenzhen Yongle, Beijing Weike, the Beijing Weike Shareholders and Shanghai Yongle in relation to the pledge of the equity interests in Beijing Weike by the Beijing Weike Shareholders to Shanghai Yongle and, upon Completion, to Shenzhen Yongle
“WK S&P Agreement”	the sale and purchase agreement dated 9 July 2014 entered into between Shanghai Yongle and the Beijing Weike Shareholders in relation to the acquisition of 33% of the equity interests in Beijing Weike by Shanghai Yongle at a consideration of RMB156 million (as amended and supplemented by the WK S&P Supplemental Agreements)
“WK S&P Supplemental Agreements”	the First WK S&P Supplemental Agreement and the Second WK S&P Supplemental Agreement

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

Hong Kong, 15 October 2014

As at the date of this announcement, the Board comprises (i) four executive Directors, namely, Mr. Cheng Nga Ming Vincent, 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 for at least 7 days from the date of its posting and on the Company’s website at www.chinasmartpay.com.

* *for identification purpose only*