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**China Smartpay Group Holdings Limited**

**中國支付通集團控股有限公司**

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

**(Stock Code: 8325)**

**(1) DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED  
SHARE CAPITAL OF AE INVESTMENT CONSULTING LIMITED  
INVOLVING ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE  
AND  
(2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

**THE SALE AND PURCHASE AGREEMENT**

On 20 April 2015 after trading hours, the Purchaser and the Vendors entered into the Sale and Purchase Agreement pursuant to which, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company.

The Consideration shall initially be HK\$300 million (subject to downward adjustments) for the Sale Shares in accordance with the Sale and Purchase Agreement. The Consideration shall be satisfied by the Purchaser in the following manner:

- (i) HK\$1 million to be paid in cash as non-refundable deposit immediately upon the signing of the Sale and Purchase Agreement to the Vendors;
- (ii) HK\$36.5 million to be paid in cash on the Completion Date to the Vendors;

- (iii) HK\$137.5 million to be paid in cash and to be directed by the Vendors to apply such sum towards the payment of the subscription price payable by the Vendors under the Subscription Agreement, the completion of which shall take place within five (5) Business Days after the Completion Date; and upon such completion, the payment obligation of the Purchaser shall be deemed to have been fully satisfied and discharged;
- (iv) HK\$54 million (subject to downward adjustments) to be settled by the allotment and issue of the Second Tranche Consideration Shares to the Vendors within one month after the issuance of the 2015 Audited Accounts; and
- (v) HK\$71 million (subject to downward adjustments) to be settled by the allotment and issue of the Third Tranche Consideration Shares to the Vendors within one month after the issuance of the 2016 Audited Accounts.

In the event that the price of the Share as quoted on the Stock Exchange on the Business Day prior to the proposed date of issue of the Second Tranche Consideration Shares and/or the Third Tranche Consideration Shares is less than the Issue Price, the Vendors have an option to elect the Second Tranche Consideration and/or the Third Tranche Consideration to be settled in cash, provided that the Company is satisfied that it has sufficient cash for such settlement.

The initial Consideration is subject to adjustments on the basis of the Performance Targets as set out in the Sale and Purchase Agreement.

The Consideration Shares comprising 58,139,534 Shares represent approximately 5.61% of the existing issued share capital of the Company and approximately 5.31% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

## **SUBSCRIPTION OF NEW SHARES**

On the same day, simultaneously upon the signing of the Sale and Purchase Agreement, the Company entered into the Subscription Agreement with the Vendors, pursuant to which the Company has agreed to issue and the Vendors have agreed to subscribe 63,953,488 Subscription Shares at the Subscription Price on the terms and subject to the conditions set out in the Subscription Agreement.

The Subscription Price was determined after arm's length negotiation between the Company and the Vendors with reference to the market prices of the Shares, the recent trading volume of the Shares and the prospects of the Group. The 63,953,488 Subscription Shares represent (i) approximately 6.17% of the existing issued share capital of the Company of 1,036,800,000 Shares as at the date of this announcement; and (ii) approximately 5.81% of the issued share capital of the Company of 1,100,753,488 Shares as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription.

The Subscription Shares shall be issued pursuant to a Specific Mandate to be sought at the EGM.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Acquisition exceed 5% but do not exceed 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirement under the GEM Listing Rules.

The Company will seek approval for, among other things, the Specific Mandate from the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

### **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares, (ii) the Subscription Agreement and the transaction contemplated thereunder and (iii) the Specific Mandate.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) further details of the Subscription Agreement; (iii) details of the Specific Mandate; and (iv) the notice of the EGM together with the proxy form will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules which is expected to be on or before 12 May 2015.

## **INTRODUCTION**

On 20 April 2015 after trading hours, the Purchaser and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms and conditions of the Sale and Purchase Agreement are as follows:

### **Date:**

20 April 2015

### **Parties:**

Purchaser: Firm Idea Limited, a direct wholly-owned subsidiary of the Company

Vendors: (1) Mr. Zhang Junzhen;

(2) Mr. Ru Tianshu;

(3) Mr. Shan Wei Dong;

(4) Mr. Li Dong Hai; and

(5) Mr. Fan Peng Kun.

As at the date of this announcement, 100,000,000 shares of the Target Company, being all its issued share capital, are legally and beneficially owned by the Vendors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

## **Assets to be Acquired**

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing all the issued share capital of the Target Company.

The Target Company is the legal and beneficial owner of the entire registered capital of the WFOE, which in turn has entered into a series of VIE Contracts with the OPCO. Through the VIE Contracts, the WFOE has effective control over the financing and operations of the OPCO, a company incorporated in the PRC with limited liability, and enjoy the economic benefits generated by the OPCO, and the entire economic interest and benefits of the OPCO. The OPCO is primarily engaged in the issuance and sales of prestige benefits cards (the “**Benefits Card**”) to premium consumers and financial institutions.

## **Consideration**

The Consideration shall initially be HK\$300 million for the Sale Shares (subject to downward adjustments as detailed in the section headed “Performance Targets and Consideration Adjustments” below) in accordance with the Sale and Purchase Agreement. The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors after taking into account, among others, (i) the Performance Targets (as defined below) of the OPCO Group; (ii) the latest unaudited net asset value of the Target Group; (iii) the operating performance of the OPCO including but not limited to the number of registered users, etc.; (iv) the business prospect of the Target Group; (v) the payment terms of the Consideration; and (vi) the opportunity for the Company to enter into the Benefits Card industry in the PRC as a result of the Acquisition. Further details on the development of the Benefits Card industry in the PRC are set out in the section headed “Reasons for and Benefits of the Acquisition” below.

The Consideration shall be satisfied by the Purchaser in the following manner:

- (i) HK\$1 million to be paid in cash as non-refundable deposit immediately upon the signing of the Sale and Purchase Agreement to the Vendors as follows:
  - (a) HK\$296,900 to Mr. Zhang Junzhen (or as he may direct);
  - (b) HK\$286,500 to Mr. Ru Tianshu (or as he may direct);
  - (c) HK\$20,800 to Mr. Shan Wei Dong (or as he may direct);
  - (d) HK\$197,900 to Mr. Li Dong Hai (or as he may direct); and

- (e) HK\$197,900 to Mr. Fan Peng Kun (or as he may direct),
- (ii) HK\$36.5 million to be paid in cash on the Completion Date to the Vendors as follows:
  - (a) HK\$10,836,850 to Mr. Zhang Junzhen (or as he may direct);
  - (b) HK\$10,457,250 to Mr. Ru Tianshu (or as he may direct);
  - (c) HK\$759,200 to Mr. Shan Wei Dong (or as he may direct);
  - (d) HK\$7,223,350 to Mr. Li Dong Hai (or as he may direct); and
  - (e) HK\$7,223,350 to Mr. Fan Peng Kun (or as he may direct),
- (iii) HK\$137.5 million to be paid in cash and to be directed by the Vendors to apply such sum towards the payment of the subscription price payable by the Vendors under the Subscription Agreement, the completion of which shall take place within five (5) Business Days after the Completion Date; and upon such completion, the payment obligation of the Purchaser for such sum of HK\$137.5 million shall be deemed to have been fully satisfied and discharged;
- (iv) HK\$54 million (subject to downward adjustments) to be settled by the allotment and issue of the Second Tranche Consideration Shares to the Vendors within one month after the issuance of the 2015 Audited Accounts as follows:
  - (a) up to 7,457,023 Second Tranche Consideration Shares to Mr. Zhang Junzhen (or as he may direct);
  - (b) up to 7,195,814 Second Tranche Consideration Shares to Mr. Ru Tianshu (or as he may direct);
  - (c) up to 522,418 Second Tranche Consideration Shares to Mr. Shan Wei Dong (or as he may direct);
  - (d) up to 4,970,512 Second Tranche Consideration Shares to Mr. Li Dong Hai (or as he may direct); and
  - (e) up to 4,970,512 Second Tranche Consideration Shares to Mr. Fan Peng Kun (or as he may direct),

- (v) HK\$71 million (subject to downward adjustments) to be settled by the allotment and issue of the Third Tranche Consideration Shares to the Vendors within one month after the issuance of the 2016 Audited Accounts as follows:
- (a) up to 9,804,604 Third Tranche Consideration Shares to Mr. Zhang Junzhen (or as he may direct);
  - (b) up to 9,461,163 Third Tranche Consideration Shares to Mr. Ru Tianshu (or as he may direct);
  - (c) up to 686,884 Third Tranche Consideration Shares to Mr. Shan Wei Dong (or as he may direct);
  - (d) up to 6,535,302 Third Tranche Consideration Shares to Mr. Li Dong Hai (or as he may direct); and
  - (e) up to 6,535,302 Third Tranche Consideration Shares to Mr. Fan Peng Kun (or as he may direct),

In the event that the price of the Share as quoted on the Stock Exchange on the Business Day prior to the proposed date of issue of the Second Tranche Consideration Shares and/or the Third Tranche Consideration Shares is less than the Issue Price, the Vendors shall have an option to elect the Second Tranche Consideration and/or the Third Tranche Consideration to be settled in cash, provided that the Company is satisfied that it has sufficient cash for such settlement.

The initial Consideration is subject to adjustments on the basis of the Performance Targets as set out in the Sale and Purchase Agreement.

The Consideration Shares comprising 58,139,534 Shares represent approximately 5.61% of the existing issued share capital of the Company and approximately 5.31% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. The Consideration Shares shall be allotted and issued pursuant to a Specific Mandate to be sought at the EGM.

## **Performance Targets and Consideration Adjustments**

The initial Consideration is subject to adjustments on the basis of the following performance targets of the Target Group:–

- (i) 2015 Net Profit shall not be less than RMB30,000,000 (the “**2015 Performance Target**”); and
- (ii) 2016 Net Profit shall not be less than RMB40,000,000 (the “**2016 Performance Target**” and together with the 2015 Performance Target, the “**Performance Targets**”).

In the event that the 2015 Net Profit and the 2016 Net Profit shall be less than the 2015 Performance Target and the 2016 Performance Target, respectively, the Second Tranche Consideration and the Third Tranche Consideration shall be adjusted on the following manner:

### **(i) Adjustments for the Second Tranche Consideration**

Subject to below, the Second Tranche Consideration will be adjusted based on the following formula:

$$\text{Second Tranche Consideration} = \text{HK\$54 million} \times (A/B)$$

where

A = 2015 Net Profit

B = 2015 Performance Target

For the avoidance of doubt, in the event that the Target Group suffered a loss as appeared in the 2015 Audited Accounts, the 2015 Net Profit shall be deemed to be zero.

### **(ii) Adjustments for the Third Tranche Consideration**

Subject to below, the Third Tranche Consideration will be adjusted based on the following formula

$$\text{Third Tranche Consideration} = \text{HK\$71 million} \times (X/Y)$$

where

X = 2016 Net Profit

Y = 2016 Performance Target

For the avoidance of doubt, in the event that the Target Group suffered a loss as appeared in the 2016 Audited Accounts, the 2016 Net Profit shall be deemed to be zero.



### (iii) Reimbursement for the Second Tranche Consideration

In the event that there is a shortfall between the 2015 Net Profit and the 2015 Guaranteed Profit (“**Shortfall**”) and the Second Tranche Consideration is adjusted in accordance with the terms and conditions of the Sale and Purchase Agreement and that subsequently, there is a surplus between the 2016 Net Profit and the 2016 Guaranteed Profit (“**Surplus**”), the Purchaser shall reimburse the Vendors a sum (“**Reimbursement Sum**”) calculated as follows:

$$\text{Reimbursement Sum} = \text{HK\$54 million} \times (M/N)$$

where M = a sum equal to the amount of the Surplus provided that if such sum exceeds the amount of the Shortfall, such sum shall be equal to the amount of the Shortfall

N = the 2015 Guaranteed Profit

which Reimbursement Sum shall be settled by the allotment and issue of Shares (“**Adjustment Shares**”) at the Issue Price within one (1) month after the issuance of the 2016 Audited Accounts.

### Conditions Precedent of the Acquisition

Completion of the Acquisition is conditional upon satisfaction or waiver (as the case may be):

- i. the Purchaser having completed a due diligence review of the Target Group, the results of which being satisfactory to the Purchaser;
- ii. the Purchaser having obtained a PRC legal opinion issued by a PRC law firm acceptable to the Purchaser in the form and substance satisfactory to the Purchaser covering the due incorporation, shareholders, regulatory compliance, taxation issues and scope of business of the WFOE and the OPCO, the legality, validity and enforceability of the VIE Contracts and other matters as reasonably requested by the Purchaser;
- iii. the Shareholders having approved the Sale and Purchase Agreement and the Subscription Agreement and all the transactions contemplated thereunder in a general meeting of the Company in accordance with the GEM Listing Rules;

- iv. the parties having obtained all necessary third party consents, approvals, authorisations, waivers, clearances and certifications in relation to the transactions contemplated under the Sale and Purchase Agreement and other relevant matter;
- v. the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and such approval not having been revoked;
- vi. the Company having complied with all applicable GEM Listing Rules (including but not limiting to the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by Shareholders in a general meeting, if required);
- vii. the representations, warranties and undertakings given by the Vendors (the “**Warranties**”) having remained true, accurate and not misleading in all material respects and there having been no breach of any of the Warranties in any respect by the Vendors; and
- viii. the Subscription Agreement having become unconditional (save for the satisfaction of the condition for the Sale and Purchase Agreement having become unconditional).

The Purchaser and the Vendors shall use their respective best endeavours to procure the fulfillment of the Conditions set out in paragraphs (i) to (viii) above as soon as possible but in any event by no later than 4:00 p.m. on the Long Stop Date. The Purchaser may in its absolute discretion at any time waive in writing any one or more of the Conditions set out in paragraphs (i), (ii) and (vii) above either in whole or in part and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser. For the avoidance of doubt, the Conditions set out in paragraphs (iii), (iv), (v), (vi) and (viii) above cannot be waived in any event.

If all the Conditions are not fulfilled or waived by the Purchaser in writing on or before 4:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall lapse and be of no further effect and no party shall have any claim against, or liability or obligation to, the other party save in respect of any antecedent breaches of the Sale and Purchase Agreement.

### **Completion of the Acquisition**

Subject to all the Conditions being fulfilled (or where applicable waived by the Purchaser in writing), Completion shall take place at or before 3:00 p.m. on the Completion Date.

## **THE CONSIDERATION SHARES**

The Second Tranche Consideration and the Third Tranche Consideration of HK\$54 million and HK\$71 million respectively shall be paid by way of issue and allotment of the Second Tranche Consideration Shares and the Third Tranche Consideration Shares by the Company to the Vendors within one (1) month after the issuance of the 2015 Audited Accounts and the 2016 Audited Accounts respectively at the Issue Price of HK\$2.15 per Consideration Share.

Assuming that no adjustments are to be made, the Consideration Shares represent (i) approximately 5.61% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.31% of the total issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

The Consideration Shares shall be issued and allotted under a Specific Mandate to be sought at the EGM. The Consideration Shares when issued and allotted shall rank pari passu in all respects with all other existing Shares outstanding on the Completion Date. Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

## **THE ISSUE PRICE**

The Issue Price of the Consideration Shares is HK\$2.15 per Share, which represents:

- (i) a premium of approximately 8.04% over the closing price of HK\$1.990 per Share as quoted on the Stock Exchange on the Last Trading Day, being the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 2.80% to the average closing price of approximately HK\$2.212 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 7.72% over the average closing price of approximately HK\$1.996 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 359.40% over the consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.468 as at 30 September 2014, calculated based on the latest published consolidated net asset attributable to the Shareholders of the Company of approximately HK\$485,593,000 as at 30 September 2014 and 1,036,800,000 Shares issued as at the date of this announcement.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendors with reference to, among other things, the historical trading prices of the Shares and the net asset value per Share. Having considered that (i) the payment method of issuing the Consideration Shares will enlarge the equity base of the Company, (ii) the Issue Price represents a substantial premium to the Company's latest published consolidated net asset value per Share; and (iii) the recent trading performance of the Shares, the Directors consider the Issue Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **SUBSCRIPTION OF NEW SHARES**

On 20 April 2015, the Company entered into the Subscription Agreement with the Vendors. The principal terms and conditions of the Subscription Agreement are summarised below:

**Date:** 20 April 2015

**Parties:** (1) the Company;  
(2) Mr. Zhang Junzhen;  
(3) Mr. Ru Tianshu;  
(4) Mr. Shan Wei Dong;  
(5) Mr. Li Dong Hai; and  
(6) Mr. Fan Peng Kun

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendors are Independent Third Party prior to the entering into of the Subscription Agreement and the Vendors and their associates do not hold any Shares as at the date of this announcement.

## **The Subscription Shares**

Subject to fulfillment of the Subscription Conditions and the terms and conditions set out in the Subscription Agreement, the Company has agreed to issue and the Vendors have agreed to subscribe 63,953,488 Subscription Shares at the Subscription Price set out below:

	<b>Number of Subscription Shares</b>	<b>Amount of Subscription Price</b>
Mr. Zhang Junzhen	18,987,791 Subscription Shares	HK\$40,823,750 based on the price of HK\$2.15 per each Subscription Share
Mr. Ru Tianshu	18,322,674 Subscription Shares	HK\$39,393,750 based on the price of HK\$2.15 per each Subscription Share
Mr. Shan Wei Dong	1,330,233 Subscription Shares	HK\$2,860,000 based on the price of HK\$2.15 per each Subscription Share
Mr. Li Dong Hai	12,656,395 Subscription Shares	HK\$27,211,250 based on the price of HK\$2.15 per each Subscription Share
Mr. Fan Peng Kun	12,656,395 Subscription Shares	HK\$27,211,250 based on the price of HK\$2.15 per each Subscription Share

The 63,953,488 Subscription Shares represent (i) approximately 6.17% of the existing issued share capital of the Company of 1,036,800,000 Shares as at the date of this announcement; (ii) approximately 5.81% of the issued share capital of the Company of 1,100,753,488 Shares as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription.

The aggregate nominal value of 63,953,488 Subscription Shares will be HK\$639,534.88.

## **Ranking of the Subscription Shares**

The Subscription Shares, when issued and fully paid up, shall rank pari passu among themselves and with all of the Shares in issue at the Subscription Completion Date.

## **The Subscription Price**

The Subscription Price of HK\$137.5 million is calculated based on the subscription price of HK\$2.15 per Subscription Share, which represents: (i) a premium of approximately 8.04% to the closing price of HK\$1.990 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 2.80% to the average closing price of HK\$2.212 per Share as quoted on the Stock Exchange for the five trading days of the Share immediately prior to and including the Last Trading Day.

The Subscription Price was determined with reference to the prevailing market price, the recent trading volume of the Shares and the prospects of the Group and was negotiated on an arm's length basis between the Company and the Vendors. The Board (including the independent non-executive Directors) considers that the Subscription Price and the terms of the Subscription are fair and reasonable and that the Subscription is in the interests of the Company and the Shareholders as a whole. The Subscription Price represents the relevant amount of the proceeds receivable by the Vendors from the Acquisition in the sum of HK\$137.5 million, which proceeds shall be applied towards the payment of Subscription by the Vendors.

The Company and the Vendors shall bear all their own legal, accountancy and other costs and expenses incurred in connection with the preparation, negotiation and settlement of the Subscription Agreement. Capital fees, stamp duty and all other fees and duties (if any) relating to the allotment and issue of the Subscription Shares and the fulfillment of the conditions of the Subscription shall be borne by the Company.

The gross proceeds arising from the Subscription will be approximately HK\$137.5 million and the net proceeds arising from the Subscription will be approximately HK\$137.4 million. Based on the estimated expenses for the Subscription, the net subscription price for the Subscription is approximately HK\$2.148 per Subscription Share.

## **Conditions of the Subscription**

Completion of the Subscription is conditional upon the fulfillment of the following conditions:

- (i) the Shareholders should have approved the Subscription Agreement and the Sale and Purchase Agreement, and all the transactions contemplated thereunder in a general meeting of the Company in accordance with the GEM Listing Rules;
- (ii) the GEM Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject only to conditions to which neither the Company nor the Vendors shall reasonably object) the listing of, and permission to deal in, the Subscription Shares;
- (iii) the Sale and Purchase Agreement shall have become unconditional (save for the satisfaction of the condition for the Subscription Agreement having become unconditional); and
- (iv) any other approval as may be required by applicable laws, rules or regulations for the Subscription.

If the Subscription Conditions set out in paragraphs (i) to (iv) above are not fulfilled on or before 30 June 2015 or such later date as may be agreed between the Company and the Vendors, the Subscription Agreement will lapse and become null and void and the Company and the Vendors will be released from all obligations hereunder, save for the liabilities for any antecedent breaches hereof.

## **Completion of the Subscription**

Subject to satisfaction of the Subscription Conditions, Subscription Completion under the Subscription Agreement shall take place on the Subscription Completion Date, at such place and at such time as Company and the Vendors may agree.

Upon Subscription Completion, the Vendors will become the beneficial owner of 63,953,488 Subscription Shares, representing (i) approximately 6.17% of the existing issued share capital of the Company of 1,036,800,000 Shares and (ii) approximately 5.81% of the issued share capital of the Company of 1,100,753,488 Shares as enlarged by the allotment and issue of the Subscription Shares.

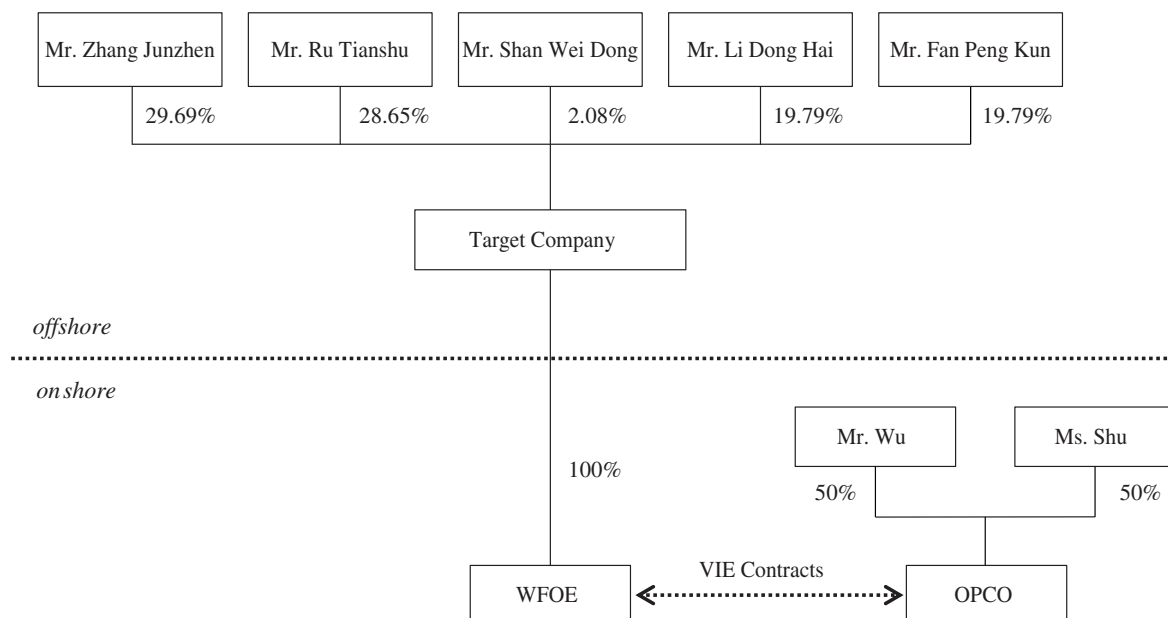
## INFORMATION OF THE TARGET GROUP

### The Target Company and Its Subsidiaries

The Target Company is an investment holding company incorporated in Hong Kong with limited liability. The entire issued share capital of the Target Company is legally and beneficially owned by as to 29.69% by Mr. Zhang Junzhen, 28.65% by Mr. Ru Tianshu, 2.08% by Mr. Shan Wei Dong, 19.79% by Mr. Li Dong Hai and 19.79% by Mr. Fan Peng Kun. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

As at the date this announcement, the Target Company owns the entire equity interests of the WFOE, a company incorporated in the PRC with limited liability. The WFOE has an approved business scope of the provision of computer software development, design, production and sales of self-designed products and the wholesaling, import and export of similar computer software products. The WFOE has entered into the VIE Contracts with the OPCO which is incorporated in the PRC and is principally engaged in the operation of issuance and sales of Benefits Card to premium consumers and financial institutions. Pursuant to the VIE Contracts, the WFOE is able to gain control over the financing and business operations of the OPCO, and is entitled to the economic interest and benefits of the OPCO.

Set out below is the shareholding structure of the Target Company as at the date of this announcement:





## **Information on the Registered Shareholders of the OPCO**

The registered shareholders of the OPCO are Mr. Wu and Ms. Shu. Each of Mr. Wu and Ms. Shu owns 50% of the equity interests of the OPCO as at the date of this announcement.

### *Mr. Wu*

Mr. Wu An Yuan (吳安元) is a PRC citizen and a private investor. He is a registered shareholder of the OPCO as at the date of this announcement who holds 50% of the equity interests of the OPCO and is an Independent Third Party. He is the husband of Mr. Shu and a relative of Mr. Ru Tianshu, one of the Vendors.

### *Mr. Shu*

Ms. Shu Yi Jing (舒義靜) is a PRC citizen and a private investor. She is a registered shareholder of the OPCO as at the date of this announcement who holds 50% of the equity interests of the OPCO and is an Independent Third Party. She is the wife of Mr. Wu and is a relative of Mr. Ru Tianshu, one of the Vendors.

## **The VIE Contracts**

### *Background*

The OPCO currently possesses the licence for value-added telecommunications business operation (增值電信業務經營許可證) (the “**Licence**”) issued by 中華人民共和國工業和信息化部 (the Ministry of Industry and Information Technology of the PRC) (“**MIIT**”) which permits the OPCO’s operation of call centre business in the PRC.

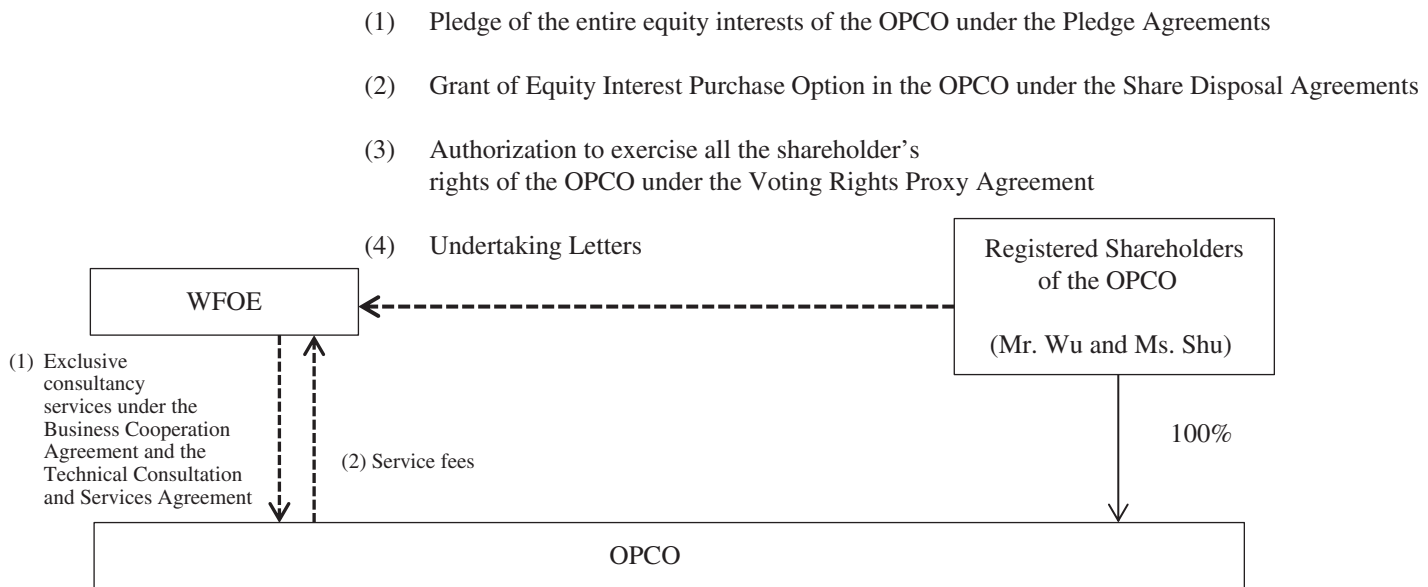
According to the PRC Legal Advisers, the call centre business operated by the OPCO is regulated by the relevant telecommunications regulatory departments of the PRC and is a type of value-added telecommunications business in which foreign investment is restricted. Foreign investment in such business is subject to the pre-approval by the MIIT. According to 外商投資電信企業管理規定 (the Provisions on the Administration of Foreign-funded Telecommunications Enterprises) (the “**Provision**”), the ultimate proportion of contribution of the foreign investors of a foreign-funded telecommunications enterprise that is engaged in the value-added services (including the radio paging business in the basic telecommunications services) shall not be more than 50%. In addition, according to 外商投資產業指導目錄(2015年修訂) (the Catalogue of Industries for Guiding Foreign Investment (2015 Amended)), value-added telecommunications business is a business with restricted foreign investment and foreign ownership in such business cannot exceed 50% (except for e-commerce business).

The acquisition of the entire equity interests of the OPCO by the Company, either directly or indirectly through its subsidiaries, will exceed the upper limit of 50% of the shareholding of the foreign ownership of the OPCO as set out in the Provision. Based on the above, the PRC Legal Adviser is of the view that the MIIT will not approve the acquisition of the OPCO by the Company, either directly or indirectly through its subsidiaries.

The WFOE, the OPCO and the OPCO Shareholders have entered into the VIE Contracts to enable the financial results, the entire economic benefits and the risks of the businesses of the OPCO to flow onto the WFOE and to enable the WFOE to gain control over the OPCO. Each of the OPCO Shareholders has also entered into an Undertaking Letter to safeguard the interest of the WFOE and its direct or indirect shareholders.

*Details of the VIE Contracts*

The following simplified diagram illustrates the flow of economic benefits from the OPCO to the WFOE stipulated under the VIE Contracts:



*Notes:*

For details, please refer to the corresponding numbered paragraphs below.

“ —————> ” denotes direct legal and beneficial ownership in the equity interest

“ - - - - -> ” denotes contractual relationship under the VIE Contracts

The details of the VIE Contracts are summarized as follows:

**(i) Business Cooperation Agreement**

Date: 12 March 2015

Parties: (i) the WFOE; and  
(ii) the OPCO.

Term: The Business Cooperation Agreement shall take effect from the date of its execution and shall remain effective unless it is terminated by the WFOE by giving 30 days' prior written notice to the OPCO or is required to be terminated under applicable PRC laws and regulations.

Services: Pursuant to the Business Cooperation Agreement, the OPCO appointed the WFOE as its exclusive service provider to provide complete technical support, business support and related consulting services during the term of the Business Cooperation Agreement in accordance with its terms and conditions, which may include all necessary services within the scope of the OPCO's business as may be determined from time to time by the OPCO and consented by the WFOE, such as technical services, business consultations, equipment or property leasing, marketing consultancy, system integration, product research and development, system maintenance.

Fees: Details of the services to be provided by the WFOE to the OPCO, the service fees and the payment terms are set out in the Technical Consultation and Services Agreement.

**(ii) Technical Consultation and Services Agreement**

Date: 12 March 2015

Parties: (i) the WFOE; and  
(ii) the OPCO.

**Term:** The Technical Consultation and Services Agreement shall be effective perpetually from the date of its execution until the WFOE agrees in writing to its termination.

**Services:** Pursuant to the Technical Consultation and Services Agreement, the WFOE is the exclusive consultation and service provider of the OPCO and shall provide consultation and services to the OPCO in the areas of funding, human resources, technology and intellectual properties. The consultation and services to be provided by the WFOE include (i) research and development of the relevant software and technology according to the needs of the OPCO's business and shall grant the OPCO the right to use the relevant software and technology; (ii) development, design, monitoring, testing and troubleshooting of the computer network equipment and website(s) of the OPCO; (iii) providing training and technical support to the staff of the OPCO; and (iv) providing consultation services regarding the marketing of the OPCO.

**Fees:** The OPCO shall pay an annual service fee of RMB1 million to the WFOE for the technical consultation services under the Technical Consultation and Services Agreement. Such fees will be payable on quarterly basis and shall be settled within 15 business days after the beginning of the relevant quarter. Nevertheless, in the event that the OPCO does not have sufficient working capital to settle the service fees, the OPCO has the right not to settle such fees.

Apart from the abovementioned annual service fees, the OPCO shall also, based on the actual amount of technical consultation and services provided by the WFOE under the Technical Consultation and Services Agreement in the relevant quarter, pay a quarterly floating service fee to the WFOE. Such floating fees shall be in the amount equivalent to the net income of the OPCO in the relevant quarter, including but not limited to, its revenue in each quarter or to be determined after taking into account, among other things, the number and qualification of the staff deployed to provide services and the time spent to provide the services for the relevant quarter.

### **(iii) Pledge Agreements**

Date: 12 March 2015

Parties: (i) the WFOE (as pledgee);  
(ii) OPCO Shareholders (each of them entered into the Pledge Agreement separately) (as pledgor); and  
(iii) the OPCO.

Pledge: Pursuant to the Pledge Agreements, each of the OPCO Shareholders pledged to the WFOE his/her respective equity interests in the OPCO as security for the full performance by the OPCO Shareholders and the OPCO of their obligations under the VIE Contracts and the timely and full payment of fees payable to the WFOE under the VIE Contracts (including but not limited to the consultation and service fees).

The pledge shall take effect from the date of registration of the same with the relevant AIC and shall remain effective until the abovementioned registration is discharged or released. The parties agreed that within three business days following the execution of the Pledge Agreements, the OPCO Shareholders and the OPCO shall register the pledge in the shareholders' register of the OPCO.

Prior to the full payment of the consultation and service fees under the VIE Contracts, the WFOE shall have the right to release the pledge under the Pledge Agreements.

Termination: If (i) the VIE Contracts (other than the Pledge Agreements) are terminated in accordance with their respective terms; (ii) the OPCO shall no longer be held responsible for any obligations under the VIE Contracts; and (iii) the WFOE agrees in writing to terminate the Pledge Agreements, the Pledge Agreements shall be terminated and the WFOE shall then release the equity pledge under the Pledge Agreements as soon as reasonably practicable.

Undertakings: The OPCO Shareholders and the OPCO undertake to the WFOE, among other things, that:

- (i) unless with the prior written consent of the WFOE, the OPCO shall not commence any operation activities (other than its ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;
- (ii) they shall maintain the asset value of the OPCO and shall not conduct any act or omission which will affect the operating conditions and asset value of the OPCO; and
- (iii) unless with the prior written consent of the WFOE, the OPCO shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business).

**(iv) Share Disposal Agreements**

Date: 12 March 2015

- Parties:
- (i) the WFOE;
  - (ii) the OPCO; and
  - (iii) the OPCO Shareholders.

**Option:** In consideration of the payment of RMB1 by the WFOE, the OPCO Shareholders irrevocably agreed that on the condition that it is permitted by the PRC laws, the WFOE has the right to require the OPCO Shareholders to fulfill and complete all approval and registration procedures as required under PRC laws so as to allow the WFOE to purchase, or designate one or more persons (each, a “**Designee**”) to purchase, the entire equity interests of the OPCO Shareholders in the OPCO or any part thereof, at one or multiple time(s) at any time at the WFOE’s sole and absolute discretion and at the lowest price as permitted by the laws of PRC at the relevant time (such right being the “**Equity Interest Purchase Option**”). The WFOE’s Equity Interest Purchase Option shall be exclusive. The OPCO agrees to the grant by the OPCO Shareholders of the Equity Interest Purchase Option to the WFOE.

Without the prior written consent of the WFOE, the OPCO Shareholders shall not assign or delegate its rights and obligations under the Share Disposal Agreements.

**Term:** The Share Disposal Agreements shall take effect from the date of its execution and shall remain effective until all the equity interests in the OPCO owned by the OPCO Shareholders have been legally transferred to the WFOE or the Designee(s) in accordance with the terms of the Share Disposal Agreements.

**Undertakings:** The OPCO Shareholders and the OPCO undertake to the WFOE, among other things, that:

- (i) unless with the prior written consent of the WFOE, the OPCO shall not commence any operation activities (other than its ordinary and usual business) and shall not incur, inherit, provide guarantee for or allow the existence of, any liability;
- (ii) they shall maintain the asset value of the OPCO and shall not conduct any act or omission which will affect the business operations and asset value of the OPCO; and
- (iii) unless with the prior written consent of the WFOE, the OPCO shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business).

As advised by the PRC Legal Adviser, under the current PRC laws, the current legal or regulatory restriction in exercising the Equity Interest Purchase Option is 外商投資電信企業管理規定 (the Provisions on the Administration of Foreign-funded Telecommunications Enterprises) and 外商投資產業指導目錄 (2015年修訂) (the Catalogue of Industries for Guiding Foreign Investment (2015 Amended)). Furthermore, even if the foreign ownership restriction is relaxed, the transfer of the equity interests in the OPCO from the OPCO Shareholders to the Group may still be subject to substantial costs.

**(v) Voting Rights Proxy Agreements**

Date: 12 March 2015

Parties: (i) the WFOE;  
(ii) the OPCO; and  
(iii) the OPCO Shareholders.

Proxy of voting rights: Pursuant to the Voting Rights Proxy Agreements, the WFOE (or its designee, which can be a director or his/her successor of the direct or indirect shareholder of the WFOE (including a liquidator replacing such director and his/her successor)) will have the power to, inter alia, exercise all shareholder's voting rights with respect to all matters to be discussed and voted in the shareholders' meeting of the OPCO, including but not limited to designation and appointment of, among others, the director, the chief executive officer and other senior management members of the OPCO, and execution of all necessary documents to be signed by the shareholders of the OPCO, minutes of the OPCO and any documents for registration to be lodged with relevant authority for and on behalf of the OPCO Shareholders.

Term: The Voting Rights Proxy Agreements shall be effective perpetually from the date of its execution until the WFOE agrees in writing to its termination.

Undertaking: The OPCO Shareholders and the OPCO undertake to the WFOE, among other things, that:



- (i) unless with the prior written consent of the WFOE, the OPCO shall not commence any operation activities (other than its those ordinary and usual business) and shall not incur, inherit, provide guarantee for, or allow the existence of, any liability;
- (ii) they shall maintain the asset value of the OPCO and shall not conduct any act or omission which will affect the operating conditions and asset value of the OPCO; and
- (iii) unless with the prior written consent of the WFOE, the OPCO shall not enter into any agreements with other party (other than those entered into in its ordinary and usual course of business).

**(vi) Spouse Consent**

Date: 12 March 2015

Parties: the OPCO Shareholders

Particulars: Pursuant to the Spouse Consent, the spouse of each of the OPCO Shareholders confirmed, inter alia, (i) that he/she does not have any interests in the equity interests in the OPCO held by his/her spouse and undertakes not to make any claim in relation to such interests in the OPCO; (ii) confirms that the Pledge Agreement, the Share Disposal Agreement and the Voting Rights Proxy Agreement entered into by each of the OPCO Shareholders and any amendment or termination of such documents do not require his/her consent; (iii) undertakes to sign all the necessary documentation and do all necessary acts to ensure the proper performance of the aforesaid documents; and (iv) undertakes that if he/she is, due to whatsoever reason, entitled to any equity interests in the OPCO held by his/her spouse, he/she will be bound by the obligations as its shareholder under those documents (as amended from time to time), and to notify the WFOE immediately of any breach of such documents or any material change of the OPCO and to assist the WFOE in protecting its legitimate rights and obligations under those documents.

## **(vii) Undertaking Letters**

Each of the OPCO Shareholders has provided an Undertaking Letter to safeguard the interests of the WFOE and its direct or indirect shareholders:

The undertakings of the OPCO Shareholders under the Undertaking Letters are as follows:

- (i) to follow the instructions of the WFOE in relation to the amendments to or termination of the VIE Contracts for compliance with (i) the laws, regulations and rules in the PRC (as amended from time to time); (ii) the GEM Listing Rules and the relevant rules and requirements as promulgated or amended from time to time; and (iii) the approval of Shareholders (other than those required to abstain from voting under the GEM Listing Rules) at the general meeting of the Company in respect of amendments to and/or termination of the VIE Contracts. The OPCO Shareholders shall also agree with such amendments to or termination of the VIE Contracts and procure the OPCO to agree to the same;
- (ii) after termination of the VIE Contracts, the OPCO Shareholders shall immediately and unconditionally return to the WFOE the consideration received in any form pursuant to the VIE Contracts. Each of the OPCO Shareholders further undertakes that he/she would procure the OPCO to do the same;
- (iii) necessary arrangements have been made to protect the rights of the WFOE under the VIE Contracts in case of death, bankruptcy or divorce of the OPCO Shareholders;
- (iv) to transfer his/her interest in the OPCO and all the rights attached thereto at the lowest price as permitted by the PRC laws to the individual or entity as designated by the WFOE in accordance with the applicable PRC laws in the event that Mr. Wu or Ms. Shu (as the case may be) becomes incapable of performing the normal duty as a shareholder of the OPCO due to death, bankruptcy, divorce or any other incident; and
- (v) not to incur any unsecured personal loan (either one-off or accumulated) in an aggregate amount of more than RMB100,000 without written consent of the WFOE or its direct or indirect shareholders.

### *Effects of the VIE Contracts*

Through the VIE Contracts, the Group will be able to exercise full and effective control over the finance and operation of the OPCO and in effect obtain the entire economic interest and benefits in the OPCO.

The Business Cooperation Agreement and the Technical Consultation and Services Agreement are to ensure the profits or income generated by the OPCO will be directed to the WFOE in the form of service fees.

The Pledge Agreements are to secure the due performance of obligations of the OPCO Shareholders and the OPCO under certain VIE Contracts and to ensure that the OPCO Shareholders cannot transfer their respective equity interests in the OPCO to the other parties without the consent of the WFOE.

The Voting Rights Proxy Agreements are to grant the WFOE (or its designee, which can be a director or his/her successor of the direct or indirect shareholder of the WFOE (including a liquidator replacing such director and his/her successor)) voting rights in respect of the equity interests of the OPCO Shareholders in the OPCO so that WFOE can control the OPCO.

The Share Disposal Agreements provide that if the OPCO Shareholders act against the interests of the WFOE, the WFOE can designate another person to acquire their equity interests in the OPCO at the lowest price as permitted by the PRC laws at the relevant time.

Pursuant to the Undertaking Letters, the OPCO Shareholders have undertaken to make the necessary arrangements to protect the rights of the WFOE and its direct and indirect shareholders and to avoid any practical difficulties in enforcing the VIE Contracts in case of death, bankruptcy or divorce of the OPCO Shareholders and will transfer their interests in the OPCO and all the rights attached thereto to the individual or entity as designated by the WFOE in accordance with the applicable PRC laws and regulations in the event that the OPCO Shareholders become incapable of performing the normal duty as a shareholder of the OPCO due to the aforesaid events.

As at the date of the announcement, the WFOE and the OPCO have not encountered any interference or encumbrance from any governing bodies in operating its business through the contractual arrangements under the VIE Contracts.

### *Dispute Resolution Clause in the VIE Contracts*

The VIE Contracts 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 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.

### **Business Information of the Target Group**

The Target Group, through the OPCO, is primarily engaged in the issuance and sales of prestige benefits cards (“**Benefits Card**”) to premium consumers and financial institutions.

Benefits card is a type of loyalty program issued by merchants, financial institutions or other third party providers either for a fee or for free. The products can make cardholders eligible for benefits and/or rewards provided by the merchants, which include, among others, premium services, discounted products and services, special offers, etc. Some benefits cards are also equipped with prepaid card functions. The Target Group generates revenue and profit by purchasing benefits from merchants in wholesale, packaging benefits into marketable membership products, and selling the products to either individual consumers or financial institutions, which offer such benefits to their own customers as rewards and incentives.

## **Main Products of the Benefits Card**

### *La Cuisine*

The La Cuisine Premium Hotel Dining Membership Card now covers 25 cities and high-end restaurants in over 60 five-star hotels (the “**Hotels**”) in the PRC. The product features discounted coupons for various party sizes, and it also offers cash coupons and discounts for dining, wine products, and others. In addition, with this membership, customers can also receive a 20% discount for staying at the Hotels. Further, the La Cuisine Premium Hotel Membership adds accommodation benefits to the Dining Membership, and offers up to three nights of free stay at one of the high-end international hotels. The service is currently offered in 26 cities and 40 hotels internationally.

### *Colourful Top Spa*

The Colourful Top Spa Membership provides discounted offers for spa treatment at a network of 90 five-star hotels. The offer includes twenty free coupons, eighty-eight 50%-off coupons, and unlimited 5% discounts for its members.

### *Footprint Asia*

Footprint Asia is a membership program which offers accommodation benefits at 20 resorts/hotels in eight destination countries, including Thailand, Malaysia, Indonesia, South Korea, Taiwan, etc. The benefits include up to two nights of free stay at one of the high-end international hotels.

### *Other Products*

The OPCO has access to abundant resources at domestic and international premium hotels. These include benefits to be enjoyed at restaurants, spa centers, gyms, and accommodations, etc. The OPCO can organize and package benefits into customized products based on unique customer needs and offer tailor-made services.

## **Business Models**

### *Telephone Marketing by Banks*

The OPCO commissions its partner banks and credit card centers to sell its benefits programs by telephone. Target customers are the premium credit card holders (gold card, platinum card, etc.) of each bank. As the cardholder confirms purchase of a program, the price will be deducted from the cardholder’s credit account and billed to the cardholder. The physical

product will then be mailed to the buyer. Part of the profits generated will be paid to the banks' marketing department as commission. In the future, the OPCO intends to establish its own call center and telephone marketing team.

#### *Bank Bulk Purchase*

Major banks purchase benefits from the OPCO in bulk purchase and on a regular basis. Banks offer such benefits to premium customers as part of their loyalty programs or incentive programs. For example, banks often provide benefits to customers when they renew their platinum membership.

#### *Credit Card Marketing*

Credit card centers or card organizations purchase benefits from the OPCO in bulk purchase and offer them to customers as gift programs. For instance, the credit card center of one of the largest bank in China offers the OPCO's Footprint Asia program to their platinum cardholders upon initial activation of their platinum membership.

#### *Card Benefits*

Banks offer certain benefits which are attached to their credit cards. These may include dental services, golf membership, etc.

#### *Private Bank Sales*

Private banks commonly sell benefits programs to their own customers. This is a business model similar to telephone marketing by banks.

#### *Online Marketing (Business-to-Customers Direct Sales)*

The OPCO's products are also marketed to customers through online communication platforms such as leading e-commerce websites in the PRC.

### **Business Prospect**

The OPCO is engaged in the issuance and sales of prestige benefits cards to premium consumers and financial institutions, and has access to abundant resources at domestic and international premium merchants such as hotels, restaurants and golf clubs, etc. Its main strength comes from the control over its high-end resources and a first-mover advantage in the field which creates high barrier of entry for new entrants. The growing demand for its products mainly come from banks which feverishly seek to add high-end value for their premium customers.

In 2013 and 2014, the OPCO focused on developing bank credit card centers and card organizations as initial corporate clients. As of the Latest Practicable Date, the OPCO has signed strategic cooperation and procurement agreements with two of the largest commercial banks in China, as well as the largest card organization of the world. With such agreements, the OPCO gains access to millions of premium credit card holders, who can all potentially become consumers of the OPCO's benefits products.

Starting in 2015, the OPCO has started new trial projects at world's second largest bank card organization and a leading commercial bank owned by China's second largest insurer. Also in 2015, particularly in the third and fourth quarters, the OPCO will collaborate with more industry partners such as insurance, automobile, air travel, and telecommunications, which all have demand for standardized, tailor-made benefits programs provided by the OPCO. Sales to these partners will all start to generate revenue and profit in 2015.

The OPCO's unique business model and near-monopoly in the field results in high profit margin levels. As estimated, bulk sales model can achieve gross margin of 60-70%, while the telemarketing model can achieve a gross margin of 40-50% due to higher marketing commission paid to call centers. In the future, the OPCO intends to establish its own dedicated call center, to further integrate the sales & marketing capability and reduce costs. The OPCO has gained the necessary licence to conduct call center activities in the PRC.

The OPCO is managed by a team of seasoned management with extensive knowledge and experience in the finance, Internet or information technology industry. By consolidating their industry knowledge, their unique industry insight, their network and channel resources as well as the favorable industry development trend, the platform has successfully achieved a rapid growth since its establishment.

### **Financial information of the Target Company, the WFOE and the OPCO**

The following table sets out the unaudited financial information of each of the Target Company, the WFOE and the OPCO for the two financial years ended 31 December 2014 and the unaudited financial information of the OPCO for the two-month period ended 28 February 2015:

#### *Target Company*

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation	(9,130)	(34,114)
Loss after taxation	(9,130)	(34,114)

	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
	<i>HK\$</i>	<i>HK\$</i>
Net liabilities attributable to shareholders of the Target Company	43,244	34,114

*WFOE*

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
	<i>RMB</i>	<i>RMB</i>
Loss before taxation	(31,849)	(32,851)
Loss after taxation	(31,849)	(32,851)

	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
	<i>RMB</i>	<i>RMB</i>
Net assets attributable to shareholders of the WFOE	80,021	111,869

*OPCO*

	<b>For the two-month period ended 28 February 2015</b>	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/ (loss) before taxation	2,114	2,090	(2,443)
Profit/ (loss) after taxation	2,114	2,090	(2,443)

	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets attributable to the shareholders of the OPCO	7,501	4,157



Pursuant to the VIE Contracts, the WFOE is able to control the finance and operation of the OPCO so as to obtain the economic interest and benefits from their business activities despite the lack of registered equity ownership. Therefore, the financial results and conditions of the OPCO are capable of being consolidated into the financial statements of the Target Company. Upon Completion, the Target Company will become a wholly owned subsidiary of the Company. Accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION**

The Group is principally engaged in payment business in the PRC and South East Asia and operate a nationwide prepaid and internet payment network in the PRC.

The Target Group is one of the leading providers of high-end membership benefit schemes (including high-end hotel accommodation, gourmet dining and spa sessions) to banks and credit card holders in the the PRC. The Company is seeking to develop a high-end membership benefit and loyalty scheme in order to add to the diversity and profitability of the Company's existing product offerings. The Directors consider acquiring an established player in this area may be more cost-effective than developing a new company from scratch.

Having considered, among other things:

- the expected market potential of the high-end membership benefit schemes in the PRC and the geographical location of the Target Group's business which covers some of the most economically developed major cities in the PRC;
- the synergy between the Target Group's high-end products (some of which including prepaid functions) with the existing prepaid card programs operated by the Company.
- the Sale and Purchase Agreement has in place the Performance Targets covering the financial years ending 31 December 2015 and 31 December 2016 and a corresponding adjustment mechanism on the Consideration to safeguard the interests of the Company; and
- a significant portion of the entire Consideration is to be settled by way of Consideration Shares which will enlarge the equity base of the Company while preserving the Company's liquidity;

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition in the interests of the Company and the Shareholders as a whole.

As regards the Subscription, the gross proceeds arising from it will be approximately HK\$137.5 million and the net proceeds arising from the Subscription will be approximately HK\$137.4 million. Based on the estimated expenses for the Subscription, the net subscription price for the Subscription is approximately HK\$2.148 per Subscription Share.

The Company intends to use the net proceeds raised from the Subscription (i) to develop the Benefits Card business of the OPCO; (ii) to pursue further acquisition and investment in the payment and internet finance industry in the PRC; (iii) to fund the co-brand payment card cooperation projects in the PRC as disclosed in the circular of the Company dated 5 February 2015; and (iv) as general working capital of the Group.

The Directors consider that the Subscription offers a good opportunity to the Company to raise further capital and broaden the shareholders base of the Company thereby increasing the liquidity of the Shares as well as to strengthen the financial position of the Group. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and its Shareholders as a whole.

## **RISK FACTORS IN RELATION TO THE VIE CONTRACTS**

*The PRC government may determine that the VIE Contracts do not comply with the applicable laws and regulations.*

The PRC Legal Adviser is of the opinion that the VIE Contracts 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 VIE Contracts 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 VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

However, as the OPCO Shareholders have undertaken to amend the VIE Contracts and/or other relevant document(s) from time to time in order to comply with any amendments to the laws, regulations and rules in the PRC and/or the rules and requirements of the Stock Exchange from time to time, provided that such amendment(s) shall be subject to the requirements under the GEM Listing Rules and other applicable laws, rules and regulations, the Company considers that the relevant risk can be minimised.

*The VIE Contracts may not be as effective as direct ownership in providing control over the OPCO*

The Group relies on contractual arrangements under the VIE Contracts with the OPCO to operate the Benefits Card business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over the OPCO as direct ownership in rare circumstance. If the Group had direct ownership of the OPCO, the Group would be able to deal with the equity interests in and the assets of the OPCO in winding up situation. Save for the abovementioned, the Company considers that the Group can exercise control via the contractual arrangements as effective as direct ownership of the OPCO.

*The OPCO Shareholders may potentially have a conflict of interests with the Group*

The Group's control over the OPCO is based on the contractual arrangement under the VIE Contracts. Therefore, conflict of interests of the OPCO Shareholders will adversely affect the interests of the Company. Pursuant to the Voting Rights Proxy Agreements, the OPCO Shareholders will irrevocably authorise of the WFOE (or its designee, which can be a director or his/her successor of the direct or indirect Shareholder of the WFOE (including a liquidator replacing such director and his/her successor)) as their proxy to exercise all the rights of the shareholders of the OPCO and such authorisation shall not be altered unless otherwise instructed by the WFOE. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the OPCO Shareholders. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the OPCO Shareholders.

*The contractual arrangements 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 VIE Contracts was 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 the OPCO, and this could further result in late payment fees and other penalties to the OPCO 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 VIE Contracts and the transactions contemplated thereunder*

The insurance of the Group does not cover the risks relating to the VIE Contracts 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 VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of the OPCO, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

*Certain provisions in the VIE Contracts may not be enforceable under PRC laws*

The VIE Contracts 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 PRC Legal Adviser is of the view that, even though the VIE Contracts 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 the OPCO or any of the OPCO Shareholders breaches the terms of the VIE Contracts, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the OPCO could be materially and adversely affected.

## **INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP**

The VIE Contracts contained certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO, including but not limited to that, without the prior written consent of the WFOE, the OPCO Shareholders shall not at any time dispose, transfer, pledge, sell or create any charges over the assets, business, revenue or any beneficial interests of the OPCO, the OPCO shall conduct its business in its ordinary and usual course to preserve the asset value of the OPCO and shall not engage in any act (or lack thereof) which may have any adverse effect on the business, operations and asset value of the OPCO, and etc.

In addition to the abovementioned internal control measures as provided in the VIE Contracts, it is the intention of the Company, following Completion, to implement, through the WFOE, additional internal control measures against the OPCO as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include (without limitation):

### **Management controls**

- i. The Group will appoint a board representative (the “**Representative**”) to the board of the OPCO. The Representative is required to conduct weekly reviews on the operations of the OPCO and shall submit the weekly reviews to the Board. The Representative is also required to check the authenticity of the monthly management accounts of the OPCO;
- ii. The Representative shall establish a team to be funded by the Group who shall station at the OPCO and shall be actively involved in various aspects of the daily managerial and operational activities of the OPCO;
- iii. Upon receiving notification of any major events of the OPCO by the Representative, the registered shareholders of the OPCO 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 the OPCO and conduct personnel interviews quarterly and submit reports to the Board; and
- v. All seals, chops, incorporation documents and all other legal documents of the OPCO must be kept at the office of the WFOE.

## **Financial controls**

- i. The financial controller of the Company (the “FC”) shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO 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. If the payment of the service fees from the OPCO to the WFOE is delayed, the FC must meet with the OPCO Shareholders to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the OPCO will be removed and replaced.
- iii. OPCO must submit copies of latest bank statements for every bank accounts of the OPCO within 15 days after each month end; and
- iv. OPCO must assist and facilitate the Company to conduct quarterly on-site internal audit on the OPCO.

## **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 VIE Contracts, 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.

## EFFECTS OF THE ACQUISITION AND THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Subscription Shares; (iii) immediately after the allotment and issue of the Consideration Shares (assuming that no adjustment is to be made); and (iv) immediately after the allotment and issue of the Subscription Shares and the Consideration Shares (assuming no adjustment is to be made):

	As at the date of this announcement		Immediately after the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of the Consideration Shares (assuming that no adjustment is to be made)		Immediately after the allotment and issue of the Subscription Shares and the Consideration Shares (assuming that no adjustment is to be made)	
	Approximate		Approximate		Approximate		Approximate	
	No. of Shares	per cent.	No. of Shares	per cent.	No. of Shares	per cent.	No. of Shares	per cent.
<b>Directors</b>								
Mr. Cheng Nga Ming Vincent (Note 1)	174,500,000	16.83	174,500,000	15.85	174,500,000	15.94	174,500,000	15.06
Mr. Cao Guoqi (Note 2)	52,040,000	5.02	52,040,000	4.73	52,040,000	4.75	52,040,000	4.49
Mr. Zhang Huaqiao	4,750,000	0.46	4,750,000	0.43	4,750,000	0.43	4,750,000	0.41
(A) Sub-total of Directors	231,290,000	22.31	231,290,000	21.01	231,290,000	21.12	231,290,000	19.96
<b>Public Shareholders</b>								
The Vendors	-	-	63,953,488	5.81	58,139,534	5.31	122,093,022	10.54
Other public Shareholders	805,510,000	77.69	805,510,000	73.18	805,510,000	73.57	805,510,000	69.51
(B) Sub-total of public Shareholders	805,510,000	77.69	869,463,488	78.99	863,649,534	78.88	927,603,022	80.04
<b>Total (A) + (B)</b>	<b>1,036,800,000</b>	<b>100.00</b>	<b>1,100,753,488</b>	<b>100.00</b>	<b>1,094,939,534</b>	<b>100.00</b>	<b>1,158,893,022</b>	<b>100.00</b>

### Notes:

- 174,500,000 Shares were held by Tian Li Holdings Limited (“**Tian Li**”) which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee (“**Ms. Cheng**”) respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 174,500,000 Shares held by Tian Li under the SFO.
- Of 52,040,000 Shares, 51,270,000 were held by Probest Limited (“**Probest**”) which in turn is wholly-owned by Mr. Cao Guoqi (“**Mr. Cao**”), an executive Director. As Mr. Cao is the sole shareholder of Probest, he is deemed to be interested in these 51,270,000 Shares held by Probest under the SFO. The other 770,000 Shares were held by Ms. Zheng Lu who is the spouse of Mr. Cao. Accordingly, Mr. Cao is deemed to be interested in these 770,000 Shares held by Ms. Zheng Lu under the SFO.

## FUND RAISING DURING THE PAST TWELVE MONTHS

Set out below is the summary of the equity fund raising activity of the Company during the past 12 months immediately preceding the date of this announcement:

Date of Announcement	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
10 September 2014	<p>(i) Placing of 104,310,000 existing shares at a placing price of HK\$1.46 per placing Share on a best effort basis and top-up subscription of 104,310,000 new Shares at a subscription price of HK\$1.46 per subscription Share;</p> <p>(ii) subscription of 68,490,000 new Shares at a subscription price of HK\$1.46 per Share</p>	Approximately HK\$248 million	To finance the LC Acquisition, capital may be required under the strategic cooperation agreement between 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.*) and the Company or otherwise as general working capital of the Group or towards other lucrative business and investment opportunities or as general working capital of the Group	<p>(i) approximately HK\$224 million was used to fund the LC Acquisition;</p> <p>(ii) approximately HK\$6 million was used as investment deposit for a company in China's payment industry; and</p> <p>(iii) approximately HK\$18 million was used as general working capital (as to approximately HK\$4 million was used to purchase IT equipment in support of PRC payment business, as to approximately HK\$5 million was used to pay for legal and professional fees, as to approximately HK\$6 million was used to pay for salaries and as to approximately HK\$3 million was used as prepayment for MCONE's suppliers)</p>



Date of Announcement	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
12 April 2015	<p>(i) Subscription of the 6 % convertible bonds of the Company in the principal amount of US\$10 million (equivalent to approximately HK\$77.55 million) due on 30 April 2018 convertible into a maximum of 41,918,918 Shares at the initial conversion price of HK\$1.85 per Share;</p> <p>(ii) Subscription of the 6 % convertible bonds of the Company in the principal amount of US\$10 million (equivalent to approximately HK\$77.55 million) due on 30 April 2018 convertible into a maximum of 41,918,918 Shares at the initial conversion price of HK\$1.85 per Share;</p> <p>(iii) Placing of the 6% convertible bonds of the Company in the principal amount of US\$20 million (equivalent to approximately HK\$155.1 million) due on 30 April 2018 convertible into a maximum of 83,837,837 Shares at the initial conversion price of HK\$1.85 per Share</p>	Approximately HK\$307 million	<p>(i) to pursue acquisition in the payment and internet finance industry in the PRC;</p> <p>(ii) to fund the co-brand payment card cooperation projects in the PRC as disclosed in the circular of the Company dated 5 February 2015;</p> <p>(iii) as general working capital of the Group.</p>	Not yet completed

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Acquisition exceed 5% but do not exceed 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirement under the GEM Listing Rules.

The Company will seek approval for, among other things, the Specific Mandate(s) from the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

## **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares, (ii) the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares and (ii) the Specific Mandate(s).

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) further details of the Subscription Agreement and the transactions contemplated thereunder; (iii) details of the Specific Mandate(s); and (iv) the notice of the EGM together with the proxy form will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules which is expected to be on or before 12 May 2015.

## **DEFINITIONS**

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

“2015 Audited Accounts”	the audited consolidated financial statements of the Group to be prepared by the Auditor comprising the consolidated balance sheet of the Group as at the last day of the 2015 Guaranteed Period and the consolidated profits and loss accounts for the 2015 Guaranteed Period, together with all notes and reports attached thereto, prepared in accordance with HKFRS
“2015 Guaranteed Period”	the 12 calendar months period commencing from the first day of the calendar month immediately following the Completion Date and ending on the last day of such 12 calendar months period

“2015 Net Profit”	the audited consolidated operating profits after taxation but before any extraordinary items of the Group in respect of the 2015 Guaranteed Period prepared in accordance with HKFRS as appeared in the 2015 Audited Accounts and operating profits shall mean profits excluding (i) fair value gain or loss arising from valuation of property or non-competition clause or any financial assets and liabilities; (ii) staff expenses in relation to granting of share-options; and (iii) non-recurring gain or loss
“2016 Audited Accounts”	the audited consolidated financial statements of the Group to be prepared by the Auditor comprising the consolidated balance sheet of the Group as at the last day of 2016 Guaranteed Period and the consolidated profits and loss accounts for the 2016 Guaranteed Period, together with all notes and reports attached thereto, prepared in accordance with HKFRS
“2016 Guaranteed Period”	the 12 calendar months period immediately following the 2015 Guaranteed Period
“2016 Net Profit”	the audited consolidated operating profits after taxation but before any extraordinary items of the Group in respect of the 2016 Guaranteed Period prepared in accordance with HKFRS as appeared in the 2016 Audited Accounts and operating profits shall mean profits excluding (i) fair value gain or loss arising from valuation of property or non-competition clause or any financial assets and liabilities; (ii) staff expenses in relation to granting of share-options; and (iii) non-recurring gain or loss
“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement
“AIC”	Industrial and Commercial Administration Bureau in the PRC
“Auditor”	the auditor of the Group

“Board”	the board of Directors
“Business Cooperation Agreement”	the agreement dated 12 March 2015 in relation to, among other things, the scope of business cooperation entered into between the WFOE and the OPCO
“Business Day(s)”	any day (excluding (i) Saturday, Sunday and other general holidays in Hong Kong; (ii) any day on which a tropical cyclone warning number 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon; or (iii) any day on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for settlement business
“Company”	China Smartpay Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“Completion”	completion of the transactions contemplated under the Sale and Purchase Agreement
“Completion Date”	a day falling within five (5) Business Days after the date on which all the Conditions have been satisfied or otherwise waived in accordance with the Sale and Purchase Agreement
“Condition(s)”	the condition(s) precedent set out in the Sale and Purchase Agreement
“connected person(s)”	has the meaning as ascribed thereto in the GEM Listing Rules
“Consideration”	the consideration for the Sale Shares payable by the Company pursuant to the Sale and Purchase Agreement in the total sum of HK\$300,000,000 (subject to adjustment)
“Consideration Shares”	the Second Tranche Consideration Shares, the Third Tranche Consideration Shares and the Adjustment Shares (if any)

“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 Sale and Purchase Agreement, the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate(s)
“Enlarged Group”	the Group as enlarged by the Target Group upon 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 dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company who is not connected with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates and is independent of the Company
“Issue Price”	the issue price of HK\$2.15 per Consideration Share
“Last Trading Day”	20 April 2015, being last trading day immediately prior to the entering into of the Sale and Purchase Agreement and the Subscription Agreement;
“Long Stop Date”	30 June 2015 or such other time as the parties agree in writing
“Mr. Wu”	Mr. Wu An Yuan (吳安元), a PRC citizen, who is a registered shareholder of the OPCO who as at the date of this announcement holds 50% of the equity interests in the OPCO, an Independent Third Party

“Ms. Shu”	Ms. Shu Yi Jing (舒義靜), a PRC citizen, who is a registered shareholder of the OPCO who as at the date of this announcement holds 50% of the equity interests in the OPCO, an Independent Third Party
“OPCO”	上海靜元信息技術有限公司, a limited liability company incorporated in the PRC and is primarily engaged in the issuance and sales of the Benefits Card
“OPCO Shareholders”	Mr. Wu and Ms. Shu, being the registered shareholders of the OPCO as at the date of this announcement
“Pledge Agreements”	the agreements dated 12 March 2015 entered into by each of the OPCO Shareholders with the WFOE and the OPCO in relation to the pledge of their respective equity interests in the OPCO to the WFOE
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Legal Adviser”	Anjie Law Firm, the legal adviser to the Company as to PRC laws
“Purchaser”	Firm Idea Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 20 April 2015 entered into between the Purchaser and the Vendors in respect of the Acquisition
“Sale Shares”	100,000,000 shares of the Target Company, which represent all the issued share capital of the Target Company, the capital of which has yet been paid up but will not be paid by the Vendors as at the date of this announcement

“Second Tranche Consideration”	part of the Consideration in the sum of HK\$54 million (subject to downward adjustments) to be settled by the allotment and issue of the Second Tranche Consideration Shares to the Vendors within one month after the issuance of the 2015 Audited Accounts
“Second Tranche Consideration Shares”	those Shares to be issued for the settlement of the Second Tranche Consideration in such number equal to the Second Tranche Consideration divided by the Issue Price (rounded down to the nearest whole number), being up to 25,116,279 new Shares
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Disposal Agreements”	the agreements dated 12 March 2015 by each of the OPCO Shareholders with the WFOE and the OPCO in relation to the sale and purchase of their respective equity interests in the OPCO
“Specific Mandate(s)”	the specific mandate(s) to be granted by the Shareholders at the EGM authorising the allotment and issue of (i) the Consideration Shares under the Sale and Purchase Agreement and (ii) the Subscription Shares under the Subscription Agreement
“Spouse Consent”	a letter of consent dated 12 March 2015 signed by each of the OPCO Shareholders in relation to dealing of the equity interests in the OPCO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of the Subscription Shares at the Subscription Price by the Vendors pursuant to the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 20 April 2015 entered into between the Company and the Vendors in respect of the Subscription
“Subscription Completion”	completion of the transactions contemplated under the Subscription Agreement
“Subscription Completion Date”	a date falling within five (5) Business Days after the Completion Date or such other date as the Company and the Vendors may agree
“Subscription Condition(s)”	the condition(s) precedent set out in the Subscription Agreement
“Subscription Price”	the subscription price of HK\$137.5 million payable by the Vendors for the proposed subscription of the Subscription Shares based on the subscription price of HK\$2.15 per Subscription Share
“Subscription Shares”	63,953,488 new Shares to be allotted and issued by the Company to the Vendors pursuant to the Subscription Agreement under a Specific Mandate
“Target Company”	AE Investment Consulting Limited, a company incorporated in the Hong Kong with limited liability, the entire issued share capital of which is owned by the Vendors and has yet been paid but will not be paid by the Vendor as at the date of this announcement
“Target Group”	the Target Company, together with its subsidiaries and the OPCO
“Technical Consultation and Services Agreement”	the agreement dated 12 March 2015 entered into between the WFOE and the OPCO in relation to the provision of technical consultation and services to the OPCO by the WFOE



“Third Tranche Consideration”	part of the Consideration in the sum of HK\$71 million (subject to downward adjustments) to be settled by the allotment and issue of the Third Tranche Consideration Shares to the Vendors within one month after the issuance of the 2016 Audited Accounts
“Third Tranche Consideration Shares”	those Shares to be issued for the settlement of the Third Tranche Consideration in such number equal to the Third Tranche Consideration divided by the Issue Price (rounded down to the nearest whole number), being up to 33,023,255 new Shares
“Undertaking Letters”	the undertaking letters dated 12 March 2015 provided by each of the OPCO Shareholders to the WFOE
“Vendors”	Mr. Zhang Junzhen, an Australian citizen, Mr. Ru Tianshu, a Canadian citizen, Mr. Shan Wei Dong, a PRC citizen, Mr. Li Dong Hai, a PRC citizen and Mr. Fan Peng Kun, a PRC citizen, the legal and beneficial owners of the entire issued share capital of the Target Company as to 29.69%, 28.65%, 2.08%, 19.79% and 19.79% respectively.
“VIE”	Variable Interest Entity, refers to an entity (the investee) in which the investor holds a controlling interest that is not based on the majority of voting rights
“VIE Contracts”	the Business Cooperation Agreement, the Technical Consultation and Services Agreement, the Pledge Agreements, the Share Disposal Agreements, the Voting Rights Proxy Agreements, the Spouse Consent and the Undertaking Letters entered into by the relevant parties

“Voting Rights Proxy  
Agreements”

the agreements dated 12 March 2015 entered into by each of the OPCO Shareholders with the WFOE and the OPCO in relation to entrusting the WFOE (or its designee) as the proxy of each of the OPCO Shareholders to vote at the shareholders’ meeting of the OPCO and to execute of all necessary documents to be signed by shareholders of the OPCO, minutes of the OPCO and any documents for registration to be lodged with the relevant authorities for and on behalf of the OPCO Shareholders

“WFOE”

客樂芙信息技術(上海)有限公司, a company incorporated under the laws of the PRC and a direct wholly-owned subsidiary of the Target Company

“%”

per cent.

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

Hong Kong, 20 April 2015

*As at the date of this announcement, the board of the Company comprises (i) five executive Directors, namely, Mr. Cheng Nga Ming Vincent, Mr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen and Mr. Song Xiangping; (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 Rule for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the Company’s website at [www.chinasmartpay.com](http://www.chinasmartpay.com).*