THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Smartpay Group Holdings Limited (the "**Company**"), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8325)

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

Financial Adviser to the Company

八方金融有限公司
OCTAL Capital Limited

A notice convening the EGM to be held at 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong, at 11:00 a.m. on Thursday, 15 January 2015 are set out on pages EGM-1 to EGM-3.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

29 December 2014

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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In this circular, the following expressions have the following meanings, unless the context otherwise requires:-

"AIC"	Industrial and Commercial Administration Bureau in the PRC
"associates"	shall have the same meaning as ascribed to it under the GEM Listing Rules
"Beijing Weike"	微科睿思在線(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited*), a company established in the PRC with limited liability, being one of the shareholders holding 90% of the equity interests in the Licence Company as at the Latest Practicable Date, which is owned as to 67% by Mr. Zhang and 33% by Shanghai Yongle respectively as at Latest Practicable Date
"Beijing Weike Shareholders"	shareholders of Beijing Weike immediately before completion of the acquisition of 33% of the equity interests in Beijing Weike by Shanghai Yongle, namely Mr. Zhang, Mr. Chen Baoji, Ms. Zhao Yan, Mr. Yu Haiying, Mr. Liu Bin and Mr. Chen Bing
"Board"	the board of Directors
"Business Cooperation Agreement"	an agreement dated 23 September 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to, among other things, the scope of business cooperation
"Company"	China Smartpay Group Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the GEM
"Company's Undertaking"	the undertaking dated 8 August 2014 given by the Company in relation to the contractual arrangements under the New Framework Agreement
"Completion"	completion of the acquisition of 67% of the equity interests in Beijing Weike by Shanghai Yongle pursuant to the terms and conditions of the Second WK S&P Agreement

"Completion Announcement"	the announcement of the Company dated 23 September 2014 in relation to, among others, completion of the transactions contemplated under the New Framework Agreement
"Conditions Precedent"	the conditions precedent to completion of the transactions contemplated under the Second WK S&P Agreement
"Control Agreements"	the Business Cooperation Agreement, the Technical Consultation and Services Agreement, the Pledge Agreements, the Share Disposal Agreements, the Voting Rights Proxy Agreements and the Spouse Consent entered into by the relevant parties at the Framework Completion
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company proposed to be convened and held to consider and approve, among other things, the entering into of the Option Framework Agreement and the transactions contemplated thereunder (including the entering into of the Option Supplemental Agreement I, the Option Supplemental Agreement II, the New Third Loan Agreement, the Fourth Loan Agreement and the Second WK S&P Agreement and the transactions contemplated thereunder)
"Enlarged Group"	the Group immediately after Completion
"Equity Acquisition Right"	an exclusive right granted by Beijing Weike to Shenzhen Yongle for designating a qualified PRC company to acquire 90% of the equity interests in the Licence Company from Beijing Weike at one time during the term of the Exclusive Equity Acquisition Agreement, subject to compliance with the requirements under applicable laws, regulations and rules of the PRC and other jurisdictions and the terms and conditions of the Exclusive Equity Acquisition Agreement

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

"First WK S&P Supplemental Agreement"	the supplemental agreement to the WK S&P Agreement dated 31 July 2014 entered into between Shanghai Yongle and the Beijing Weike Shareholders
"Fourth Loan Agreement"	the loan agreement to be entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of a loan in the amount of RMB169.2 million to Shanghai Yongle by Shenzhen Yongle upon service of the Exercise Notice
"Framework Agreement"	the framework agreement dated 3 November 2013 entered into among the PRC Company, Mr. Tan Zhihui, Mr. Zhang Baojian, Goodgate and OCG Hainan in relation to the establishment of a business cooperation relationship between the parties for the proposed investment in 30% of the equity interests in the Licence Company by the Group (as supplemented and amended by the supplemental agreement dated 27 December 2013 entered into between the parties)
"Framework Completion"	completion of the transactions contemplated under the New Framework Agreement
"Framework CP"	the conditions precedent to the Framework Completion
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Valuer"	Roma Appraisals Limited, an independent professional valuer engaged for conducting the business valuation on the Licence Company

"Koolcloud"	上海商酷網絡科技有限公司 (Shanghai Koolcloud Technology Co. Limited*), an associate company of the Company, and approximately 22.22% interests is owned by the Company as at the Latest Practicable Date
"Latest Practicable Date"	23 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"LC Articles"	the articles of association of the Licence Company
"LC Articles Amendment Agreement	the agreement dated 23 September 2014 entered into by Beijing Weike and Shareholder A amending certain terms of the LC Articles
"LC Resolutions"	the shareholders' resolutions of the Licence Company dated 23 September 2014 signed by Beijing Weike and Shareholder A amending certain terms of the LC Articles
"LC Voting Rights Proxy Agreement"	the agreement in relation to entrusting OCG Hainan as the proxy of the PRC Company to vote at the shareholders' meeting of the Licence Company
"Licence Company"	開聯通網路技術服務有限公司 (Open Union Network Technology Services Limited*), a company established in the PRC with limited liability which holds the licence to conduct the prepaid card business and internet payment services in the PRC
"Loan Agreements"	the First Loan Agreement, the Second Loan Agreement, the New Third Loan Agreement and the Fourth Loan Agreement
"Loan Arrangements"	the relevant arrangements under the Loan Agreements in relation to the provision of non-interest bearing loans in the aggregate amount of up to RMB468 million by Shenzhen Yongle to Shanghai Yongle in accordance with their respective terms (and the transactions contemplated thereunder)
"MCONE"	MCONE (HONG KONG) LIMITED, a wholly-owned subsidiary of the Company

"MIIT"	the Ministry of Industry and Information Technology of the PRC
"Mr. Lin"	Mr. Lin Xiaofeng, the senior vice president overseeing investment of the Company, holding 90% of the equity interests in Shanghai Yongle as at the Latest Practicable Date
"Mr. Wu"	Mr. Wu Mianqing, an employee of the Company, holding 10% of the equity interests in Shanghai Yongle as at the Latest Practicable Date
"Mr. Zhang"	Mr. Zhang Zebin, a PRC citizen holding 67% of the equity interests in Beijing Weike as at the Latest Practicable Date
"New Framework Agreement"	the framework agreement dated 25 May 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle (as amended and supplemented by the New Supplemental Agreement and the Side Letters)
"New Supplemental Agreement"	the supplemental agreement to the New Framework Agreement dated 9 July 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle
"New Third Loan Agreement"	the loan agreement dated 15 October 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of a loan in the amount of RMB78.8 million to Shanghai Yongle by Shenzhen Yongle
"Option"	the exclusive option to acquire 67% of the equity interests in Beijing Weike granted by Mr. Zhang to Shanghai Yongle pursuant to the terms and conditions of the Option Agreement
"Option Agreement"	the agreement dated 9 July 2014 entered into between Shanghai Yongle and Mr. Zhang in relation to the grant of an exclusive option by Mr. Zhang to Shanghai Yongle to acquire 67% of the equity interests in Beijing Weike at a consideration of RMB312 million (as amended and supplemented by the Option Supplemental Agreement I and the Option Supplemental Agreement II)

"Option Completion"	completion of the transactions contemplated under the Option Framework Agreement
"Option CP"	the conditions precedent to the Option Completion
"Option Framework Agreement"	the framework agreement dated 15 October 2014 entered into among Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle in relation to the exercise of the Option (as amended and supplemented by the Option Framework Side Letter)
"Option Framework Side Letter"	the side letter to the Option Framework Agreement dated 29 December 2014 entered into among Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle
"Option Long Stop Date"	the deadline for fulfillment and/or waiver of the Option CP, being 31 January 2015 or such later date as the parties to the Option Framework Agreement may agree
"Option Supplemental Agreement I"	the supplemental agreement to the Option Agreement dated 15 October 2014 entered into between Shanghai Yongle and Mr. Zhang
"Option Supplemental Agreement II"	the supplemental agreement to the Option Agreement dated 29 December 2014 entered into between Shanghai Yongle and Mr. Zhang
"PBOC"	the People's Bank of China
"Placing"	the placing of 104,310,000 existing Shares by Tian Li to the placees who are independent third parties pursuant to a placing and subscription agreement dated 10 September 2014 entered into between, among others, the Company and Tian Li
"Pledge Agreement"	the agreements dated 23 September 2014 entered into by each of the Shanghai Yongle Shareholders with Shenzhen Yongle and Shanghai Yongle in relation to the pledge of their respective equity interests in Shanghai Yongle to Shenzhen Yongle
"POS"	point-of-sales

"PRC"	the People's Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Legal Adviser"	Grandall Law Firm, the legal adviser to the Company as to PRC laws
"RMB"	Renminbi, the lawful currency in the PRC
"Second Deposit"	an amount of RMB78.8 million payable by Shanghai Yongle to Mr. Zhang within 3 days from the date of the Option Supplemental Agreement I as the second deposit for the exercise of the Option
"Second Loan Agreement"	the loan agreement dated 23 September 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of a loan in the amount of RMB140 million to Shanghai Yongle by Shenzhen Yongle
"Second Side Letter"	the side letter to the New Framework Agreement dated 12 August 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle
"Second WK Articles Amendment Agreement"	the agreement dated 15 October 2014 entered into between Mr. Zhang and Shanghai Yongle amending certain terms of the WK Articles
"Second WK Resolutions"	the shareholders' resolutions of Beijing Weike dated 15 October 2014 signed by Mr. Zhang and Shanghai Yongle in relation to the proposed amendments to the WK Articles
"Second WK S&P Agreement"	the sale and purchase agreement to be entered into between Shanghai Yongle and Mr. Zhang following the exercise of the Option for the acquisition of the remaining 67% of the equity interests in Beijing Weike by Shanghai Yongle from Mr. Zhang
"Second WK S&P Supplemental Agreement"	the supplemental agreement to the WK S&P Agreement dated 12 August 2014 entered into between Shanghai Yongle and the Beijing Weike Shareholders

"September Circular"	the circular of the Company dated 1 September 2014 in relation to, among others, the entering into of the New Framework Agreement and the transactions contemplated thereunder
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong as amended and supplemented from time to time)
"Shanghai Yongle"	上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Limited*), a company established on 27 May 2014 in Shanghai, the PRC with limited liability, which is owned by Mr. Lin and Mr. Wu as to 90% and 10% respectively
"Shanghai Yongle Shareholders"	Mr. Lin and Mr. Wu
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Disposal Agreements"	the agreements dated 23 September 2014 entered into by each of the Shanghai Yongle Shareholders with Shenzhen Yongle and Shanghai Yongle in relation to the sale and purchase of their respective equity interests in Shanghai Yongle
"Shareholder(s)"	holder(s) of Share(s)
"Shareholder A"	開聯信息技術有限公司 (Kai Lian Information Technology Limited*), a company established in the PRC with limited liability, which is one of the shareholders holding 10% of the equity interests in the Licence Company as at the Latest Practicable Date, the business scope of which includes, among others, provision of internet services, development of new and high-end technology and development and sale of computer software and telecommunication equipment
"Shenzhen Yongle"	深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

* *For identification purpose only*

"Side Letters"	the First Side Letter, the Second Side Letter and the Third Side Letter
"Spouse Consent"	the letter of consent dated 23 September 2014 signed by the spouse of Mr. Lin in relation to dealing of the equity interests in Shanghai Yongle held by, and registered under the name of, Mr. Lin
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber's Subscription"	the subscription of 68,490,000 new Shares by an independent third party pursuant to a subscription agreement dated 10 September 2014 entered into between the Company and the aforesaid independent third party
"Technical Consultation and Services Agreement"	the agreement dated 23 September 2014 entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of technical consultation and services to Shanghai Yongle by Shenzhen Yongle
"Third Loan Agreement"	an agreement to be entered into between Shenzhen Yongle and Shanghai Yongle in relation to the provision of a loan in the amount of RMB248 million to Shanghai Yongle by Shenzhen Yongle
"Third Side Letter"	the side letter to the New Framework Agreement dated 29 August 2014 entered into among Beijing Weike, the Beijing Weike Shareholders, the Shanghai Yongle Shareholders and Shenzhen Yongle
"Tian Li"	Tian Li Holdings Limited, which is owned as to 70% and 30% by Mr. Cheng Nga Ming Vincent, an executive Director, and Ms. Cheng Nga Yee, the sister of Mr. Cheng Nga Ming Vincent, respectively, is a substantial shareholder of the Company as at the Latest Practicable Date
"Top-up Subscription"	the subscription of 104,310,000 new Shares by Tian Li pursuant to a placing and subscription agreement dated 10 September 2014 entered into between, among others, the Company and Tian Li
"Transaction"	provision of loan by Shenzhen Yongle to Shanghai Yongle for the acquisition of 67% of the equity interests in Beijing Weike by Shanghai Yongle upon the exercise of the Option

"Transaction Documents"	the Second WK S&P Agreement and other documents necessary to effect the transfer of the 67% of the equity interests in Beijing Weike
"Undertakings"	the undertakings dated 23 September 2014 provided by each of the Shanghai Yongle Shareholders
"Voting Rights Proxy Agreements"	the agreements dated 23 September 2014 entered into by each of the Shanghai Yongle Shareholders with Shenzhen Yongle and Shanghai Yongle in relation to entrusting Shenzhen Yongle (or its designee) as the proxy of each of the Shanghai Yongle Shareholders to vote at the shareholders' meeting of Shanghai Yongle and to execute of all necessary documents to be signed by shareholders of Shanghai Yongle, minutes of Shanghai Yongle and any documents for registration to be lodged with the relevant authorities for and on behalf of the Shanghai Yongle Shareholders
"WK Articles"	the articles of association of Beijing Weike
"WK Articles Amendment Agreement"	the agreement dated 23 September 2014 entered into between Mr. Zhang and Shanghai Yongle amending certain terms of the WK Articles
"WK Pledge Agreement"	the agreement dated 9 July 2014 entered into among Shenzhen Yongle, Beijing Weike, the Beijing Weike Shareholders and Shanghai Yongle in relation to the pledge of the equity interests in Beijing Weike by the Beijing Weike Shareholders to Shanghai Yongle and, upon Completion, to Shenzhen Yongle
"WK S&P Agreement"	the sale and purchase agreement dated 9 July 2014 entered into between Shanghai Yongle and the Beijing Weike Shareholders in relation to the acquisition of 33% of the equity interests in Beijing Weike by Shanghai Yongle at a consideration of RMB156 million (as amended and supplemented by the WK S&P Supplemental Agreements)
"WK S&P Supplemental Agreements"	the First WK S&P Supplemental Agreement and the Second WK S&P Supplemental Agreement

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)

Executive Directors:
Mr. Cheng Nga Ming Vincent
Mr. Cao Guoqi
Mr. Fung Weichang
Mr. Xiong Wensen

Non-executive Director:
Mr. Joe Zhang Huaqiao *(Chairman)*

Independent Non-executive Directors:
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of business in Hong Kong:
Office No. 15
38th Floor, Hong Kong Plaza
188 Connaught Road West
Hong Kong

29 December 2014

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the September Circular, the Completion Announcement and the announcement of the Company dated 15 October 2014.

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

As the Company intends to formalise the structure for the exercise of the Option to acquire 67% of the equity interests in Beijing Weike (which would result in controlling 90% equity interests in the Licence Company), on 15 October 2014 (after trading hours), Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle entered into the Option Framework Agreement (as amended and supplemented by the Option Framework Side Letter dated 29 December 2014), pursuant to which, among other things, (i) the Second WK Resolutions and the Second WK Articles Amendment Agreement were entered into on the same day to amend the WK Articles such that the number of board members of Beijing Weike was to be increased from three to four and Shanghai Yongle shall have the right to nominate two persons to act as the directors of Beijing Weike before the exercise of the Option; (ii) the Option Supplemental Agreement I was entered into on the same day to amend certain terms of the Option Agreement; (iii) the New Third Loan Agreement was entered into on the same day, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB78.8 million to Shanghai Yongle for the payment of the Second Deposit to Mr. Zhang; and (iv) within two weeks after the fulfillment or waiver (as the case may be) of all the Option CP, Shanghai Yongle shall serve the Exercise Notice to Mr. Zhang to exercise the Option where the Second WK S&P Agreement and other documents necessary to effect the transfer of the 67% of the equity interests in Beijing Weike will be entered into within three days after the Exercise Notice has been received, and the Fourth Loan Agreement shall be entered into upon the serving of the Exercise Notice, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB169.2 million to Shanghai Yongle for the payment of the balance of the exercise price of the Option.

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

The purpose of this circular is to provide you with, among other things, (i) further information on the Option Framework Agreement and the transactions contemplated thereunder; (ii) the accountants' reports of Beijing Weike and the Licence Company prepared by independent accountants; (iii) the valuation report prepared by the Independent Valuer; and (iv) a notice of the EGM.

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

On 15 October 2014 (after trading hours), Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle entered into the Option Framework Agreement (as amended and supplemented by the Option Framework Side Letter dated 29 December 2014). Set out below are the principal terms of the Option Framework Agreement and the transactions contemplated thereunder:

(I) The Option Framework Agreement (as amended and supplemented by the Option Framework Side Letter)

Date:	15 October 2014 (as amended and supplemented by the Option Framework Side Letter dated 29 December 2014)
Parties:	(i) Beijing Weike; (ii) Mr. Zhang; (iii) Shanghai Yongle; (iv) the Shanghai Yongle Shareholders; and (v) Shenzhen Yongle. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Mr. Zhang is a third party independent of each of the Company and connected persons of the Company.
Arrangements upon the entering into of the Option Framework Agreement:	Pursuant to the Option Framework Agreement, on 15 October 2014, (i) Mr. Zhang and Shanghai Yongle entered into the Second WK Resolutions; and (ii) Beijing Weike, Mr. Zhang and Shanghai Yongle entered into the Second WK Articles Amendment Agreement such that the number of board members of Beijing Weike was to be increased from three to four and Shanghai Yongle shall have the right to nominate two persons to act as directors of Beijing Weike before the exercise of the Option.

Pursuant to the Option Framework Agreement, Shanghai Yongle and Mr. Zhang also entered into the Option Supplemental Agreement I on 15 October 2014 to amend certain terms of the Option Agreement (including the addition of a provision for the payment of the Second Deposit in the amount of RMB78.8 million by Shanghai Yongle to Mr. Zhang within three (3) days after the entering into of the Option Supplemental Agreement I, provided that the Second WK Resolutions and the Second WK Articles Amendment Agreement had been entered into by the relevant parties.

Pursuant to the Option Framework Side Letter, the parties thereto agreed, among other things, that (i) the Option Long Stop Date shall be extended from 31 December 2014 to 31 January 2015; (ii) the Option Supplemental Agreement II shall be entered into to further amend and supplement the Option Agreement (as amended and supplemented by the Option Supplemental Agreement I) and (iii) save as those information disclosed in this circular, all the representations, warranties and undertakings made by Mr. Zhang and Beijing Weike to Shenzhen Yongle and Shanghai Yongle in the Option Framework Agreement are true and accurate in all respects at all times up to and as at the Option Completion.

Exercise of the Option: Shanghai Yongle shall, within two weeks after the fulfillment or waiver (as the case may be) of all the Option CP, serve the Exercise Notice to Mr. Zhang to exercise the Option, and the Transaction Documents shall be entered into within three days after the Exercise Notice has been received. The balance of the exercise price for the Option in the amount of RMB169.2 million shall be payable by Shanghai Yongle to Mr. Zhang within 10 business days after the entering into of the Transaction Documents.

Matters relating to the Loan Arrangements:	Pursuant to the Option Framework Agreement, (i) instead of entering into the Third Loan Agreement upon the exercise of the Option as contemplated under the New Framework Agreement, Shanghai Yongle and Shenzhen Yongle entered into the New Third Loan Agreement on 15 October 2014, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB78.8 million to Shanghai Yongle for the payment of the Second Deposit to Mr. Zhang; and (ii) when Shanghai Yongle serves the Exercise Notice to Mr. Zhang to exercise the Option within two weeks after fulfillment or waiver (as the case may be) of all the Option CP, Shenzhen Yongle and Shanghai Yongle shall enter into the Fourth Loan Agreement, pursuant to which Shenzhen Yongle shall provide a loan in the amount of RMB169.2 million to Shanghai Yongle for the payment of the balance of the exercise price of the Option.
Conditions Precedent:	(i) Shenzhen Yongle having been reasonably satisfied with the relevant due diligence results in respect of, among others, the financial, legal, business, operational and other aspects of Beijing Weike and the Licence Company and having not been aware of any material adverse changes or potential material adverse changes thereof before Option Completion; (ii) (if necessary) the PRC legal advisors having issued a PRC legal opinion relating to the due incorporation, shareholdings and business scope of Beijing Weike and the Licence Company and other matters as may be reasonably requested by Shenzhen Yongle in the form and substance to the reasonable satisfaction of Shenzhen Yongle;

(iii) the Company having obtained the approval of the Shareholders at the EGM approving the Option Framework Agreement and the transactions contemplated thereunder (including the entering into of the Option Supplemental Agreement I, the Option Supplemental Agreement II, the New Third Loan Agreement, the Fourth Loan Agreement, the Second WK S&P Agreement and the transactions contemplated thereunder);

(iv) the Option Framework Agreement and the transactions contemplated thereunder having complied with all other applicable laws, rules and regulations (including but not limiting to the GEM Listing Rules);

(v) (if necessary) the Independent Valuer having issued a valuation report on the business or assets (if applicable) of Beijing Weike and/or the Licence Company in compliance with the GEM Listing Rules and in the form and substance to the reasonable satisfaction of Shenzhen Yongle;

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

(vii) the parties to the Option Framework Agreement (if applicable) having obtained the necessary approvals, filling consents and/or waivers from the relevant third parties (including but not limited to governmental or regulatory authorities or bodies such as the Stock Exchange, the SFC and/or the PBOC), and the government, official organisations or regulatory authorities (such as the Stock Exchange and the SFC and/or the PBOC) having not promulgated or adopted any laws, rules or regulations or decisions that would prohibit or restrict the entering into of the Option Framework Agreement and the transactions contemplated thereunder); and

(viii) (if necessary) the Company having completed the relevant fund-raising activities and having obtained sufficient net proceeds for completion of the Option Framework Agreement and the transactions contemplated thereunder.

In the event that the abovementioned Option CP are not fulfilled or waived, fully or partially, in writing by Shenzhen Yongle (other than the Option CP (iii), (iv), (vii) and (viii) above which shall not be waived) on or before 31 January 2015 (i.e. the Option Long Stop Day) or such later date as the parties to the Option Framework Agreement may agree, (i) the Option Framework Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the parties thereunder shall cease and determine; and (ii) Mr. Zhang shall return the First Deposit and the Second Deposit in the aggregate amount of RMB142.8 million to Shanghai Yongle within 3 days from the Option Long Stop Day.

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

(II) The Second WK Resolutions

Date: 15 October 2014

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

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

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

(III) The Second WK Articles Amendment Agreement

Date: 15 October 2014

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

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

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

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

Date:	9 July 2014 (as amended and supplemented by the Option Supplemental Agreement I dated 15 October 2014 and the Option Supplemental Agreement II dated 29 December 2014)
Parties:	(i) Mr. Zhang; and (ii) Shanghai Yongle.
Subject matter:	Pursuant to the Option Agreement, Mr. Zhang shall irrevocably grant the Option to Shanghai Yongle whereby upon fulfillment or waiver (as the case may be) of all the conditions precedent under the Option Agreement, Shanghai Yongle shall have the discretion to exercise the Option to acquire from Mr. Zhang 67% of the equity interests in Beijing Weike at any time, subject to the compliance with the requirements of the PRC laws and terms and conditions of the Option Agreement, within one year from the date of completion of the acquisition of 33% of the equity interests in Beijing Weike by Shanghai Yongle pursuant to the WK S&P Agreement. The price for the Option is RMB1 and the exercise price of the Option is RMB312 million, which was determined after taking into account, among other things, the preliminary valuation of the Licence Company as at 31 December 2013 by the Independent Valuer. Shanghai Yongle shall pay to Mr. Zhang (i) a sum of RMB64 million as the First Deposit within 7 days from the date of satisfaction of all the Framework CP; and (ii) a sum of RMB78.8 million as the Second Deposit to Mr. Zhang within 3 days from the date of the Option Supplemental Agreement I, provided that the Second WK Resolutions and the Second WK Articles Amendment Agreement have been entered into by the relevant parties.

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

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

Pursuant to the Option Supplemental Agreement II, the parties thereto agreed that save as those information disclosed in this circular, the representations, warranties and undertakings made by Mr. Zhang to Shanghai Yongle in the WK S&P Agreement are considered to form a part of the representations and warranties made by Mr. Zhang under the Option Agreement.

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

(V) The New Third Loan Agreement

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

Date:	15 October 2014
Parties:	(i) Shenzhen Yongle (as lender); and (ii) Shanghai Yongle (as borrower).
Particulars:	Pursuant to the New Third Loan Agreement, Shenzhen Yongle shall lend to Shanghai Yongle a non-interest bearing loan in the amount of RMB78.8 million solely for the purpose of settling the Second Deposit. The term of the loan shall commence on the date on which Shenzhen Yongle has transferred the loan to the bank account as designated by Shanghai Yongle and shall end on the date on which Shanghai Yongle has fully settled the loan. Shanghai Yongle will use 50% of the dividends arising from its interests in Beijing Weike to repay the loan. Repayment can be made, after obtaining the prior written consent of Shenzhen Yongle, in single or multiple installments on 31 December of each year.

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

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

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

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

The New Third Loan Agreement and the Fourth Loan Agreement are governed by and construed in accordance with the PRC laws and contain a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and the Cayman Islands shall have the power to grant interim remedies, such as withholding or freezing of the assets or on the equity interests of the party in breach. Upon the coming into effect of the relevant arbitral award, any party shall have the right to apply to the courts in the abovementioned jurisdictions for execution of such award. However, due to restrictions of the PRC laws, the PRC Legal Adviser is of the view that, even though the Loan Agreements provide that overseas courts (i.e. courts in Hong Kong and the Cayman Islands) shall have the power to grant interim remedies, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by the PRC courts.

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

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

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

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

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

Besides, if Shanghai Yong reckons that Beijing Weike had any form of debt (the "**WK Debt**") as at the date of execution of the Second WK S&P Agreement based on all documents relating to the financial position of Beijing Weike, Shanghai Yongle shall pay the adjusted consideration (i.e. a sum equals to RMB169.2 million deducting the WK Debt) within 10 business days from the date of execution of the Second WK S&P Agreement.

Conditions Precedent:

(i) Mr. Zhang being entitled to all the rights and interests of the 67% of equity interests in Beijing Weike and such interests are not encumbered by any mortgage, pledge, guarantee, charge and other matters which would otherwise, as a matter of law or fact, affect the transfer of such interests from Mr. Zhang to Shanghai Yongle;

(ii) there having not been any material adverse changes or potential material adverse changes in the operation of Beijing Weike and its subsidiaries (including the Licence Company), including but not limited to the payment service licence (支付業務許可證) issued by the PBOC, from the date of the Second WK S&P Agreement up to Completion;

(iii) the terms of the Second WK S&P Agreement and the transactions contemplated thereunder having been approved by the shareholders of Beijing Weike at a shareholders' meeting;

(iv) Mr. Zhang having full civil capacity to execute the Second WK S&P Agreement and perform the obligations thereunder;

(v) the parties to the Second WK S&P Agreement having obtained all the necessary approval, permission, consent, filing or waiver from the relevant third parties (including but not limited to governmental and regulatory authorities), including but not limited to registration of the transfer of equity interests with AIC, and the government, official organisations or regulatory authorities having not promulgated or adopted any laws, rules, regulations or decisions that would prohibit or restrict the entering into of the Second WK S&P Agreement and the transactions contemplated thereunder;

(vi) Shanghai Yongle having not been aware of any of the warranties made by Mr. Zhang being inaccurate or untrue on the date of the Second WK S&P Agreement or on such other dates when the warranties were made or the date of Completion;

(vii) the Second WK S&P Agreement and the transactions contemplated thereunder having complied with all other applicable laws, rules and regulations (including but not limited to the GEM Listing Rules);

(viii) (if necessary) a valuer having issued a valuation report on the business or assets (if applicable) of Beijing Weike and its subsidiaries (including the Licence Company) in compliance with the GEM Listing Rules and in the form and substance to the reasonable satisfaction of Shanghai Yongle; and

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

Representations, Warranties and Undertakings: The representation, warranties and undertakings made by Mr. Zhang to Shanghai Yongle in the Second WK S&P Agreement are true and accurate in all respects at all times up to and as at the date of completion of the Second WK S&P Agreement.

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

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

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

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

(i) a preliminary valuation by the Independent Valuer under market approach on the Licence Company as at 31 December 2013 and the valuation by the Independent Valuer on the Licence Company as at 31 May 2014;

(ii) the business development and prospects of the Licence Company in the medium to long term. The Licence Company plans to expand its sales network and channel and intends to co-operate with strategic partners to broaden accepting payment networks (up to the Latest Practicable Date, the Licence Company has entered into cooperation agreements with certain partners, details of which are set out on pages 36 to 37 in this circular);

(iii) the improving financial conditions and positions and also the recent operation results of the Licence Company;

(iv) the terms of the PRC third-party payment businesses transacted by listed companies recently; and

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

Although there is only a limited number of comparables appearing in the valuation report in Appendix VII of this circular and certain comparables were transacted in 2011 and 2012, the Board is of the opinion that these comparable transactions are exhaustive samples which are relevant and appropriate for direct comparison. Although there are only limited comparable transactions included in the valuation report, the Board reckons that estimated market values for the comparables vary significantly. However, the Board also notes that each of the estimated values is higher than that of the Licence Company. Besides, the Board is aware of other transactions of similar nature in the PRC in recent years, which, however, could not be quoted as close comparables in the valuation report due to the fact that they do not fit the selection criteria set by the valuer. In addition, the Board considers that these excluded transactions can provide insight into the industry trend and market practice on third party payment preferences notwithstanding that the Board is unable to assign a value to these transactions. Also, the Board considers those recent transactions illustrate that investors are seeking to acquire Payment Service Licences in general which would imply that the licences are valuable. Moreover, the Board wishes to draw the attention of the Shareholders that the implicit value of the entire equity interests in the Licence Company has reached approximately RMB1,454 million as at 31 August 2014 while that of the entire equity interest in the Licence Company was approximately RMB1,097 million only as at 31 May 2014 and the consideration for the 67% equity interests in Beijing Weike is RMB312 million and this would be equivalent to a value of approximately RMB465 million for the entire equity interests in Beijing Weike (including its 90% equity interests in the Licence Company). Notwithstanding the difference between the implicit values was attributable to the application of minority discount, it represents that the Group is able to acquire a valuable licence at an original price and the Company is not required to pay a control premium in order to gain absolute control. Although the Licence Company recorded losses or a low level of profits, the Board, after taking into account that the Licence Company has entered into several cooperation agreements with strategic partners (i.e. the agreements with YLZ Information Technology Co., Ltd* and Beijing Qilekang Technology Limited*) as set out on pages 37 and 38 of the Letter from the Board, considered that this would bring future benefits to the Licence Company and facilitate the Licence Company's expansion of asset bases in terms of clients' deposits thereby generating additional interest income. Furthermore, there is no assurance that prepaid card will become the main stream settlement method in the PRC and that prepaid card products are easy to store, carry and use and allow cardholders to replace physical money exchanges. Nevertheless, the Board is of the view that the prepaid cards can co-exist with various payment methods and it does not necessarily mean that certain methods have to be phased out immediately.

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

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

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

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

INFORMATION ON BEIJING WEIKE AND THE LICENCE COMPANY

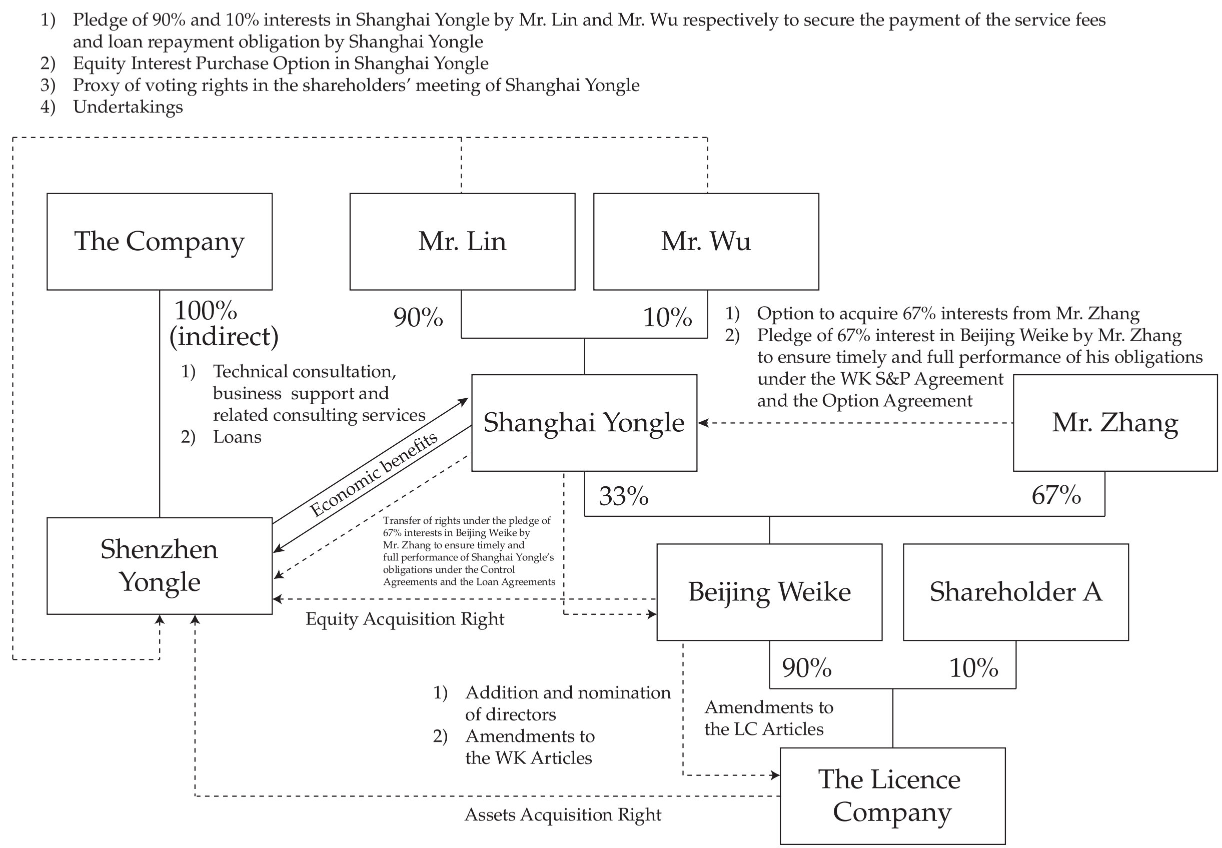
Beijing Weike is a company established in the PRC with limited liability and is owned as to 33% by Shanghai Yongle and 67% by Mr. Zhang respectively. The principal businesses of Beijing Weike are research and development and provision of internet technology for e-commerce and mobile payment system such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

The Licence Company, a company established in the PRC with limited liability which is principally engaged in prepaid card business and internet payment services in the PRC. A substantial portion of revenue and profit of the Licence Company was derived from its prepaid card business. The Licence Company generates revenue via its prepaid card business by (i) charging card issuance service fee at 1.0% of the total prepaid amount (according to iResearch, other prepaid card companies may charge an issuance fee at a rate ranging from 1% to 3% with a cap of RMB15 whereas debit cards may charge an issuance fee of RMB5 and no issuance is required for credit cards. Meanwhile, debit cards and credit cards may charge for annual fees which has a wide range); (ii) charging merchant services fees at a percentage (ranging from 0.5% to 1.0%) of transaction amount to merchants (such as supermarkets and chain-stores) who accept the prepaid cards issued by the Licence Company and use the POS system supplied by the Licence Company in the settlement process (according to iResearch, merchant fee of other prepaid card companies maybe charged at a rate ranging from 0.65% to 1.50% whereas merchant fee for debit cards and credit cards is charged at a rate ranging from 0.8% to 1.25%); (iii) receiving interest income arising from the deposit of cardholders; and (iv) receiving commission income by selling goods on behalf of merchants at the card centres of the Licence Company. As at the Latest Practicable Date, it is owned by (i) Beijing Weike as to 90% of the equity interests; and (ii) Shareholder A as to the remaining 10% of the equity interests. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Licence Company and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Shareholding structure

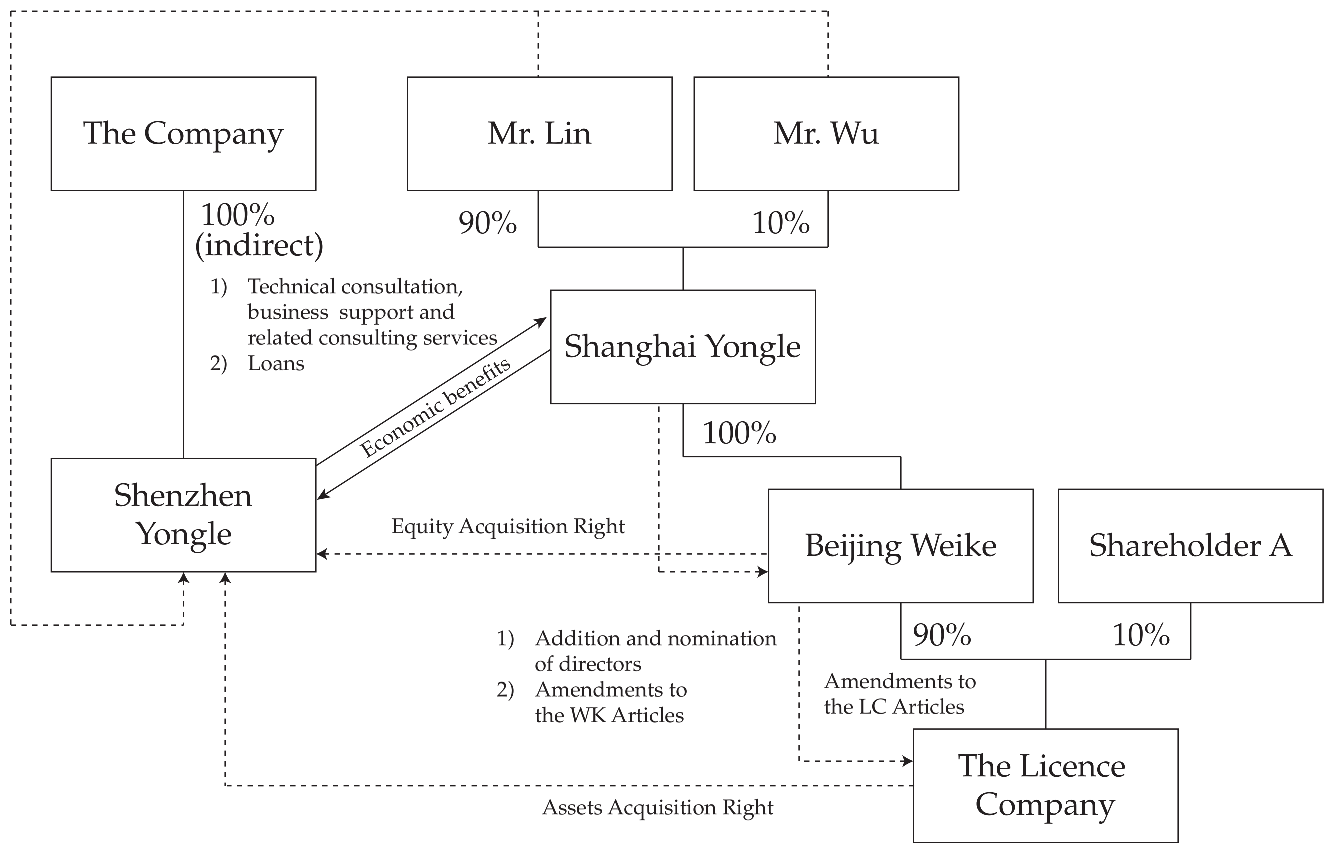
The structure chart of Shenzhen Yongle, Shanghai Yongle, Beijing Weike and the Licence Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion are as follows:

(i) Structure chart as at the Latest Practicable Date



(ii) Structure chart immediately after Completion

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



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

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

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

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

On the other hand, the Shanghai Yongle Shareholders have undertaken to Shenzhen Yongle that (1) they would follow the instructions of Shenzhen Yongle in relation to the amendments to or termination of the Control Agreements and/or the Loan Agreements for compliance with (i) the laws, regulations and rules in the PRC (as amended from time to time); (ii) the GEM Listing Rules and the relevant rules and requirements as promulgated or amended from time to time; and (iii) the approval of Shareholders (other than those required to abstain from voting under the GEM Listing Rules) at the general meeting of the Company in respect of amendments to and/or termination of the Control Agreements and/or the Loan Agreements. The Shanghai Yongle Shareholders shall also agree with such amendments to or termination of the Control Agreements and/or the Loan Agreements and procure Shanghai Yongle to agree to the same; (2) after termination of the Control Agreements and/or the Loan Agreements (including any unwinding subject to laws and regulations), the Shanghai Yongle Shareholders shall immediately and unconditionally return to Shenzhen Yongle the consideration received in any form pursuant to the Control Agreements and/or the Loan Agreements, where each of the Shanghai Yongle Shareholders further undertakes that he would procure Shanghai Yongle to do the same; (3) necessary arrangements have been made to protect the rights of Shenzhen Yongle under the Control Agreements in case of death, bankruptcy or divorce of the Shanghai Yongle Shareholders; (4) his interest in Shanghai Yongle and all the rights attached thereto will be transferred at the lowest price as permitted by the PRC laws to the individual or entity as designated by Shenzhen Yongle in accordance with the applicable PRC laws in the event that Mr. Lin or Mr. Wu (as the case may be) becomes incapable of performing the normal duty as a shareholder of Shanghai Yongle due to death, bankruptcy, divorce or any other incident; and (5) any unsecured personal loan (either one-off or accumulated) in an aggregate amount of more than RMB100,000 will not be incurred without written consent of Shenzhen Yongle or its direct or indirect shareholders.

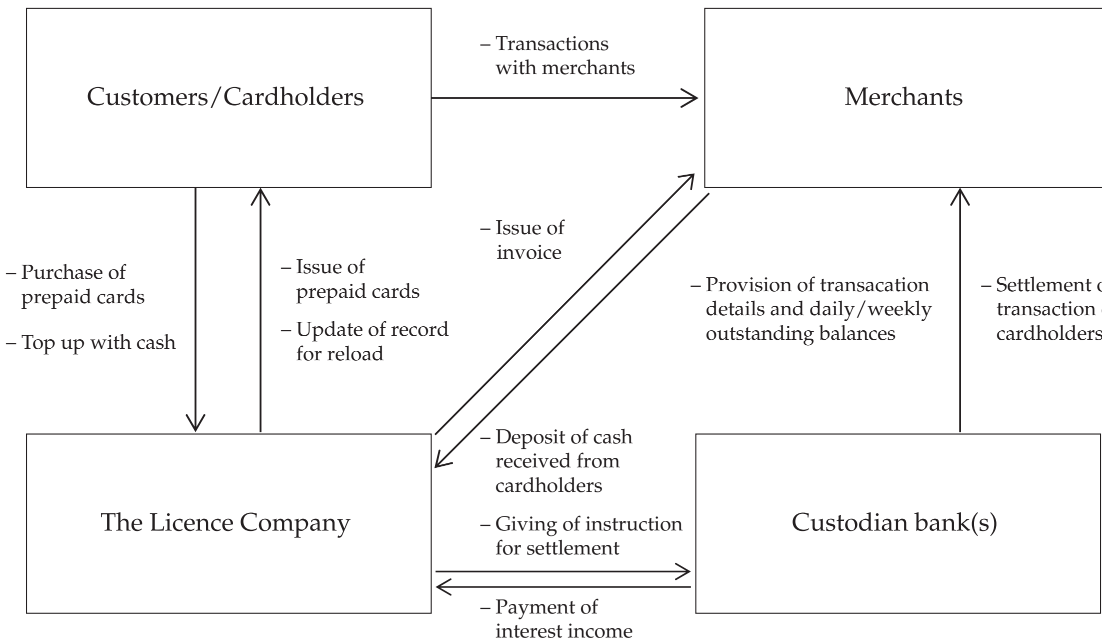
FURTHER INFORMATION RELATING TO THE LICENCE COMPANY

Business model

The Licence Company was founded in November 2010 in Beijing, the PRC, with a registered capital of RMB100 million. On 3 May 2011, the Licence Company obtained the payment service licence from the PBOC, allowing it to issue and process prepaid cards and offer internet payment services nationwide (as at the Latest Practicable Date, only six of such licences had been granted in the PRC). The licence is valid for five years until 2 May 2016. Subject to the approval of the PBOC, the valid period of this licence can be extended for a period of five years upon its expiry. Pursuant to the "Administrative Measures Relating to Payment Services by Non-financial Institutions (非金融機構支付服務管理辦法)" (hereinafter referred to as the "**Payment Service Measures**"), the application for extension of the payment service licence must be made to the relevant branch of the PBOC within six months prior to its expiry. As advised by the PRC Legal Adviser, there is currently no detailed requirement on the extension of the payment service licence specified by the PBOC and none of the payment service licence expired as at the Latest Practicable Date. However, it is normally perceived that the PBOC may take into account, among others, the compliance record and operating status of the licencees when it considers the application for extension of payment service licence. As such, the Company does not foresee any impediments for the extension of licence.

As at the Latest Practicable Date, the Licence Company operates three card centres in Beijing, one card centre in Shanghai and another one in Xi'an. The prepaid cards issued by the Licence Company are mainly under anonymous basis whilst some are under real-name basis and the existing main product of the Licence Company is Lianxin Card (連心卡), a prepaid card that can be used at numerous POS terminals operated by around 1,900 merchants in Beijing, Shanghai and Xi'an, the PRC over a network of around 11,000 POS terminals and the cash value in the prepaid cards is denominated in RMB only. The Licence Company has a few revenue streams, namely (i) card issuing service fee; (ii) merchant service fee incomes; (iii) interest income; and (iv) commission income. Firstly, when a prepaid card is issued to a cardholder, the Licence Company will charge a card issuing service fee, which is usually a percentage of the total prepaid amount. Secondly, when a cardholder uses the Licence Company's prepaid card for payment at a merchant, the merchant service fee is charged from the relevant merchant at a predetermined rate and such fee may be settled daily or monthly depending on the pre-agreed terms. Thirdly, the aggregate card value in cash received from customers is deposited into specific float fund custodian accounts at designated banks and the Licence Company is able to earn interest income from such deposits. Lastly, the Licence Company may occasionally sell goods on behalf of merchants at the card centres of the Licence Company and charge a commission.

The operation flow of the prepaid card business of the Licence Company can be summarized in the following chart:



As for the control mechanism of the Licence Company in respect of the handling of prepaid cardholders' deposits, the Licence Company has separate custodian accounts solely for the purpose of depositing the prepayment made by the cardholders and the settlement with merchant clients. The opening of all custodian accounts must be reported to the PBOC for ongoing supervision. After the close of business on each day, the account department of the Licence Company collects the bills including all transaction records from merchants. After reconciliation of the internal records on the use of prepaid cards of the Licence Company with merchants' bills, the account department prepares the lists of instructions to the custodian banks which include the amounts to be transferred to each merchant client. Details in the instruction lists such as transfer amounts and receiving account numbers of merchant clients must be verified and endorsed by the account manager of the Licence Company before submission to the custodian banks. The Licence Company also reconciliates the internal records with the bank balance of the custodian accounts on a monthly basis to ensure the accuracy. If any amount is required to be transferred among the custodian accounts, approval of the financial controller of the Licence Company is required. Certain prepayments of cardholders are deposited in fixed-term deposit account or other type of bank accounts (all are custodian accounts permitted by the PBOC) for earning bank interests and the Licence Company also implements the relevant control procedures. For transfers under RMB50 million, approval of the financial controller must be obtained whilst transfers of RMB50 million or above must be approved by the general manager of the Licence Company.

It is a general industry practice for prepaid card issuers (ie. the Licence Company) to place a deposit to merchants as a guarantee for the settlement of the spending made by prepaid cards' holders/internet payment accounts' holders. In order for the Licence Company to conduct business with the large-sized merchants, it is a general practice that these large-sized merchants would demand for such deposit from the Licence Company. For other merchants, they may not demand for such deposit from the Licence Company. The amount of the deposit paid to these merchants varies depending on the nature of business of the merchants and the expected volume of payments using the prepaid cards as negotiated between the Licence Company and the respective merchants.

The fluctuation in the card issuing service fee income during the three years ended 31 December 2013 and the nine months ended 30 September 2014 was due to the change in the number of prepaid cards issued in a particular year and the possible waiver by the Licence Company of part of the service fee of certain major customers as promotion. The fluctuation in the merchant service fee income during the three years ended 31 December 2013 and the nine months ended 30 September 2014 was due to different level of spending by the cardholders. The interest income has been on an increasing trend during the three years ended 31 December 2013 and the nine months ended 30 September 2014 due to the fact that the aggregate number of issued prepaid cards was increasing during the same period which resulted in an increased level of utilized float fund. The commission income remains at the minimum level as such income was incidental to the main business of the Licence Company which only occurred occasionally during its normal course of business.

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

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

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

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

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

On 3 September 2014, the Company and 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.*) ("**Zhongchao Hismart**") entered into a strategic cooperation agreement (the "**ZH Strategic Cooperation Agreement**") in respect of collaboration on exploring and developing universal citizen prepaid cards (which can be applied in, among others, local tourism and payments by drivers) for a term from the date of the ZH Strategic Cooperation Agreement to 30 April 2019 (automatically extended for five years upon expiry unless objected by the parties in writing). Zhongchao Hismart is a subsidiary of 中國印鈔造幣總公司 (China Banknote Printing and Minting Corporation*), a state-owned corporation and direct affiliate of the PBOC which carries out the minting of RMB coins and printing of RMB banknotes in the

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PRC. As a start-up, the Company, by utilising the resources and expertise of the Licence Company, and Zhongchao Hismart will jointly launch, among others, (i) 廣東省旅遊刷卡無障礙示範項目 (Barrier-free Tourism Card Pilot Program in Guangdong Province*) which enables the cardholder to settle the entrance fees, parking fees, shopping, hotel accommodation and entertainment at various tourist spots in Guangdong Province using one single card; and (ii) 廣西駕駛員卡 (Driver's Payment card) which enables the cardholder to pay almost all driving-related expenses, such as tolls, traffic fines, repair and maintenance fees, vehicle insurance and annual vehicle examination fee.

On 7 November 2014, 上海啟峻投資諮詢有限公司 (Shanghai Qijun Investment Consultancy Limited*), the Company and Zhongchao Hismart entered into a cooperation agreement (the "**TourismCard Cooperation Agreement**") in respect of the collaboration on developing and promoting the travel cards (the "**TourismCard**") in Guangdong province, the PRC. The TourismCard Cooperation Agreement shall be valid for a period commencing from 7 November 2014 to 30 June 2018 and the parties aim to issue at least 5,000,000 co-brand bank cards with electronic wallet and contactless payment functions and 10,000,000 anonymous prepaid cards and to build an acceptance network of at least 100,000 merchants (including the largest regional public transportation one-pass system in China, connecting 19 cities in Guangdong (including Guangzhou, Zhuhai, Zhongshan, Foshan etc.), Hong Kong (through co-brand card program with Octopus Card) and Macau). Zhongchao Hismart was chosen by 廣東省旅遊局 (Tourism Administration of Guangdong Province) and 銀聯廣東 (UnionPay Guangdong*) as the sole operator of Barrier-free Tourism Card Pilot Program in Guangdong province.

The Licence Company is developing an electronic gift card, which will be issued and used on the internet and for mobile payment. The Licence Company is allowed to issue e-cards, which is one form of prepaid cards, under its current payment service licence. The Licence Company will develop new prepaid cards after taking into account the potential of the relevant industry, for instance healthcare payment cards to be applied in clinics and hospitals. On 22 July 2014, the Licence Company entered into a strategic cooperation agreement (the "**YLZ Strategic Cooperation Agreement**") with 易聯眾信息技術股份有限公司 (YLZ Information Technology Co., Ltd*, "**YLZ**"), a social and healthcare information service provider in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300096) for a period of 20 years. Pursuant to the YLZ Strategic Cooperation Agreement, parties will set up a joint venture in the PRC to develop value-added products, such as real-name prepaid cards, that are designed to be used for payment of medical expenses at hospitals and pharmacies in the PRC. Pursuant to the YLZ Strategic Cooperation Agreement, the Licence Company and YLZ, entered into a cooperation agreement (the "**Fujian Agreement**") on 22 July 2014, whereby the parties have agreed to set up a joint venture (the "**YLZ JV**") in Fujian Province, the PRC with a registered capital of RMB10 million, 51% and 49% of which is to be contributed by YLZ and the Licence Company (by using its own cash and the cash redeemed from short term investments) respectively and the term of such cooperation between the parties shall be 20 years. Since (i) the registered capital of the YLZ JV will be contributed by the Licence Company with its internal resources; (ii) there is no other capital commitment of the Licence Company under the YLZ Strategic Cooperation Agreement and the Fujian

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Agreement; and (iii) the YLZ JV is not yet in operation, the Company does not expect any impact on the valuation of the Licence Company and the consideration for the acquisition of Beijing Weike as a result of the establishment of the YLZ JV.

Set out below is the preliminary action plan of the YLZ JV with estimated timeline and milestones, which is subject to change upon the negotiations and agreement between the Licence Company and YLZ:

- By March 2015, it is expected that the YLZ JV will complete its installation of the relevant information technology systems and recruitment of its personnel and the co-branding prepaid cards will be in production and ready for trial run.

- By June 2015, a trial run of the co-branding prepaid cards by YLZ's own employees will be completed and it is expected that the co-branding prepaid cards will be accepted in 10% of the hospitals and pharmacies within the network of YLZ in Fujian Province.

- By December 2015, it is expected that the annual co-branding prepaid card issuance amount of the YLZ JV will reach RMB500 million.

- By December 2016, the co-branding prepaid cards will be accepted in 30% of hospitals and pharmacies within the YLZ network in Fujian Province and a new joint venture will be established in another province offering the same type of payment service.

On 16 October 2014, 北京七樂康科技有限公司 (Beijing Qilekang Technology Limited*, the "**Healthcare Payment JV**"), a joint venture between the Licence Company and 廣州七樂康藥業連鎖有限公司 (Guangzhou Qilekang Pharmaceutical Chain Limited*, "**Qilekang**") was incorporated in the PRC. The Healthcare Payment JV has a registered capital of RMB5 million, of which the Licence Company will invest RMB0.75 million for a shareholding stake of 15%. The Healthcare Payment JV shall have a board composed of three board members, among whom the Licence Company is entitled to nominate one board member. The Licence Company is also entitled to nominate the chairman of the board, the authorized legal representative and will be in charge of issuing, accepting and settlement for the healthcare card product. The healthcare card product issued by the Healthcare Payment JV will have cross-legal-entity payment functions, so it can be accepted not only on Qilekang's own online platforms, but can also be used to make purchases at other cooperating parties in the healthcare industry, including but not limited to medicine delivery, medical diagnosis, private doctor, health check, health insurance, fitness and nutritional products. Moreover, the parties plan to contribute each party's resources to introduce third-party cooperation, including insurance companies, to develop various value-added products including commercial health insurance. Qilekang is among the first batch of internet pharmacies approved by China Food and Drug Administration, and is one of the largest healthcare e-commerce service providers in the PRC. Since 2011, Qilekang's total sales at Tmall on Singles Day has topped the healthcare products ranking for three consecutive years.

Set out below is the preliminary action plan of the Healthcare Payment JV with estimated timeline and milestones, which is subject to change upon the negotiations and agreement between the Licence Company and Qilekang:

- By March 2015, it is expected that the installation of the relevant information technology systems for the Healthcare Payment JV and the recruitment of its personnel will be completed and the co-branding prepaid cards will be launched.

- By June 2015, it is expected that the co-branding prepaid cards could be used for purchasing all online products offered by Qilekang.

- By December 2015, it is expected that the co-branding prepaid cards can be used for payment in at least 100 offline merchants (including hospitals and pharmacies), and the annual card issuance amount of the Healthcare Payment JV may reach RMB200 million.

The Company expects that the cooperation agreements, once materialized, can expand issuance channels as well as acceptance network. For instance, the YLZ cooperation can allow the Licence Company to issue prepaid cards in many hospitals and pharmacies, which can also allow Licence Company's products to be processed at these locations. Additional issuance channels would allow more people to purchase Licence Company's prepaid card products more easily, while wider acceptance network makes the prepaid card products more convenient. As a result, the cooperation with various partners can increase the issuance amount of Licence Company. With larger volume of issuance and more frequent transactions, the Licence Company earn more card issuing service income and merchant service income. Meanwhile, as issuance amount becomes larger, the amount of the unspent client's deposits also tend to be larger, thus the Licence Company can earn more interest income. Therefore, the entering into of these cooperation agreements may strengthen the Licence Company's profitability in all major revenue streams.

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

Management team of the Licence Company

Mr. Song Xinag Ping, the General Manager of the Licence Company, was graduated from Wuhan Institute of Iron and Steel* (武漢鋼鐵學院), the predecessor of Wuhan University of Science and Technology in 1983 and obtained its EMBA from Cheung Kong Graduate School of Business (長江商學院) in 2013. Mr. Song has over 25 years of experience in the banking and electronic payment business. He was working at various departments at Zhuhai branch of the Industrial and Commercial Bank of China during 1995 to 1998. During 1996 and 1997, he was the general manager of the marketing department of Goldpac Banking Equipment Co. Ltd.* (金邦達銀行設備有限公司). During 1998 to 1999, Mr. Song was the general manager of the trading department of a company under the Guangdong Province branch of the Industrial and Commercial Bank of China. During 2000 to 2001, Mr. Song was the general manager of 廣州實達銀盛科技有限公司. During 2004 to 2007, he was the general manager and chief oversea representative of Hong Kong branch and Beijing branch of China Unionloyalty Co. Ltd. (上海銀商資訊有限公司) which was established jointly by China UnionPay (中國銀聯) and China UMS (中國銀聯商務總公司). During 2007 to 2013, Mr. Song was the vice president and general manager of the prepaid card business department of the Shareholder A. During 2010 to 2013, he was appointed as the President of the Licence Company.

Mr. Wang Ning Quan, the Vice General Manager of the Licence Company, obtained his master degree in wireless electronics from University of Science and Technology of China (中國科學技術大學) in 1989. Mr. Wang worked at various companies during 1989 to 2007. Mr. Wang joined Shareholder A in 2008 and was the vice general manager of the prepaid card business department of Shareholder A. Mr. Wang was appointed as the Vice General Manager of the Licence Company since 2011.

Ms. Yin Lingbo, the Vice General Manager of the Licence Company, obtained his degree of Master of Science in Computer Science from Pacific State University in 1999. During 1999 to 2003, Ms. Yin worked at various departments of Sina.com. During 2003 to 2008, Ms. Yin worked at the technical department of Sina.com responsible for the technical support and development of short messaging and colour messaging business. During 2008 to 2010, Ms. Yin was the general manager of the operation department of the Shareholder A. Since 2010, Ms. Yin has been the Vice General Manager of the Licence Company.

Ms. Zhang Xiaoyin, Chief Financial Officer of the Licence Company, is a senior account and she obtained her bachelor degree from Beijing Institute of Finance and Commerce* (北京財貿學院), the predecessor of Capital University of Economics and Business in 1987. During 1987 to 1989, Ms. Zhang was the financial controller of a medium size wholesaler which specialized in wholesale of stationary. During 1989 to 2011, she was the chief accountant of 北京貴友大廈有限公司, a chain retailer in the PRC. During 2011 to 2012, Ms. Zhang was the financial adviser of the Shareholder A. Since 2012, Ms. Zhang has been the Chief Financial Officer of the Licence Company.

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The Company's management experience and expertise in third party payment business

The Group is principally engaged in operating the card acceptance business in Thailand and the Group has established a management team with extensive experience to manage this business. The Group has been seeking investment opportunities in card business in the PRC since 2012 and has been expanding and strengthening its management team. Currently, the Board comprises five executive Directors who have rich experience in various aspects of operations. In particular, Mr. Fung Weichang and Mr. Xiong Wensen held senior positions in MasterCard International (Asia Pacific) and 通聯支付網絡服務股份有限公司 (All-in-Pay Network Services Limited*), being worldwide and nationwide payment acceptance agency respectively, before joining the Group. Meanwhile, some of the key members of senior management of the Group have worked in various payment acceptance agency, prepaid card company and e-commerce company in the PRC before joining the Group. The Directors consider that the previous experience of certain members of the Board and the senior management of the Company will enable the Group to manage the business and development of the Target Group effectively.

Competitive advantages of the Licence Company

The Directors believe that the competitive advantages of the Licence Company set out below have distinguished itself from its competitors and will enable the Licence Company to achieve its future business objectives:

1. The Licence Company holds one of the six nationwide payment service licences for prepaid card and internet payment business in the PRC and is one of the leading prepaid card issuers in Beijing and the PRC.

2. The Licence Company has built a wide network of around 1,900 merchants (some of them have multiple POS) with around 11,000 POS terminals in the PRC.

3. The Licence Company has developed and owns a proprietary IT system for issuing prepaid cards and processing related transactions.

FINANCIAL INFORMATION ON BEIJING WEIKE AND THE LICENCE COMPANY

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

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Licence Company

	For the year ended 31 December 2011 *(RMB'000)*	For the year ended 31 December 2012 *(RMB'000)*	For the year ended 31 December 2013 *(RMB'000)*	For the nine months ended 30 September 2014 *(RMB'000)*
Revenue	**19,739**	**27,155**	**30,631**	**21,252**
(Loss)/Profit before taxation	(2,061)	(2,381)	(1,968)	1,575
(Loss)/Profit after taxation	(2,061)	(2,381)	(1,968)	1,519

	As at 31 December 2011 *(RMB'000)*	As at 31 December 2012 *(RMB'000)*	As at 31 December 2013 *(RMB'000)*	As at 30 September 2014 *(RMB'000)*
Total assets	**422,378**	**574,093**	**530,018**	**783,117**
Net assets	98,480	98,040	98,259	99,844

Beijing Weike

	For the nine months ended 30 September 2014 *(RMB'000)*
Revenue	**12,278**
Loss before taxation	395
Loss after taxation	451

	As at 30 September 2014 *(RMB'000)*
Total assets	**1,162,223**
Net assets	480,145

THE EXISTING CONTRACTUAL ARRANGEMENT UNDER THE NEW FRAMEWORK AGREEMENT

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

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

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

The Business Cooperation Agreement and the Technical Consultation and Services Agreement are to ensure the profits or income generated by Shanghai Yongle can be directed to Shenzhen Yongle in the form of service fees. Pursuant to the WK Resolutions, if Beijing Weike records a profit in a financial year, shareholders of Beijing Weike must resolve to distribute such profit at the shareholders' meeting and, subject to the requirements under the PRC laws, in the event that the Licence Company records a profit in a financial year, Beijing Weike, as the shareholder of the Licence Company, must vote in favour of the resolution in respect of the profit distribution of the Licence Company such that the relevant resolution at the shareholders' meeting of the Licence Company will be approved. As Beijing Weike holds 90% of the equity interests in the Licence Company, it has absolute control over the decision to be made by the Licence Company, including the distribution of profits. In addition, pursuant to the LC Resolutions, all matters regarding the Licence Company (including but not limited to asset disposals and other material matters) can only be carried out unless approved by shareholders holding not less than 90% (including 90%) of the voting rights of the Licence Company. As advised by the PRC Legal Adviser, the WK Articles and the LC Articles (as amended by the WK Articles Amendment Agreement, the Second WK Articles Amendment Agreement, the WK Resolutions, the Second WK Resolutions, the LC Articles Amendment Agreement and the LC Resolutions) are legally enforceable. Therefore, the Company has effective control over the Licence Company to ensure that it distributes its profits, through Beijing Weike, to Shanghai Yongle for settlement of the service fees under the Technical Consultation and Services Agreement.

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

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

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

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

In addition, pursuant to the Undertakings, the Shanghai Yongle Shareholders have undertaken to make the necessary arrangements (including the entering into of the Voting Right Proxy Agreements, the Spouse Consent and all incorporation documents, company kit and all company chops of Shanghai Yongle are safely held by the Company) to protect the rights of the Company and to avoid any practical difficulties in enforcing the New Framework Agreement in case of death, bankruptcy or divorce of the Shanghai Yongle Shareholders and they will transfer their interests in Shanghai Yongle and all the rights attached thereto to the individual or entity as designated by Shenzhen Yongle in accordance with the applicable PRC laws and regulations in the event that the Shanghai Yongle Shareholders become incapable of performing the normal duty as a shareholder of Shanghai Yongle due to the aforesaid events.

Pursuant to the WK Articles, all matters regarding Beijing Weike (including but not limited to assets disposal and other material matters) can only be carried out unless approved by shareholders holding 100% of the voting rights of Beijing Weike. Although Shanghai Yongle is only interested in 33% of the equity interests in Beijing Weike before the exercise of the Option, Shanghai Yongle has the veto power in the board of Beijing Weike, which secures the assets and rights of Beijing Weike. Upon exercising the Option, Shenzhen Yongle, via Shanghai Yongle, will have the power to deal with the assets and other rights of Beijing Weike. According to the LC Articles, all material matters of the Licence Company are only subject to the approval by its shareholders holding two-third voting rights of the Licence Company. The LC Articles also require all matters regarding the Licence Company (including but not limited to assets disposal and other material matters) to be approved by shareholders holding not less than 90% (including 90%) of the voting rights of the Licence Company. Therefore, Beijing Weike, a holder of 90% of the equity interests in the Licence Company, will have the absolute right to deal with all materials matters of the Licence Company. Since the Shanghai Yongle Shareholders are both employees of the Company and Shanghai Yongle was established in accordance with the instruction of the Company for the investment in the Licence Company by the Group as contemplated under the New Framework Agreement, the Company, via Shenzhen Yongle, has the right to deal with the assets of Shanghai Yongle, Beijing Weike and the Licence Company.

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

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

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

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

Since the Shanghai Yongle Shareholders are employees of the Company, they are required to follow instructions of the Company. In addition, pursuant to the Voting Rights Proxy Agreements, the Shanghai Yongle Shareholders have irrevocably authorized Shenzhen Yongle (or its designee, which can be a director or his/her successor of the direct or indirect shareholders of Shenzhen Yongle (including a liquidator replacing such director and his/her successor)) as their proxy to exercise all the rights of the shareholders of Shanghai Yongle and such authorisation shall not be altered unless otherwise instructed by Shenzhen Yongle. Therefore, it is unlikely that there will be potential conflicts of interests between the Company and the Shanghai Yongle Shareholders. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the Shanghai Yongle Shareholder(s).

REASONS FOR AND BENEFITS OF THE TRANSACTION

Regarding the use of contractual arrangement

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

Moreover, according to the Guidance of Foreign Enterprise Investments (2011 Amended) the internet payment service provided by the Licence Company is a type of value-added telecommunications business where foreign investment is restricted. According to the Administrative Provisions on Foreign-Invested Telecommunications Enterprises, the foreign investor of a foreign-invested telecommunications services provider needs to demonstrate a good track record and experience in providing value-added telecommunications services. Based on the consultation with the MIIT by the PRC Legal Adviser, it is understood that if the nature or substance of business run by a foreign enterprise is the same or similar to the value-added services in the telecommunications industry as described in 電信業務分類目錄 ("**Category of Telecommunications Businesses**") of the PRC, such foreign enterprise can be deemed to have the required operating track records and operating experience in value-added telecommunications industry. Since the Group has been conducting business of card acceptance using public telecommunications networks in Thailand, the PRC Legal Adviser considers that the industry experience requirements of the MIIT should be satisfied.

After consultation with the PBOC, the Company was advised by the PRC Legal Adviser that since no relevant administrative measures have been promulgated by the State Council of the PRC, the PBOC normally does not accept any application for foreign direct investment in (i) a PRC company holding a payment service licence (which allows the holder to engage in internet payment and issuance and acceptance of prepaid card businesses); and (ii) the parent company of such licensed company (irrespective of the proportion of interests to be invested). Therefore, the PRC Legal Adviser considers that the PBOC currently does not allow foreign investors to invest in the internet payment business either directly or indirectly and irrespective of the proportion of such investment. Thus, it is not possible for the Group to participate in prepaid card business and internet payment services in the PRC through direct or indirect acquisition of the equity interests in the Licence Company and the most feasible way in achieving this is to provide capital to Shanghai Yongle by way of loans to facilitate its acquisition of Beijing Weike, which holds 90% of the equity interests in the Licence Company, and to obtain effective control over and the rights to enjoy the economic benefits in the assets of Beijing Weike, including 90% of the equity interests in the Licence Company through the Control Agreements and other arrangements under the New Framework Agreement.

Thus, on 9 July 2014, Shenzhen Yongle and other parties entered into the New Framework Agreement in order to participate in the businesses of prepaid cards and internet payment services in the PRC. On 18 September 2014, ordinary resolution to approve the New Framework Agreement and the transactions contemplated thereunder was passed at the extraordinary general meeting. On 23 September 2014, all the Framework CP had been fulfilled and the Framework Completion took place. Upon the Framework Completion, relevant parties entered into the Control Agreements and other relevant documents such that the Group can exercise effective control over the rights to enjoy the economic benefits in the assets of Beijing Weike (including 90% of the equity interests in the Licence Company). Under the existing structure, Shanghai Yongle holds 33% of the equity interests in Beijing Weike, which in turn owns 90% of the equity interests in the Licence Company, and these arrangements between Shenzhen Yongle and Shanghai Yongle enable Shenzhen Yongle to receive the entire economic benefits of Shanghai

Yongle, that is equivalent to an effective interest of 29.7% economic benefits of the Licence Company. This structure (i.e. acquisition of the 33% equity interests in Beijing Weike and the Option conferring the rights to further acquire the remaining 67% equity interests in Beijing Weike) also allows the Company to conduct the transactions with the Licence Company in two stages so as to reduce its risk exposure. Under such approach, the Company is not required to pay the entire consideration (in terms of the aggregate loan amounts under the Loan Agreements) in one lump sum and the Company is allowed to access and review all the information of the Licence Company. Furthermore, the Company is allowed to assign designated representative to get involved in daily managerial and operational activities of the Licence Company upon completion of the first stage of acquisition, which would facilitate the Company to have certain degree of control and monitoring. Besides, at the time of entering into the Framework Agreement, the Company did not possess sufficient financial resources and human resources to acquire and exercise majority control over Beijing Weike and the Licence Company. After the Framework Agreement was entered into, the Group has been recruiting industry professionals and other talents to assist the management to monitor the operations and implement business strategies and plans whilst the Company has conducted certain fund raising activities to strengthen its financial position and cashflow. As advised by the PRC Legal Adviser, there is no restrictions under the current PRC laws for Shanghai Yongle in exercising the Option to acquire the 67% equity interests in Beijing Weike from Mr. Zhang under the Option Agreement (as amended and supplemented by the Option Supplemental Agreement I and the Option Supplemental Agreement II).

Regarding the entering into of the Option Framework Agreement

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

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

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

Having reviewed the operating performance (as illustrated by the latest management accounts up to 31 August 2014 from which the Licence Company has shown significant improvement in growth of the profitability), the industry prospect of the Licence Company and that the Licence Company has entered into a number of cooperation agreements with different partners which would expand the usage, coverage and profit potential of the prepaid cards of the Licence Company, the Company is optimistic about the business prospect of the Licence Company. Based on the unaudited management accounts of the Licence Company for the nine-month ended 30 September 2014, the gross profit is approximately RMB18.3 million and the projected annual gross profit for the year ending 31 December 2014 is approximately RMB24.4 million, which is around 15% higher than year ended 31 December 2013. In addition, excluding the one-off gain on disposal of the joint venture, the Licence Company reported a loss of approximately RMB0.1 million, which is significantly improved from the reported loss of approximately RMB2 million for the year ended 31 December 2013. The entering into of the Option Framework Agreement allows the Company, via Shanghai Yongle, to increase the number of directors of Beijing Weike and nominate half of the board members of Beijing Weike before the exercise of the Option such that the Company can impose more control over the board of directors of Beijing Weike to facilitate the Group's business strategy of developing co-brand prepaid programs (such as the cooperation with YLZ and Zhongchao Hismart) and innovative internet and mobile payment products earlier. After Completion, the Company will enjoy the economic benefit of the Licence Company to a larger extent (i.e. 90%) and will become the sole shareholder of Beijing Weike (i.e. Shanghai Yongle will have the full control over the board of Beijing Weike, including nomination of all directors). The Company expects that the cooperation agreements, once materialized, can expand issuance channels as well as acceptance network. For instance, the YLZ cooperation can allow the Licence Company to issue prepaid cards in many hospitals and pharmacies, while also allow Licence Company's products to be processed at these locations. Additional issuance channels would allow more people to purchase Licence Company's prepaid card products easier, while wider acceptance network makes the prepaid card products more convenient. As a result, the cooperation with various partners can increase the issuance amount of Licence Company. As issuance becomes larger and transactions conducted become more frequent, the Licence Company earn higher card issuing service income and merchant service income. Meanwhile, as issuance amount becomes larger, the unspent client's deposits also tend to be larger, thus the Licence Company can earn higher interest income. Therefore, the cooperation agreements may increase the Licence Company's profitability in all major revenue streams.

The Group has accumulated the relevant experience in payment business in the PRC through the operation of MCONE and Koolcloud since 2014 and believes that these companies may mutually benefit from each other in the future if the Company has more influence on them and is able formulate collaborative plans. With the internet payment platform and the Payment Service Licence of the Licence Company, the Company can offer internet payment solutions to its e-commerce merchants of MCONE. For instance, those merchants can accept credit and debit payments from buyers through online portals built by the Company, thereby allowing the Company to tap into new source of revenue by charging internet payment transaction fees. Besides, there was no vote against the resolution to approve the New Framework Agreement and the transactions contemplated thereunder and it may indicate the Shareholders' support to the Company's investment in the Licence Company. Moreover, the Company has recently completed the Placing, the Top-up Subscription and the Subscriber's Subscription which provide additional capital to the Company for, among others, the further investment in the Licence Company upon the exercise of the Option. In view that the First Deposit and the Second Deposit relating to the Option are refundable and the 67% equity interests in Beijing Weike held by Mr. Zhang are pledged to Shanghai Yongle pursuant to the WK Pledge Agreement, the Company considers that the credit risk to it is relatively low. In light of the abovementioned, the Company is in a better position in terms of financial and human resources and the Board decides to enter into the Option Framework Agreement.

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

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

INTERNAL CONTROL MEASURES IMPLEMENTED BY THE GROUP

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

Management controls

(i) The Group will, through Shanghai Yongle, appoint two board representatives (the "**Representatives**") to the board of Beijing Weike. The Representatives are required to conduct weekly reviews on the operations of Beijing Weike and the Licence Company and shall submit the weekly reviews to the Board. The Representatives are also required to check the authenticity of the monthly management accounts of both Beijing Weike and the Licence Company;

(ii) The Representatives shall establish a team to be funded by the Group who shall station at the Licence Company and shall be actively involved in various aspects of the daily managerial and operational activities of the Licence Company;

(iii) Under the New Framework Agreement, any major events or management decisions of Beijing Weike must be approved by Shanghai Yongle. Upon receiving notification of any major events of Beijing Weike by the Representatives or Beijing Weike, the Shanghai Yongle Shareholders must report to the company secretary of the Company (the "**Company Secretary**"), who must in turn report to the Board;

(iv) The Company Secretary shall conduct regular site visits to Shanghai Yongle, Beijing Weike and the Licence Company and conduct personnel interviews quarterly and submit reports to the Board; and

(v) All seals, chops, incorporation documents and all other legal documents of Shanghai Yongle must be kept at the office of Shenzhen Yongle.

Financial controls

(i) The financial controller of the Company (the "**FC**") shall collect monthly management accounts, bank statements and cash balances and major operational data of the Licence Company, Beijing Weike, Shanghai Yongle for review. Upon discovery of any suspicious matters, the FC must report to the Company Secretary, who shall in turn report to the Board;

(ii) According to the WK Articles Amendment Agreement and the WK Resolutions, Beijing Weike is obligated to distribute all its profits as dividends each year. If there is any distribution for a particular year and such distribution has been delayed, the Shanghai Yongle Shareholders and/or the FC must visit Beijing Weike for investigation and must report to the Board at the earliest possible date; and

(iii) If the payment of the service fees from Shanghai Yongle to Shenzhen Yongle is delayed, the FC must meet with the Shanghai Yongle Shareholders to investigate, and should report any suspicious matters to the Board. In extreme cases, the Shanghai Yongle Shareholder(s) will be removed and replaced.

Legal review

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

BUSINESS OBJECTIVES AND PLANS OF THE GROUP

Leveraging on its core business in electronic payment, trading and settlement platforms, the Group has been continuously exploring new business opportunities in order to improve the Group's future operating results and enhance the competitiveness.

The Group has been gradually shifting the strategic focus to payment business in the PRC (the "**PRC payment business**") which would include prepaid payment, internet payment, mobile payment and online-offline services. It is expected that the PRC payment business will ultimately enable the Group to build a large-scale real-name customer information database and to offer comprehensive personal financial services to the customers.

Apart from completing the acquisition of Beijing Weike, the PRC payment business will focus on opportunities arising from the following three aspects: (1) industry consolidation of traditional corporate prepaid card services; (2) co-brand partnerships; and (3) personal and virtual prepaid card services.

Industry consolidation of traditional corporate prepaid card services

The traditional prepaid card market is highly fragmented and competition has been fierce where small and medium-sized regional card issuers are having difficulties in competing effectively with national card issuers who are usually more resourceful and sizeable. The Company intends to leverage on its nationwide Payment Service Licence, management and technology skills to develop a standardised prepaid card platform to attract partnership with those small and medium-sized regional card issuers. It is expected that under such partnership, those small and medium-sized regional card issuers may issue prepaid cards using Payment Service Licence and/or brand of the Licence Company and integrate with the merchant acceptance network of the Licence Company. By doing so, the Licence Company may take over the management of relevant custodian funds, processing, settlement and after-sale services of the prepaid cards issued by those partnering small and medium-sized regional card issuers and therefore enjoy synergy and economy of scale.

Co-brand partnerships

Moreover, prepaid cards can be applied in various markets and industries, such as healthcare, tourism, shopping malls and complexes, transportation, smart city and smart housing. By introducing co-brand card programs with different partners in various industries, the Company can rapidly expand the acceptance network as well as its issuance channels. On the other hand, these partners often control strategic resources (such as information database for their respective industries, which often on a nationwide basis). A partnership between the Company and the industry partners can be optimal for both sides as these partners can leverage on their resources for developing payment products whilst the Licence Company has the means, the capability of and the licence for issuing relevant payment products. The Company has entered into various co-brand partnership arrangements with a number of partners such as Zhongchao Hismart, YLZ and Qilekang and the Company intends to seek further co-brand partnership opportunities in the future.

Personal and virtual prepaid card service

Under its Payment Service Licence, the Licence Company is allowed to develop personal and virtual prepaid card service business. The personal and virtual prepaid card service in the PRC is still a largely untapped market as the traditional prepaid card service market is still highly focused on corporate clients. Personal and virtual prepaid services serve individual consumers and have many possible applications. One possible application is to introduce electronic gift cards or electronic coupons through mobile phone applications. The Board believes such products can be attractive especially with younger generation as they present a fashionable and convenient alternative to traditional gift.

FINANCIAL EFFECTS OF THE NEW FRAMEWORK AGREEMENT AND THE CONTROL AGREEMENTS

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

Net Assets

Set out in Appendix VI to this circular is the unaudited pro forma statement of assets and liabilities on the Enlarged Group which illustrates the effect of the Completion on the assets and liabilities of the Group pursuant to the New Framework Agreement, the Control Agreements and the Loan Agreements.

As set out in the unaudited pro forma statement of assets and liabilities of the Enlarged Group in Appendix VI to this circular, the total assets of the Enlarged Group as at 30 September 2014 increased from approximately HK$536.3 million to approximately HK$1,610.9 million pursuant to the New Framework Agreement, the Control Agreements and the Loan Agreements.

As set out in the audited pro forma statement of assets and liabilities of the Enlarged Group in Appendix VI to this circular, the total liabilities of the Enlarged Group as at 30 September 2014 increased from approximately HK$44.5 million to approximately HK$1,108.0 million as a result of the New Framework Agreement, the Control Agreements and the Loan Agreements.

Earnings

Pursuant to the Business Cooperation Agreement and the Technical Consultation and Services Agreement, the service fee will be payable to Shenzhen Yongle by Shanghai Yongle during the term. Therefore, it is expected that the earnings of the Enlarged Group will increase as a result of the New Framework Agreement, the Control Agreements and the Loan Agreements.

GEM LISTING RULES IMPLICATIONS

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

GENERAL

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

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

Having noted and considered the reasons stated under the section headed "REASONS FOR AND THE BENEFITS OF THE TRANSACTION", the Board considered that the terms of the Option Framework Agreement, the Option Supplemental Agreement I, the Option Supplemental Agreement II, the Second WK Articles Amendment Agreement, the Second WK Resolutions, the New Third Loan Agreement, the Fourth Loan Agreement, the Second WK S&P Agreement and the transactions contemplated thereunder (including the exercise of the Option) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to approve the Option Framework Agreement, the Option Supplemental Agreement I, the Option Supplemental Agreement II, the Second WK Articles Amendment Agreement, the Second WK Resolutions, the New Third Loan Agreement, the Fourth Loan Agreement, the Second WK S&P Agreement and the transactions contemplated thereunder (including the exercise of the Option).

Your attention is also drawn to the additional information as set out in the section headed "ADDITIONAL INFORMATION".

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

INDUSTRY OVERVIEW

Unlike developed countries, the economy of the PRC has been relying on the capital investment and export where the retail sales of consumer goods in the PRC only accounted for a significant portion of the GDP of the PRC. During 2000 to 2013, the GDP of the PRC increased from approximately RMB9.9 trillion in 2000 to approximately RMB56.9 trillion in 2013 and the annual growth rate ranged from 7.7% to 14.2% during the same period. Since 2011, the GDP of the PRC has experienced consecutive drop due to, among other things, the shrink in overseas demands, especially in US and Europe. Meanwhile, the weighting of the retail sales of consumer goods in the PRC on the GDP of the PRC has been decreasing from approximately 62.3% in 2000 to a low of approximately 48.2% in 2010 and 2011 before rebounding to approximately 49.8% in 2013. Since 2010, the PRC government has promulgated a numbers of policies with a view to promote domestic spending in order to revive the economy.

According to iResearch[1], an independent market research agency, the internet is an emerging venue for consumer market and it would facilitate to stimulate domestic spending. The rapid development in the internet environment and electronic non-cash payment systems in recent years has changed the spending behaviors of consumers and the operating mode and strategy of merchants where they have gradually opted for internet as the transacting platform. In 2013, the total transaction amount of internet shopping in the PRC reached RMB1.9 trillion and accounted for approximately 8% of the total retail sales of consumer goods during the same year. Besides, it is expected that the CAGR for internet shopping would reach around 48% during 2011 to 2017.

1 iResearch Inc. ("**iResearch**"), an independent third party and a PRC-based internet market research institution. According to the website of iResearch, iResearch focuses on in-depth research in the PRCs internet industry, including online media, e-commerce, online games, mobile internet and wireless value-added services, etc. with more than 200 experts and own research systems and database. iResearch has also published various research reports relating to electronic payment (including internet and mobile) and/or third payment industry in 2013. iResearch was commissioned by the Company to prepare the research report "China Payment Industry Research and Payment Licenses Evaluation Report 2013" (中國支付行業研究與支付牌照價值評估報告2013年) and China e-Payments Market Research (中國電子支付產業研究報告) in 2014 in respect of the third-party payment industry in the PRC, such as prepaid card and internet payment. iResearch's independent research was undertaken through both primary and secondary research conducted in the PRC. The primary research involved in-depth interviews with industry experts, enterprises and channels. The secondary research utilized Internet-based methods for Internet research and involved comprehensive in-house research of public information for industry research, including government data and information, relevant economic data, industry data, company annual reports, quarterly reports, publications by industry experts and data from iResearch's own research database. iResearch integrates analysis from its internet advertising observation system, and internet-user online behavior research system. The Company paid a total consideration of RMB224,000 for the preparation of the research report.

On the other hand, due to technology advancement, non-cash payment methods have been evolving. Currently, bank cards (i.e. debit cards and credit cards) remain a main stream settlement method in the PRC but third party payment has emerged. The third party payment market in the PRC is fragmented with a lot of market players and is divided into different categories such as internet payment, mobile payment, fixed line payment, digital television payment, prepaid card, bank card acceptance businesses and others. As compared to traditional payment methods (such as cash payment, bank transfer and cheque payment) or credit card payment, third party payment offers a secured payment environment outside the banking system and it does not require full access to/disclosure of personal information of the payer to the payee. According to iResearch, an independent market research agency, in 2013, the total value of transactions through third-party payment was approximately RMB17.1 trillion in the PRC, representing a growth rate of approximately 38.4% over that of 2012. It is expected that the annual growth rate during 2014 to 2017 will be between 27% to 35%.

COMPETITIVE LANDSCAPE OF PREPAID CARD MARKET IN THE PRC

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

The table below lists out information about certain competitors of the Licence Company which the Directors consider their business model and products are relatively similar to that of the Licence Company.

Company	Year of establishment	Place of establishment	Principal activities	Types of products/services	Distribution network
A	2008	Hainan	Internet payment, prepaid card and bank acceptance	Prepaid cards for spending and travelling	Merchants in Hainan province
B	2006	Beijing	Prepaid card issuance and acceptance and internet payment	Prepaid cards for spending	Over 30 large scale department store chains and over 4000 merchant network in Beijing
C	2008	Tianjin	Prepaid card issuance and acceptance and internet payment	Prepaid cards for spending and one-stop internet payment platform	Air ticket industry, digital entertainment industry, insurance industry
D	2006	Beijing	Prepaid card issuance and acceptance and internet payment	Prepaid cards for spending, travelling and wedding market	Department store, gas station, electronic stores and banks
E	2006	Shenzhen	Internet payment, mobile payment and Prepaid card issuance and acceptance	Prepaid cards for spending and mobile e-wallet	Mainly through parent company's network

REGULATORY OVERVIEWS

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

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

The payment service business currently engaged by the Licence Company is subject to regulations in accordance with, among others, the Payment Service Measures, which came into effect on 1 September 2010. The Payment Service Measures stipulates that non-financial institutions must not engage in the provision of payment services (such as online payments, the issuance and acceptance of prepaid cards, and POS systems) without first obtaining approval and a payment service licence (支付業務許可證) from the PBOC. In accordance with Article 9 of the Payment Service Measures, regulations and rules addressing the scope of business and ownership restrictions for foreign investment in non-financial institutions engaged in payment services shall be stipulated by the PBOC separately and shall be approved by the State Council of the PRC. As at the Latest Practicable Date, the PBOC has not yet stipulated any relevant rules and regulations nor granted the payment service licence to any foreign invested enterprise intending to be engaged in the provision of prepaid card business and internet payment services.

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

Ongoing capital requirements

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

Ongoing liquidity requirements

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

Ongoing regulatory filing requirements

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

Requirements on use of clients' deposits

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

RISK FACTORS

Risks relating to the contractual arrangements

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

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

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

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

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

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

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

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

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

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

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

The Control Agreements and the Loan Agreements contain a provision for resolving disputes by arbitration at South China International Economic and Trade Arbitration Commission, Shenzhen in accordance with its then prevailing arbitration rules. The Control Agreements and the Loan Agreements include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the courts in the PRC, Hong Kong and Cayman Islands shall have the power to grant interim remedies, such as withholding or freezing of the assets or on the equity interests of the party in breach. Upon the coming into effect of the relevant arbitral award, any party shall have the right to apply to the courts in the abovementioned jurisdictions for execution of such award.

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

The Company may incur substantial costs when the ownership of Shanghai Yongle is transferred to Shenzhen Yongle

The Group does not currently hold any equity interest in Shanghai Yongle and the Group (through Shenzhen Yongle) maintains effective control over Shanghai Yongle through the contractual arrangements under the Control Agreements. Pursuant to the Company's Undertaking and the terms of the New Framework Agreement and the Control Agreements, the Company will unwind the Control Agreements and the Loan Agreements and procure Shenzhen Yongle to acquire the equity interests of Shanghai Yongle as soon as the relevant foreign investment restrictions in the PRC no longer exist. As a result, the exact time for such acquisition is uncertain and it is possible that such acquisition may be subject to substantial costs which may materially affect the financial positions and results of the Company.

Risks relating to the business and operation of the Licence Company

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

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

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

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

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

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

The Licence Company is exposed to a relatively short track record period for its business in the PRC

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

1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 March 2012, 31 March 2013 and 31 March 2014 respectively and for the six months ended 30 September 2014 have been set out on pages 31 to 80, pages 29 to 80 and pages 32 to 78 of the Company's annual reports for the financial years ended 31 March 2012, 31 March 2013 and 31 March 2014 dated 11 June 2012, 17 June 2013 and 23 June 2014 respectively and pages 3 to 27 of the Company's interim report for the six months ended 30 September 2014 dated 14 November 2014.

All annual reports and the interim report of the Company have been posted on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company at www.chinasmartpay.com/yjbg.

Hyperlinks to the annual reports and the interim report of the Company are set out below:

(i) Annual report of the Company for the year ended 31 March 2012:
http://www.hkexnews.hk/listedco/listconews/GEM/2012/0626/GLN20120626048.pdf

(ii) Annual report of the Company for the year ended 31 March 2013:
http://www.hkexnews.hk/listedco/listconews/GEM/2013/0627/GLN20130627051.pdf

(iii) Annual report of the Company for the year ended 31 March 2014:
http://www.hkexnews.hk/listedco/listconews/GEM/2014/0625/GLN20140625001.pdf

(iv) Interim report of the Company for the six months ended 30 September 2014:
http://www.hkexnews.hk/listedco/listconews/GEM/2014/1118/GLN20141118023.pdf

2. INDEBTEDNESS OF THE ENLARGED GROUP

Borrowings

As at the close of business on 31 October 2014, the Enlarged Group had a total outstanding amount of Baht 1,650,000 (equivalent to approximately HK$392,000) due to a minority shareholder in respect of the issue and paid up preference share capital of Oriental City Group (Thailand) Company Limited ("**OCG Thailand**"), a non-wholly owned subsidiary of the Company, which carries cumulative dividend at 9% per annum. The amount was unsecured and unguaranteed.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in accordance with applicable accounting standards because they are not redeemable and the holders of which are entitled to receive 9% cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

At 31 October 2014, the Enlarged Group had outstanding foreign currency contracts for the exchange of United States Dollars ("**US$**") with Baht of approximately US$6 million (equivalents to approximately HK$46.5 million). The Enlarged Group has no significant exposure on these forward currency contracts.

On 25 September 2014, Beijing Weike entered into an equity income right transfer agreement, an equity income right buyback agreement and the related pledge and mortgage agreements (the "**Agreements**") with 上銀瑞金資產管理（上海）有限公司 (Shangyin Ruijin Asset Management (Shanghai) Co., Ltd., "**Shangyin**", its English translation is for identification purpose only), a subsidiary of 上海銀行股份有限公司 (Bank of Shanghai Co., Ltd., "**Bank of Shanghai**", its English translation is for identification purpose only), pursuant to which Beijing Weike shall transfer the equity income right (the "**Right**") arising from its 90% equity interests in the Licence Company to Shangyin at the consideration of RMB70 million, equivalent to approximately HK$88 million (the "**Basic Price**"), and Beijing Weike shall be obliged to buy back the Right at one time upon the terms and conditions thereof (the "**Buyback Obligation**") at the Basic Price plus a premium of 8.57% per annum (the "**Premium**") of the Basic Price for the relevant period as referred to therein. Any dividend or other income associated with the 90% equity interests in Licence Company shall be directly paid to an escrow account opened by Beijing Weike with Bank of Shanghai specifically for payment of the Basic Price and the Premium under the Buyback Obligation. In addition, Beijing Weike shall pledge its 90% equity interest in Licence Company in favour of Shangyin and the Licence Company shall pledge certain properties with carrying amount of approximately RMB24.3 million (equivalent to approximately HK$30.5 million) at 31 October 2014, owned by it in favour of Shangyin to secure Beijing Weike's performance of the Buyback Obligation. The Basic Price of approximately HK$88 million was received by Beijing Weike in October 2014.

Contingent liabilities

As at 31 October 2014, the Enlarged Group had no material contingent liabilities.

Mortgages and charges

Save as disclosed above, as at 31 October 2014, the Enlarged Group had no mortgages or charges over its assets.

Banking facilities

Save as disclosed above, as at 31 October 2014, the Enlarged Group had no other banking facilities.

Capital commitment

As at 31 October 2014, the Enlarged Group had commitment contracted by not provided for in respect of capital contribution in an investee company to develop certain payment related products, such as real-name prepaid cards, that can be used for payment at hospitals and pharmacies in the PRC amounting to RMB4.9 million (equivalent to approximately HK$6.17 million).

Disclaimers

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 2014, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirmed that there had been no material changes to the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2014 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 March 2014, being the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, after taking into account the internal financial resources available to the Enlarged Group and the proposed completion of the acquisition of 67% equity interests in Beijing Weike pursuant to the terms and conditions of the Second WK S&P Agreement, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

During the year ended 31 March 2014, apart from the card acceptance transaction fee income and the foreign exchange rate discount income generated from the card acceptance business in Thailand, the Group also generated income from the cross-border e-commerce solution business from its wholly-owned subsidiary acquired in January 2014.

The Company considers that its business in Thailand is subject to uncertainty as political instability in Thailand still exists and thereby limits the Group's growth potential in that country. Nevertheless, the Group will closely monitor the situation and will take necessary actions in response to new developments.

Expanding from its core business in electronic payment, trading and settlement platforms, the Group has been continuously exploring new business opportunities in order to improve the Group's future operating results and enhance the competitiveness. The Group has also recruited a strong implementation team from leading payment companies in order to build an advanced and proprietary information technology system for future expansion. The implementation team comprises IT professionals who used to hold key roles in leading payment companies in the PRC and they are developing a new prepaid service solution and processing platform which will gradually merge and replace the existing platform of the Licence Company. It is estimated that a total of approximately RMB10 million is required for developing such platform and it will be financed by internal resources of the Group. This system will not only satisfy the Group's future demands for prepaid card issuance and acceptance, but will also enable rapid deployment of internet payment, mobile payment, loyalty and rewards management and big-data analysis.

In January 2014, the Group acquired 100% equity interests in MCONE, which is engaged in cross-border e-commerce solution business. The cross-border e-commerce solution business of MCONE provides a channel to connect the PRC e-commerce merchants with overseas customers and covered wide range of services such as product sourcing and distribution, cross-border payment, logistics, packaging, advertising, translation, human resources outsourcing and brand management. Target customer group of MCONE comprises mini to medium merchants which does not have sufficient resources to set up their e-commerce platforms. The Group's cross-border e-commerce solutions business through MCONE is expected to contribute to the Group as the Company is optimistic of the cross-border trading activities between the PRC and other countries. Besides, the Group may utilise the internet payment platform of the Licence Company as payment method for e-commerce merchant clients of MCONE. With the internet payment platform and the Payment Service Licence of the Licence Company, the Company can offer internet payment solutions to its e-commerce merchants of MCONE. For instance, those merchants can accept credit and debit payments from buyers through online portals built by the Company, thereby allowing the Company to tap into new source of revenue by charging internet payment transaction fees.

Furthermore, in March 2014, the Group acquired 22.22% interest in Shanghai Koolcloud Technology Co. Limited, which is a manufacturer and operator of cutting-edge smart POS terminal technology. This smart POS terminal technology accepts various payment products in a single platform and can provide diversified services to merchants and consumers. This technology provides convenience to and saves cost of merchants clients while at the same time it provides a channel for merchants and consumers to use the prepaid cards of the Licence Company. Hence it facilitates the expansion of the business of the Licence Company. On the other hand, in view of that the growth of PRC third-party payment industry may lead to the wider adoption of innovative point-of-sales technology, the Company believes that Shanghai Koolcloud Technology Co. Limited may also contribute to the Group in future.

The investment into the Licence Company will be the starting point of the PRC payment business of the Group. After the Completion, the Group will leverage the existing strength of the Licence Company to develop innovative payment products, including but not limited to industry-specific payment solutions, healthcare payment cards, gift cards and electronic prepaid cards. In view of the recent growth of the PRC economies, the improvement in living standard in the PRC, the growth of third-party payment industry and the prospective nationwide payment business of the Licence Company, the Company is optimistic of the future prospect of the PRC third-party payment industry and believes that it will benefit from business of the Licence Company.

The Group is also seeking investment and/or acquisition of other payment companies of strategic value which can create synergy with the Licence Company and will continue to seek new opportunities, including but not limited to electronic payment, trading and settlement platforms, with an aim to diversify the income stream base and enhance the profitability of the Group and thereby increasing the value of the Company.

It is expected that the prepaid card business will focus on opportunities arising from three aspects: (1) industry consolidation of traditional corporate prepaid card service; (2) co-brand partnerships; and (3) personal and virtual prepaid card service. Firstly, the Company intends to leverage on its nationwide Payment Service Licence, management and technology skills to develop a standardized prepaid card platform to attract partnership with those small and medium-sized regional card issuers. It is expected that under such partnership, those small and medium-sized regional card issuers may issue prepaid cards using the can integrate its resources the Payment Service Licence and/or brand of the Licence Company and integrate with the merchant acceptance network of the Licence Company. By doing so, the Licence Company may take over the management of relevant custodian funds, processing, settlement and after-sale services of the prepaid cards issued by those partnering small and medium-sized regional card issuers and enjoy synergy and economy of scale. Secondly, prepaid cards can be applied in various markets and industries, such as healthcare, tourism, shopping malls and complexes, transportation, smart city and smart housing. By introducing co-brand card programs with different partners in various industries, the Company can rapidly expand the acceptance network as well as issuance channels. Thirdly, under its Payment Service Licence, the Licence Company is allowed to develop personal and virtual prepaid card service business. The personal and virtual prepaid card service in the PRC is still a largely untapped market as the prepaid card service market is still highly focused on corporate clients. Personal and virtual prepaid service is for individual consumers and has many possible applications.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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29 December 2014

The Directors
China Smartpay Group Holdings Limited
Room 3815, 38/F, Hong Kong Plaza
188 Connaught Road West
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Wei Ke Rui Si Online (Beijing) Technology Company Limited ("**Beijing Weike**", English translation of 微科睿思在線（北京）科技有限公司 for identification purpose only) and its 90%-owned subsidiary namely Open Union Network Technology Services Limited ("**Open Union**", English translation of 開聯通網絡技術服務有限公司 for identification purpose only) (hereinafter collectively referred to as the "**Target Group**") (the "**Financial Information**") for inclusion in the circular of China Smartpay Group Holdings Limited (the "**Company**") dated 29 December 2014 (the "**Circular**") issued in connection with the proposed acquisition of the remaining 67% equity interest of Beijing Weike and its 90%-owned subsidiary namely Open Union (the "**Proposed Acquisition**"). The Financial Information comprises the consolidated statements of financial position of the Target Group and the statements of financial position of Beijing Weike at 31 December 2011, 2012 and 2013 and 30 September 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information.

Beijing Weike is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 20 April 2006. The principal activities of Beijing Weike are the trading of softwares and promotion of online technology in the PRC and investment holding. Beijing Weike has adopted 31 December as its financial year end date for statutory financial reporting purpose. At the date of this report, no audited statutory financial statements have been prepared by Beijing Weike.

The directors of Beijing Weike have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared by the directors of Beijing Weike for inclusion in the Circular issued in connection with the Proposed Acquisition based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Directors' responsibility for the Financial Information

The directors of Beijing Weike are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of Beijing Weike determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility for the Financial Information

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Target Group in respect of any period subsequent to 30 September 2014.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis as set out in Section B below, gives a true and fair view of the state of affairs of the Target Group and Beijing Weike at 31 December 2011, 2012 and 2013 and 30 September 2014 and of the Target Group's results and cash flows for the Relevant Periods in accordance with the basis of presentation and accounting policies as set out in Section B below which are in conformity with HKFRSs.

Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding financial information of the Target Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2013 and other explanatory information (the "**Corresponding Financial Information**"), for which the directors of Beijing Weike are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of Beijing Weike are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	4	292	7	–	–	12,278
Cost of goods sold and cost of services rendered		(141)	–	–	–	(1,571)
Gross profit		151	7	–	–	10,707
Other income	5	–	–	–	–	760
General administrative and other operating expenses		(183)	(19)	(1)	(1)	(8,115)
Selling and distribution costs		–	–	–	–	(3,527)
Share of loss of a joint venture	16	–	–	–	–	(220)
Loss before taxation	6	(32)	(12)	(1)	(1)	(395)
Income tax expense	9	–	–	–	–	(56)
Loss and total comprehensive loss for the year/period		(32)	(12)	(1)	(1)	(451)
Attributable to:						
Equity holders of Beijing Weike		(32)	(12)	(1)	(1)	(467)
Non-controlling interests		–	–	–	–	16
		(32)	(12)	(1)	(1)	(451)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*12*	–	–	–	27,361
Intangible assets	*13*	–	–	–	1,742
Goodwill	*15*	–	–	–	378,281
Interest in a joint venture	*16*	–	–	–	6,154
Deposits on investment	*23*	–	–	99,500	–
		–	–	99,500	413,538
Current assets					
Trade and other receivables	*17*	89	171	171	59,218
Restricted funds	*18*	–	–	–	667,943
Cash and cash equivalents	*19*	130	42	41	21,524
		219	213	212	748,685
Current liabilities					
Trade and other payables	*20*	43	49	49	682,078
Net current assets		176	164	163	66,607
NET ASSETS		176	164	99,663	480,145
Capital and reserves					
Paid-up capital	*21*	500	500	100,000	100,000
Reserves		(324)	(336)	(337)	370,160
Equity attributable to equity holders of Beijing Weike		176	164	99,663	470,160
Non-controlling interests		–	–	–	9,985
TOTAL EQUITY		176	164	99,663	480,145

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Interest in a subsidiary	*14*	–	–	–	468,000
Deposits on investment	*23*	–	–	99,500	–
		–	–	99,500	468,000
Current assets					
Other receivables	*17*	89	171	171	1,550
Cash and cash equivalents	*19*	130	42	41	775
		219	213	212	2,325
Current liabilities					
Other payables	*20*	43	49	49	305
Net current assets		176	164	163	2,020
NET ASSETS		176	164	99,663	470,020
Capital and reserves					
Paid-up capital	*21*	500	500	100,000	100,000
Reserves	*22*	(324)	(336)	(337)	370,020
TOTAL EQUITY		176	164	99,663	470,020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Capital reserves *RMB'000* *(Note)*	Accumulated losses *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2011	500	–	(292)	–	208
Loss and total comprehensive loss for the year	–	–	(32)	–	(32)
At 31 December 2011 and 1 January 2012	500	–	(324)	–	176
Loss and total comprehensive loss for the year	–	–	(12)	–	(12)
At 31 December 2012 and 1 January 2013	500	–	(336)	–	164
Loss and total comprehensive loss for the year	–	–	(1)	–	(1)
Transaction with equity holders:					
Capital contribution from equity holders	99,500	–	–	–	99,500
At 31 December 2013	100,000	–	(337)	–	99,663

	Paid-up capital *RMB'000*	Capital reserves *RMB'000* *(Note)*	Accumulated losses *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 31 December 2013 and 1 January 2014	100,000	–	(337)	–	99,663
Loss and total comprehensive loss for the period	–	–	(467)	16	(451)
Transaction with equity holders:					
Additional capital contribution from equity holders *(Note 22)*	–	370,964	–	–	370,964
Non-controlling interests arising from acquisition of a subsidiary *(Note 23)*	–	–	–	9,969	9,969
At 30 September 2014	100,000	370,964	(804)	9,985	480,145
unaudited					
At 1 January 2013	500	–	(336)	–	164
Loss and total comprehensive loss for the period	–	–	(1)	–	(1)
At 30 September 2013	500	–	(337)	–	163

Note:

Capital reserve

Capital reserve represents additional capital contribution from the ultimate controlling party by means of liabilities waiver as detailed in Note 22.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES						
Loss before taxation		(32)	(12)	(1)	(1)	(395)
Depreciation of property, plant and equipment		–	–	–	–	1,752
Amortisation of intangible assets		–	–	–	–	107
Share of loss of a joint venture		–	–	–	–	220
Interest income		–	–	–	–	(10,016)
Changes in working capital:						
Trade and other receivables		159	(82)	–	–	(10,088)
Trade and other payables		(6)	6	–	–	190,532
Restricted funds		–	–	–	–	(190,911)
Cash generated from (used in) operations		121	(88)	(1)	(1)	(18,799)
Interest received		–	–	–	–	10,016
Tax paid		–	–	–	–	(56)
Net cash generated from (used in) operating activities		121	(88)	(1)	(1)	(8,839)
INVESTING ACTIVITIES						
Deposits on investment paid		–	–	(99,500)	–	–
Acquisition of a subsidiary	23	–	–	–	–	(137,569)
Further consideration paid for acquisition of a subsidiary	23	–	–	–	–	(228,000)
Purchase of property, plant and equipment		–	–	–	–	(73)
Investment in other investments, net		–	–	–	–	25,000
Net cash used in investing activities		–	–	(99,500)	–	(340,642)
FINANCING ACTIVITIES						
Capital contribution from equity holders		–	–	99,500	–	–
Additional capital contribution from equity holders	22	–	–	–	–	370,964
Net cash generated from financing activities		–	–	99,500	–	370,964
Net increase (decrease) in cash and cash equivalents		121	(88)	(1)	(1)	21,483
Cash and cash equivalents at beginning of year/period		9	130	42	42	41
Cash and cash equivalents at end of year/period	19	130	42	41	41	21,524

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Wei Ke Rui Si Online (Beijing) Technology Company Limited ("**Beijing Weike**", English translation of 微科睿思在線(北京)科技有限公司 for identification purpose only) is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 20 April 2006. Beijing Weike's principal place of business is located at Room 706, 6th Floor, 17 Ma Dian East Road, Hai Dian District, Beijing, the PRC.

The principal activities of Beijing Weike are the trading of softwares and promotion of online technology in the PRC and investment holding. The information of Beijing Weike's subsidiary and joint venture is set out in Note 14 and Note 16, respectively, below.

In the opinion of the directors of Beijing Weike, at the date of approving the Financial Information, Mr. Zhang Zebin is the ultimate controlling party of Beijing Weike.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new/revised HKFRSs during each of the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "**Relevant Periods**"). For the purpose of preparing the Financial Information, Beijing Weike and its subsidiary (hereinafter collectively referred to as the "**Target Group**") has consistently adopted all these HKFRSs that are relevant to its operations and are effective for the Relevant Periods.

A summary of the principal accounting policies adopted by the Target Group in the preparation of the Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Basis of consolidation

The Financial Information comprises the financial statements of Beijing Weike and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as that of Beijing Weike using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of the subsidiary are consolidated from the date on which the Target Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests are presented, separately from equity holders of Beijing Weike, in consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of Beijing Weike and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of Beijing Weike and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Target Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of Beijing Weike.

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

Subsidiary

A subsidiary is an entity that is controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In Beijing Weike's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiary are accounted for by Beijing Weike on the basis of dividends received and receivable.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Target Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Target Group's investment in joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Target Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Target Group discontinues recognising its share of further losses when the Target Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interest that, in substance, form part of the Target Group's net investment in the investee.

Unrealised profits and losses resulting from transactions between the Target Group and its joint venture are eliminated to the extent of the Target Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Target Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be a joint venture is regarded as the fair value on initial recognition as a financial asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

As the Target Group's lease payments for its leasehold land and buildings cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	over the shorter of the unexpired term of leases estimated and their useful lives
Leasehold improvements	3 years
Computer equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Licence rights

Licence rights for the transaction processing system are stated at cost less accumulated amortisation and impairment losses considered necessary by the management. Amortisation is provided over 10 years, which is the shorter of its useful lives and the underlying licence period.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Group's contractual rights to future cash flows from the financial asset expire or (ii) the Target Group transfers the financial asset and either (a) the Target Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Initial measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables

Loans and receivables including trade and other receivables, bank balances and bank principal – guaranteed funds are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sales financial assets

Available-for-sale financial assets including other investments are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

The Target Group's financial liabilities include trade and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Target Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the consolidated and Beijing Weike's statements of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Card issuing service fee income is recognised when the prepaid cards are delivered to customers and issued cards are activated.

Merchant service fee represents service fee charged by the Target Group to merchants at specific rates on the monetary value of consumptions made by the prepaid cards' holders/internet payment accounts' holders in the merchants' stores. Merchant service fee income is recognised when the transactions occur.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Commission income is derived from sales of goods made on behalf of the merchants at the Target Group's cards centres. Commission income is recognised when the service is provided to the merchants, i.e. the goods are sold.

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Target Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, interest in a subsidiary and interest in a joint venture may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable/receivable under operating leases are charged/credited to profit or loss on a straight-line basis over the term of the relevant leases.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution retirement schemes

Pursuant to the law and regulations of the PRC, contributions to the defined contribution retirement schemes for the Target Group's staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed in profit or loss as incurred.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiary and joint venture, except where the timing of the reversal of the temporary differences is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Target Group.

(a) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the Target Group's management in the preparation of the Financial Information. They affect the application of the Target Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of the Target Group's property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation/amortisation charges included in profit or loss.

Impairment of property, plant and equipment and intangible assets

The management determines whether the Target Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Details of the methodology adopted for the determination of the recoverable amount are stated in Note 15 below.

Impairment of interest in a subsidiary

Beijing Weike assesses annually if its interest in a subsidiary suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amount due from a subsidiary is impaired. The assessment requires an estimation of the future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of the subsidiary would affect the estimation of impairment loss and result in the adjustments of its carrying amounts.

Impairment of financial assets

The management determines the provision for impairment of the Target Group's financial assets based on the current creditworthiness and the past collection history of each customer and other debtor and the current market condition. If the financial conditions of the Target Group's customers and other debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision may be required.

Future changes in HKFRSs

At the date of the Financial Information, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Target Group has not early adopted. The management does not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the results and financial position of the Target Group.

3. SEGMENT INFORMATION

Business segments

Management has determined the operating segments (i.e. the trading of softwares and promotion of online technology, the prepaid cards business and the internet payment business) based on the reports reviewed by the chief operating decision maker – the Target Group's directors for making strategic decisions. The Target Group's operating business are structured and managed separately according to the nature of their operations. The Target Group's chief operating decision makers regularly review its financial information to assess the performance and make resource allocation decisions. Since the Target Group has only one business segment of the trading of softwares and promotion of online technology for the three years ended 31 December 2011, 2012, and 2013 and the Target Group's internet payment business accounted for less than 1% of the total revenue for the nine months ended 30 September 2014 with no significant operation for the business segment of the trading of softwares and promotion of online technology, no business segment information is presented.

Geographical information

The Target Group's operations are all located in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

Details of the entities accounting for 10% or more of aggregate revenue of the Target Group during the Relevant Periods are as follows:

	RMB'000
Year ended 31 December 2011	
Entity A	172
Entity B	120
	292

	RMB'000
Year ended 31 December 2012	
Entity A	7

	RMB'000
Nine months ended 30 September 2014	
Entity C	2,445
Entity D	1,269
Entity E	5,583
	9,297

4. REVENUE

Revenue recognised by categories is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of goods	292	7	–	–	–
Card issuing service fee income	–	–	–	–	95
Merchant service fee income	–	–	–	–	2,217
Interest income *(Note)*	–	–	–	–	9,881
Commission income	–	–	–	–	85
Total revenue	292	7	–	–	12,278

Note: It represented interest income on the accumulated unutilised float funds generated from the operation of the prepaid cards business and internet payment business.

5. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income on self-owned funds	–	–	–	–	560
Rental income	–	–	–	–	200
	–	–	–	–	760

6. LOSS BEFORE TAXATION

It is stated after charging the following:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff salaries and allowances	118	13	–	–	2,057
Contributions to/Provision for defined contribution retirement schemes	33	6	–	–	194
Total staff costs (including directors' remuneration)	151	19	–	–	2,251
Costs of inventories	141	–	–	–	–
Amortisation of intangible assets*	–	–	–	–	107
Depreciation of property, plant and equipment*	–	–	–	–	1,752
Operating lease charges on premises	–	–	–	–	1,564

* Included in: General administrative and other operating expenses

7. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by Beijing Weike's directors are as follows:

	Fees	**Salaries and allowances**	**Contributions to defined contribution retirement schemes**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011				
– Zhao Yan	–	118	33	151
– Chen Bing	–	–	–	–
– Yu Haiying	–	–	–	–
	–	118	33	151

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012				
– Zhao Yan	–	13	6	19
– Chen Bing	–	–	–	–
– Yu Haiying	–	–	–	–
	–	13	6	19

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013				
– Zhao Yan*	–	–	–	–
– Chen Bing	–	–	–	–
– Yu Haiying	–	–	–	–
– Zhang Zebin#	–	–	–	–
	–	–	–	–

* Resigned during the year

\# Appointed during the year

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2014				
– Chen Bing*	–	–	–	–
– Yu Haiying	–	–	–	–
– Zhang Zebin	–	–	–	–
	–	–	–	–

* Resigned during the period

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2013 (unaudited)				
– Zhao Yan	–	–	–	–
– Chen Bing	–	–	–	–
– Yu Haiying	–	–	–	–
	–	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods. In addition, no emoluments were paid by the Target Group to any of the directors as an inducement to join, or upon joining the Target Group or as a compensation for loss of office during the Relevant Periods.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
Director	1	1	–	–	–
Non-director	–	–	–	–	5
	1	1	–	–	5

During each of the three years ended 31 December 2011, 2012 and 2013, the Target Group has no employee other than the directors as disclosed in Note 7 above.

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and allowances	–	–	–	–	322
Contributions to defined contribution retirement schemes	–	–	–	–	48
	–	–	–	–	370

The remuneration paid to each of the above individuals during the Relevant Periods fall within the band of RMBNil to RMB1,000,000.

During the Relevant Periods, no remuneration was paid by the Target Group to any of the five highest paid individuals as an inducement to join or upon joining the Target Group, or as a compensation for loss of office.

9. TAXATION

Beijing Weike is subject to Enterprise Income Tax ("**EIT**") of the PRC at a statutory rate of 25% for the Relevant Periods. Beijing Weike reported no current income tax expense for the Relevant Periods because it incurred loss for taxation purposes.

The subsidiary of Beijing Weike is subject to EIT of the PRC at a statutory rate of 25% for the Relevant Periods. Starting from year 2012, the subsidiary of Beijing Weike is approved by the relevant tax authorities in the PRC as a High and New Technology Enterprise to enjoy preferential EIT rate of 15% for three consecutive years.

Reconciliation of income tax expense

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before taxation	(32)	(12)	(1)	(1)	(395)
Applicable tax rate	25%	25%	25%	25%	15%
Income tax at applicable tax rate	(8)	(3)	–	–	(59)
Non-deductible expenses	–	–	–	–	51
Tax incentive on certain expenses	–	–	–	–	(82)
Unrecognised tax losses	–	2	–	–	152
Unrecognised temporary differences	8	1	–	–	74
Utilisation of previously unrecognised tax losses	–	–	–	–	(110)
Others	–	–	–	–	30
Income tax expense for the year/period	–	–	–	–	56

Unrecognised deferred tax assets arising from

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deductible temporary differences	33	39	39	1,562
Tax losses	–	7	8	615
	33	46	47	2,177

No deductible temporary differences expire under current tax legislation. The tax losses arising in the PRC can be used to offset against future taxable profit for a maximum of 5 years. Deferred tax assets have not been recognised in respect of these items because it is uncertain that future taxable profit will be available against which the Target Group can utilise the benefits therefrom.

The unrecognised tax losses arising in the PRC at the end of each reporting period will expire as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017	–	7	7	7
At 31 December 2018	–	–	1	1
At 31 December 2019	–	–	–	607
	–	7	8	615

10. DIVIDENDS

No dividends were declared nor paid during the Relevant Periods.

11. LOSS PER SHARE

Loss per share has not been presented as such information is not considered meaningful for the purpose of the Financial Information.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Computer equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – Nine months ended 30 September 2014						
At 1 January 2014	–	–	–	–	–	–
Acquisition of a subsidiary	24,899	565	3,007	287	282	29,040
Additions	–	–	72	1	–	73
Depreciation	(575)	(223)	(890)	(34)	(30)	(1,752)
At 30 September 2014	24,324	342	2,189	254	252	27,361
At 30 September 2014						
Cost	24,899	565	3,079	288	282	29,113
Accumulated depreciation	(575)	(223)	(890)	(34)	(30)	(1,752)
	24,324	342	2,189	254	252	27,361

The Target Group's leasehold land and buildings were situated in the PRC under medium-term leases.

At 30 September 2014, the Target Group's leasehold land and buildings with net carrying amount of approximately RMB24,324,000 were pledged to a financial institution in the PRC for securing a loan facility of RMB70,000,000 granted to Beijing Weike as detailed in Note 27(b). The facility was drawn down in October 2014.

13. INTANGIBLE ASSETS

	Licence rights *RMB'000*
Reconciliation of carrying amount – Nine months ended 30 September 2014	
At 1 January 2014	–
Acquisition of a subsidiary	1,849
Amortisation	(107)
At 30 September 2014	1,742
At 30 September 2014	
Cost	1,849
Accumulated amortisation	(107)
	1,742

14. INTEREST IN A SUBSIDIARY

	At 30 September 2014 *RMB'000*
Unlisted shares, at cost	468,000

Details of the subsidiary at 30 September 2014 are as follows:

Name of the entity	Place and date of establishment	Particulars of paid up capital	Percentage of equity ownership of interest held directly	Principal activities
開聯通網絡技術服務有限公司 Open Union Network Technology Services Limited ("**Open Union**", English translation for identification purpose only)	The PRC, 8 November 2010	RMB100,000,000	90% *(Note)*	Issuance and acceptance of prepaid cards and the provision of internet payment service

Note: The equity interest is pledged to a financial institution in the PRC for securing a loan facility of RMB70,000,000 granted to Beijing Weike as detailed in note 27(b). The facility was drawn in October 2014.

Financial information of subsidiary with individually material non-controlling interests ("NCI")

The following table shows the information relating to Open Union that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

At 30 September 2014	
Proportion of NCI's ownership interests	10%

At 30 September 2014	*RMB'000*
Non-current assets	35,257
Current assets	747,860
Current liabilities	(683,273)
Net assets	99,844
Carrying amount of NCI	9,985

Nine months ended 30 September 2014 (since the date of acquisition by Beijing Weike)	*RMB'000*
Revenue/Other income	13,038
Expenses	(12,882)
Profit and total comprehensive income	156
Profit and total comprehensive income attributable to NCI	16
Net cash flows (used in) generating from :	
Operating activities	(7,109)
Investing activities	24,927
Financing activities	–

15. GOODWILL

	At 30 September 2014
	RMB'000
Reconciliation of carrying amount – Nine months ended 30 September 2014	
At 1 January 2014	–
Additions *(Note 23)*	378,281
At 30 September 2014	378,281
At 30 September 2014	
Cost	378,281
Accumulated impairment losses	–
	378,281

On 30 April 2014, Beijing Weike acquired 90% equity interests in Open Union at an aggregate consideration of RMB468,000,000. The excess of the consideration transferred and the amount of non-controlling interest over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately RMB378,281,000 is recognised as goodwill.

On 30 September 2014, Beijing Weike assessed the recoverable amount of the goodwill with reference to a business valuation of Open Union determined under a market-based approach based on the multiples of price-to-annual prepaid cards issuing amount as stated in a valuation report issued by an independent professional valuer, Roma Appraisals Limited as set out in Appendix VII of the circular of China Smartpay Group Holdings Limited dated 29 December 2014, and determined that no impairment for goodwill was required.

16. INTEREST IN A JOINT VENTURE

	At 30 September 2014
	RMB'000
Unlisted investment:	
Share of net assets	6,154

Details of the joint venture at 30 September 2014 are as follows:

Name of the entity	Place and date of establishment	Registered and paid-up capital	Percentage of equity ownership of interest held indirectly	Principal place of business and activities
上海東方網通信技術有限公司 Shanghai Eastern Net Communication Technology Company Limited ("**Eastern Net**", English translation for identification purpose only)	The PRC, 9 May 2012	RMB20,000,000	40% *(Note)*	Promotion of prepaid cards and provision of related customer service in Shanghai, the PRC

Note: Each of Open Union, the other joint venture partner and an investor is entitled to appoint 2, 2 and 1, respectively, out of 5 board members of Eastern Net. Because certain strategic financial and operating decisions in relation to Eastern Net's operation require the consent of 4 out of 5 board members, Open Union and the other joint venture partner have joint control of the arrangement and Eastern Net is being regarded as a joint venture of Open Union and is accounted for using the equity method of accounting.

Financial information of the joint venture

Financial information of the joint venture is set out below, which represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs and adjusted by the Target Group for equity accounting purposes including any differences in accounting policies and fair value adjustment, if any.

At 30 September 2014	*RMB'000*
Gross amounts	
Non-current assets	296
Current assets	15,232
Current liabilities	(143)
Equity	15,385
Include in current assets above:	
Cash and cash equivalents	1,705
The Target Group's share of equity	6,154

Nine months ended 30 September 2014 (since the date of acquisition by the Target Group)	*RMB'000*
Gross amounts	
Revenue	1
Expenses	(550)
Loss and total comprehensive loss	(550)
The Target Group's share of loss and total comprehensive loss	(220)
Included in above:	
Depreciation and amortisation	(98)
Interest income	1

There are no capital commitment and contingent liabilities in relation to the joint venture itself.

17. TRADE AND OTHER RECEIVABLES

		The Target Group			
					At 30
		At 31 December			September
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
From sales agents		–	–	–	4,723
From prepaid cards' holders		–	–	–	4
From co-operative prepaid cards networks		–	–	–	2,033
Others		–	–	–	368
	(a)	–	–	–	7,128
Other receivables					
Deposits		–	–	–	694
Deposits paid to merchants	*(b)*	–	–	–	23,295
Due from an ex-director/equity holder	*(c)*	89	171	170	–
Prepayments and other receivables	*(d)*	–	–	1	28,101
		89	171	171	52,090
		89	171	171	59,218

		Beijing Weike			
		At 31 December			At 30 September
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables					
Due from an ex-director/equity holder	*(c)*	89	171	170	–
Due from Open Union	*(e)*	–	–	–	1,500
Other receivables		–	–	1	50
		89	171	171	1,550

(a) Trade receivables

The Target Group grants credit period to sales agents, prepaid cards' holders and co-operative prepaid cards networks up to 1 day, 30 days and 60 days respectively. At 30 September 2014, the ageing analysis of the trade receivables by invoice date is as follows:

	At 30 September 2014
	RMB'000
Less than 1 month	6,834
1 month to 3 months	102
Over 3 months	192
	7,128

At 30 September 2014, the ageing analysis of the trade receivables by due date is as follows:

	At 30 September 2014
	RMB'000
Current	6,838
Past due:	
Less than 1 month past due	102
1 month to 3 months past due	62
Over 3 months past due	126
	290
	7,128

The past due receivables are not assessed to be impaired as there has not been a significant change in credit quality and the directors believe that the amounts are fully recoverable. The Target Group does not hold any collateral over these balances.

(b) Deposits paid to merchants

The amounts represented deposits paid to merchants as a guarantee for the settlement of the spending made by prepaid cards' holders/internet payment accounts' holders.

(c) Due from an ex-director/equity holder

The amount due is unsecured, interest-free and has no fixed repayment term.

Details of the amount due from a director/equity holder are as follows:

	Year ended 31 December 2011		
	Maximum amount outstanding during the year	**Balance at 31.12.2011**	**Balance at 1.1.2011**
	RMB'000	*RMB'000*	*RMB'000*
Zhao Yan	248	89	248

	Year ended 31 December 2012		
	Maximum amount outstanding during the year	**Balance at 31.12.2012**	**Balance at 1.1.2012**
	RMB'000	*RMB'000*	*RMB'000*
Zhao Yan	171	171	89

	Year ended 31 December 2013		
	Maximum amount outstanding during the year	**Balance at 31.12.2013**	**Balance at 1.1.2013**
	RMB'000	*RMB'000*	*RMB'000*
Zhao Yan*	171	170	171

* Resigned as director during the year

(d) Prepayments and other receivables

	The Target Group			
	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Funds prepaid to merchants *(Note)*	–	–	–	21,460
Other receivables	–	–	1	6,641
	–	–	1	28,101

Note: The amounts represented funds remitted to the merchants in advance for the settlement of the spending to be made by the prepaid cards' holders/internet payment accounts' holders. The prepaid amounts are based on the historical spending pattern and expected transaction value with individual merchants.

(e) Due from Open Union

The amount due is unsecured, interest-free and has no fixed repayment term.

18. RESTRICTED FUNDS

		At 30 September 2014
	Note	*RMB'000*
Bank deposits	*(a)*	602,943
Bank principal – guaranteed funds	*(b)*	65,000
		667,943

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders/internet payment accounts' holders make purchase transactions with respective merchants and are not allowed to be used by the Target Group for any other purpose.

(a) Bank deposits

The balances represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 0.35% to 2.8% per annum.

(b) Bank principal – guaranteed funds

The balances represented funds with investment period of around 30 days and the principal amounts are guaranteed by banks. They are unlisted and bear interest at floating rate with expected return of 3.9% to 4.0% per annum.

19. CASH AND CASH EQUIVALENTS

		The Target Group			
		At 31 December			**At 30 September**
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank saving/current accounts		130	42	41	2,324
Bank principal – guaranteed funds	*(a)*	–	–	–	19,200
		130	42	41	21,524

	Beijing Weike			
	At 31 December			**At 30 September**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank saving/current accounts	130	42	41	775

(a) Bank principal – guaranteed funds

The balances represented funds with investment period of around 30 days and the principal amounts are guaranteed by banks. They are unlisted and bear interest at floating rate with expected return of 4.1% to 5.3% per annum.

20. TRADE AND OTHER PAYABLES

		The Target Group			
			At 31 December		At 30 September
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
To merchants		–	–	–	20,728
To co-operative prepaid cards networks		–	–	–	1,502
	(a)	–	–	–	22,230
Unutilised float funds	*(b)*	–	–	–	652,410
		–	–	–	674,640
Other payables					
Accruals and other payables		43	49	49	4,932
Due to a joint venture	*(c)*	–	–	–	2,506
		43	49	49	7,438
		43	49	49	682,078

	Beijing Weike			
	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables				
Accruals and other payables	43	49	49	305

(a) Trade payables

The credit periods of trade payables to sales agents, merchants and co-operative prepaid cards network are up to 30 days, 30 days and 60 days respectively.

At 30 September 2014, the ageing analysis of the Target Group's trade payables by invoice date is as follows:

	At 30 September 2014
	RMB'000
Less than 1 month	22,230
1 month to 3 months	–
Over 3 months	–
	22,230

(b) Unutilised float funds

The balances represented amounts prepaid by the prepaid cards' holders/internet payment accounts' holders to the Target Group and unutilised at the end of each reporting period. The Target Group is required to pay to the merchants from these funds when the prepaid cards' holders/internet payment accounts' holders make purchase transactions with respective merchants. The settlement terms with merchants vary and are dependent on the negotiation between the Target Group and individual merchants and number of purchase transactions.

(c) Due to a joint venture

The amounts due are unsecured, interest-free and have no fixed repayment term.

21. PAID-UP CAPITAL

	At 31 December			**At 30 September**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital				
At beginning of year/period	500	500	500	100,000
Capital contribution from equity holders	–	–	99,500	–
At end of year/period	500	500	100,000	100,000

22. RESERVES

	Capital reserves	Beijing Weiki Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	–	(292)	(292)
Loss and total comprehensive loss for the year	–	(32)	(32)
At 31 December 2011 and 1 January 2012	–	(324)	(324)
Loss and total comprehensive loss for the year	–	(12)	(12)
At 31 December 2012 and 1 January 2013	–	(336)	(336)
Loss and total comprehensive loss for the year	–	(1)	(1)
At 31 December 2013 and 1 January 2014	–	(337)	(337)
Loss and total comprehensive loss for the period	–	(607)	(467)
Transaction with equity holders:			
Additional capital contribution from equity holders *(Note)*	370,964	–	370,964
At 30 September 2014	370,964	(944)	370,020

Note: Upon completion of the transfer of 33% equity interest of Beijing Weike to a new investor, Shanghai Yongle Information Technology Limited (English translation of 上海雍勒信息技術有限公司 for identification purpose only), on 23 September 2014, the ultimate controlling shareholder agreed to waive the repayment of all shareholder loans provided by him to Beijing Weike, amounting to approximately RMB370,964,000 and forgone all rights, interests, claims and compensation relating to the amounts due to him. The amounts waived were recognised as additional capital contribution from the equity holders in equity directly.

23. DEPOSITS ON INVESTMENT/ACQUISITION OF A SUBSIDIARY

In December 2013, Beijing Weike conditionally agreed with the former controlling party of Open Union for the acquisition of 90% equity interest of Open Union at an aggregate consideration of RMB468,000,000 (the "**Open Union Acquisition**"). Up to 31 December 2013, refundable deposits of RMB99,500,000 had been paid by Beijing Weike.

On 30 April 2014, the Open Union Acquisition was completed. As a result of the Open Union Acquisition, Beijing Weike is expected to expand its core business in the operation of electronic payment, trading and settlement platforms.

The following summarises the consideration paid/payable and the amounts of the assets acquired and liabilities assumed at the date of acquisition.

	RMB'000
Consideration in cash:	
Deposits for investment made	99,500
Cash paid upon completion of the Open Union Acquisition	140,500
Cash consideration paid subsequently	228,000
	468,000

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	29,040
Intangible assets	1,849
Interest in a joint venture	6,374
Cash and cash equivalents	2,931
Restricted funds	477,032
Other investments – principal unguaranteed funds	25,000
Trade and other receivables	48,959
Trade and other payables	(491,497)
Total identifiable net assets	99,688
Non-controlling interests	(9,969)
Goodwill arising on acquisition	378,281
	468,000

	RMB'000
Net cash flow on acquisition of a subsidiary:	
Net cash acquired	2,931
Cash consideration paid	(140,500)
	(137,569)

The goodwill arising from the Open Union Acquisition is attributable to (i) Open Union's licenses for the operation of the prepaid cards business and the internet payment business and (ii) the growth and profit potential as a result of benefiting from the growing demand in the prepaid cards and the internet payment businesses. However, in the opinion of the directors of Beijing Weike, the fair values of the licenses and the growth and profit potential cannot be reasonably estimated and thus no individual intangible assets have been recognised. None of the goodwill recognised is expected to be deductible for income tax purpose.

Since acquisition, the acquired business has contributed RMB12,278,000 and RMB156,000 to the revenue and results of the Target Group respectively. If the business combination effected during the nine months ended 30 September 2014 had been taken up at 1 January 2014, the consolidated revenue and results of the Target Group would have been approximately RMB21,252,000 and RMB912,000 respectively.

The financial information of Open Union during the Relevant Periods is included in the accountant's report as set out in Appendix III of the circular of China Smartpay Group Holdings Limited dated 29 December 2014.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

Credit risk

The carrying amounts of trade and other receivables, bank balances and bank principal – guaranteed funds included in the statements of financial position represent the Target Group's maximum exposure to credit risk in relation to its financial assets.

The credit risk on bank balances and bank principal – guaranteed deposits is limited because the counterparties are banks with high credit-ratings.

Therefore, the Target Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the management reviews the credit condition of each individual debtor regularly.

Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. At the end of each reporting period, the Target Group's financial liabilities are all interest-free and either repayable on demand or within one year.

Interest rate risk

The Target Group's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets including bank balances and bank principal – guaranteed funds.

During the Relevant Periods, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's net results would be as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Increase/Decrease	–	–	–	–	1,289

The Target Group's sensitivity to interest rates would change in the same direction as the changes in its interest-bearing balances of financial assets as mentioned above.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the Relevant Periods and had been applied to the exposure to interest rate risk for the average balances of the interest-bearing financial assets in existence during the Relevant Periods. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the Relevant Periods.

Fair value

The carrying values of all financial instruments approximated their fair values at the end of each reporting period.

25. CAPITAL MANAGEMENT

The objectives of the Target Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The Target Group manages its capital structure and makes adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Target Group's objectives, policies or processes in managing capital during the Relevant Periods.

26. COMMITMENTS

Commitments under operating lease – the Target Group as lessee

The Target Group leases a number of properties under operating leases, which typically run for an initial period of one to three years. None of the leases includes contingent rental.

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	–	–	2,660
In the second to fifth years inclusive	–	–	–	1,818
	–	–	–	4,478

Capital commitments – Contracted but not provided for

In July 2014, Open Union entered into certain cooperation agreements with an independent third party, who is a social and healthcare information service provider in the PRC and its shares are listed on the Shenzhen Stock Exchange, for the formation of a limited liability entity (the "**Investee**") to develop certain payment related products, such as real-name prepaid cards, that can be used for making payment at hospitals and pharmacies in the PRC. The total registered capital of the Investee is RMB10,000,000 of which 49% and 51% will be contributed by Open Union and the independent third party, respectively. The Investee shall have a board composed of five board members, among whom Open Union is entitled to nominate two board members and the Investee will be classified as an associate. At the date of approving the Financial Information, the parties are yet to make any capital contributions.

27. EVENTS AFTER THE REPORTING PERIOD

The Target Group had the following events after the end of the reporting period:

(a) In October 2014, Open Union formed an associate, Beijing Qilekang Technology Limited ("**Qilekang**", English translation of 北京七樂康科技有限公司 for identification purpose only), with an independent third party, a leading enterprise engaged in online healthcare e-commerce in the PRC. The total registered capital of Qilekang is RMB5,000,000, of which Open Union would invest RMB750,000 for a shareholding stake of 15%. Qilekang shall have a board composed of three board members, among whom Open Union is entitled to nominate one board member. At the date of approving the Financial Information, the partners are yet to make any capital contributions.

(b) On 25 September 2014, Beijing Weike entered into an equity income right transfer agreement, an equity income right buyback agreement and the related pledge and mortgage agreements (the "**Agreements**") with 上銀瑞金資產管理(上海)有限公司 (Shangyin Ruijin Asset Management (Shanghai) Co., Ltd., "**Shangyin**", English translation for identification purpose only), a subsidiary of 上海銀行股份有限公司 (Bank of Shanghai Co., Ltd., "**Bank of Shanghai**", English translation for identification purpose only), pursuant to which Beijing Weike shall transfer the equity income right (the "**Right**") arising from its 90% equity interests in Open Union to Shangyin at the consideration of RMB70,000,000 (the "**Basic Price**") and Beijing Weike shall be obliged to buy back the Right at one time upon the terms and conditions thereof (the "**Buyback Obligation**") at the Basic Price plus a premium of 8.57% per annum (the "**Premium**") of the Basic Price for the relevant period as referred to therein. Any dividend or other income associated with the 90% equity interests in Open Union shall be directly paid to an escrow account opened by Beijing Weike with Bank of Shanghai specifically for payment of the Basic Price and the Premium under the Buyback Obligation.

In addition, Beijing Weike shall pledge its 90% equity interest in Open Union in favor of Shangyin and Open Union shall pledge certain properties owned by it in favour of Shangyin to secure Beijing Weike's performance of the Buyback Obligation. The Basic Price was received by Beijing Weike in October 2014.

Due to the fact that, upon the execution of the Agreements, Beijing Weike is still able to control Open Union and is exposed, or has rights, to variable returns from its investments in Open Union and has the ability to affect those returns through its power over Open Union, Beijing Weike still recognises Open Union as its subsidiary and the Basic Price received would be recognised as "other borrowing (secured)" and the Premium would be recognised as "finance costs" in the financial statements of Beijing Weike.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Beijing Weiki in respect of any periods subsequent to 30 September 2014.

MAZARS

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29 December 2014

The Directors
China Smartpay Group Holdings Limited
Room 3815, 38/F, Hong Kong Plaza
188 Connaught Road West
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Open Union Network Technology Services Limited ("**Open Union**", English translation of 開聯通網絡技術服務有限公司 for identification purpose only) (the "**Financial Information**") for inclusion in the circular of China Smartpay Group Holdings Limited (the "**Company**") dated 29 December 2014 (the "**Circular**") issued in connection with the proposed acquisition of the remaining 67% equity interest of Wei Ke Rui Si Online (Beijing) Technology Company Limited (English translation of 微科睿思在線(北京)科技有限公司 for identification purposely only) and its 90%-owned subsidiary namely Open Union (the "**Proposed Acquisition**"). The Financial Information comprises the statements of financial position of Open Union at 31 December 2011, 2012 and 2013 and 30 September 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of Open Union for each of the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information.

Open Union is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 8 November 2010. The principal activities of Open Union are the issuance and acceptance of prepaid cards and the provision of internet payment service in the PRC. Open Union has adopted 31 December as its financial year end date for statutory financial reporting purpose. The statutory financial statements of Open Union for each of the two years ended 31 December 2011 and 2012 and for the year ended 31 December 2013 prepared in accordance with Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC were audited by Beijing Huaweixin Certified Public Accountants Company Limited and Beijing Yingke Certified Public Accountants Company Limited respectively.

The directors of Open Union have prepared the financial statements of Open Union for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared by the directors of Open Union for inclusion in the Circular issued in connection with the Proposed Acquisition based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Directors' responsibility for the Financial Information

The directors of Open Union are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of Open Union determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility for the Financial Information

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of Open Union in respect of any period subsequent to 30 September 2014.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis as set out in Section B below, gives a true and fair view of the state of affairs of Open Union at 31 December 2011, 2012 and 2013 and 30 September 2014 and of Open Union's results and cash flows for the Relevant Periods in accordance with the basis of presentation and accounting policies as set out in Section B below which are in conformity with HKFRSs.

Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding financial information of Open Union comprising the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2013 and other explanatory information (the "**Corresponding Financial Information**"), for which the directors of Open Union are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of Open Union are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

Mazars CPA Limited
Certified Public Accountants

Hong Kong

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	4	19,739	27,155	30,631	21,077	21,252
Cost of services rendered		(6,491)	(6,370)	(9,432)	(7,653)	(2,989)
Gross profit		13,248	20,785	21,199	13,424	18,263
Other income	5	532	1,823	953	593	2,820
General administrative and other operating expenses		(15,225)	(22,638)	(20,028)	(14,874)	(14,267)
Selling and distribution costs		(616)	(1,666)	(3,248)	(2,861)	(4,475)
Share of loss of a joint venture	14	–	(685)	(844)	(930)	(766)
(Loss) Profit before taxation	6	(2,061)	(2,381)	(1,968)	(4,648)	1,575
Income tax expense	9	–	–	–	–	(56)
(Loss) Profit and total comprehensive (loss) income for the year/period attributable to equity holders of Open Union		(2,061)	(2,381)	(1,968)	(4,648)	1,519

STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2011 RMB'000	At 31 December 2012 RMB'000	At 31 December 2013 RMB'000	At 30 September 2014 RMB'000
Non-current assets					
Property, plant and equipment	12	1,243	33,234	29,866	27,361
Intangible assets	13	2,451	2,193	1,935	1,742
Interest in a joint venture	14	–	9,715	8,871	6,154
Prepayments for property, plant and equipment		26,977	–	–	–
		30,671	45,142	40,672	35,257
Current assets					
Other investments	15	–	–	10,000	–
Trade and other receivables	16	9,274	52,208	43,901	59,168
Restricted funds	17	321,357	466,709	431,724	667,943
Cash and cash equivalents	18	61,076	10,034	3,721	20,749
		391,707	528,951	489,346	747,860
Current liabilities					
Trade and other payables	19	323,898	476,053	431,759	683,273
Net current assets		67,809	52,898	57,587	64,587
Total assets less current liabilities		98,480	98,040	98,259	99,844
NET ASSETS		98,480	98,040	98,259	99,844
Capital and reserves					
Paid-up capital	20	100,000	100,000	100,000	100,000
Reserves		(1,520)	(1,960)	(1,741)	(156)
TOTAL EQUITY		98,480	98,040	98,259	99,844

STATEMENTS OF CHANGES IN EQUITY

		Reserves			
	Paid-up capital *RMB'000*	Capital reserve *RMB'000* *(Note)*	Accumulated losses *RMB'000*	Total reserves *RMB'000*	Total *RMB'000*
At 1 January 2011	100,000	–	(542)	(542)	99,458
Loss and total comprehensive loss for the year	–	–	(2,061)	(2,061)	(2,061)
Transaction with equity holders:					
Deemed capital contribution from equity holders *(Note 1(b))*	–	1,083	–	1,083	1,083
At 31 December 2011 and 1 January 2012	100,000	1,083	(2,603)	(1,520)	98,480
Loss and total comprehensive loss for the year	–	–	(2,381)	(2,381)	(2,381)
Transaction with equity holders:					
Deemed capital contribution from equity holders *(Note 1(b))*	–	1,941	–	1,941	1,941
At 31 December 2012 and 1 January 2013	100,000	3,024	(4,984)	(1,960)	98,040
Loss and total comprehensive loss for the year	–	–	(1,968)	(1,968)	(1,968)
Transaction with equity holders:					
Deemed capital contribution from equity holders *(Note 1(b))*	–	2,187	–	2,187	2,187
At 31 December 2013	100,000	5,211	(6,952)	(1,741)	98,259

		Reserves			
	Paid-up capital	Capital reserve	Accumulated losses	Total reserves	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013 and 1 January 2014	100,000	5,211	(6,952)	(1,741)	98,259
Profit and total comprehensive income for the period	–	–	1,519	1,519	1,519
Transaction with equity holders:					
Deemed capital contribution from equity holders *(Note 1(b))*	–	66	–	66	66
At 30 September 2014	100,000	5,277	(5,433)	(156)	99,844
unaudited					
At 1 January 2013	100,000	3,024	(4,984)	(1,960)	98,040
Loss and total comprehensive loss for the period	–	–	(4,648)	(4,648)	(4,648)
Transaction with equity holders:					
Deemed capital contribution from equity holders *(Note 1(b))*	–	1,497	–	1,497	1,497
At 30 September 2013	100,000	4,521	(9,632)	(5,111)	94,889

Note:

Capital reserve

Capital reserve represents deemed capital contribution from the Former Controlling Party as detailed in Note 1(b) of Section B below.

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
OPERATING ACTIVITIES						
(Loss) Profit before taxation		(2,061)	(2,381)	(1,968)	(4,648)	1,575
Depreciation of property, plant and equipment		109	2,401	4,172	3,097	3,173
Amortisation of intangible assets		129	258	258	193	193
Deemed capital contribution from equity holders *(Note 1(b))*		1,083	1,941	2,187	1,497	66
Share of loss of a joint venture		–	685	844	929	766
Interest income		(10,285)	(12,127)	(18,558)	(10,828)	(17,495)
Gain on disposal of property, plant and equipment		–	–	(35)	–	–
Gain on disposal of partial interest in a joint venture		–	–	–	–	(1,649)
Changes in working capital:						
Trade and other receivables		171,022	(42,934)	8,307	5,492	(15,267)
Trade and other payables		68,244	152,155	(44,294)	5,151	251,514
Restricted funds		(244,332)	(145,352)	34,985	(5,367)	(236,219)
Cash used in operations		(16,091)	(45,354)	(14,102)	(4,484)	(13,343)
Interest received		10,285	12,127	18,558	10,828	17,495
Tax paid		–	–	–	–	(56)
Net cash (used in) generated from operating activities		(5,806)	(33,227)	4,456	6,344	4,096

		Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(1,338)	(7,415)	(1,132)	(959)	(668)
Prepayments for property, plant and equipment		(26,977)	–	–	–	–
Proceeds from disposal of property, plant and equipment		–	–	363	–	–
Proceeds from disposal of partial interest in a joint venture		–	–	–	–	3,600
Purchase of intangible assets		(2,580)	–	–	–	–
Investment in a joint venture		–	(10,400)	–	–	–
Investment in other investments, net		–	–	(10,000)	(10,000)	10,000
Net cash (used in) generated from investing activities		(30,895)	(17,815)	(10,769)	(10,959)	12,932
Net (decrease) increase in cash and cash equivalents		(36,701)	(51,042)	(6,313)	(4,615)	17,028
Cash and cash equivalents at beginning of year/period		97,777	61,076	10,034	10,034	3,721
Cash and cash equivalents at end of year/period	*18*	61,076	10,034	3,721	5,419	20,749

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) Corporate information

Open Union Network Technology Services Limited ("**Open Union**", English translation of 開聯通網絡技術服務有限公司 for identification purpose only) is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 8 November 2010. Open Union's principal place of business is located at Room 706, 6th Floor, 17 Ma Dian East Road, Hai Dian District, Beijing, the PRC.

The principal activities of Open Union are the issuance and acceptance of prepaid cards and the provision of internet payment service. The information of Open Union's joint venture is set out in Note 14 below.

In the opinion of the directors of Open Union, at the date of approving the Financial Information, Wei Ke Rui Si Online (Beijing) Technology Company Limited ("**Beijing Weike**", English translation of 微科睿思在線(北京)科技有限公司 for identification purpose only), a limited liability company incorporated in the PRC, is the immediate holding company of Open Union and Mr. Zhang Zebin, is the ultimate controlling party of Open Union.

(b) Basis of presentation

On 15 December 2010, a business transfer agreement was entered into between Kai Lian Information Technology Limited (the "**Former Controlling Party**", English translation of 開聯信息技術有限公司 for identification purpose only) and Open Union under which the Former Controlling Party agreed to transfer its existing prepaid cards business and internet payment business to Open Union, including but not limited to the accumulated unutilised float funds, point-of-sales terminals, merchants network and transactions processing system, etc.

Notwithstanding the transfer of the businesses was completed upon the signing of the business transfer agreement, the Former Controlling Party did not arrange the service contracts with merchants to be renewed between Open Union and the respective merchants before such contracts expired. The Former Controlling Party still recognised in its books the merchant service fee income from those merchants until end of year 2012, when Open Union completely renewed the service contracts with the respective merchants.

In addition, certain direct costs for service rendered, hardware costs, staff costs and other operating and administrative expenses which were necessarily incurred for running the transferred prepaid cards business and internet payment business during each of the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 ("**the Relevant Periods**") until the change in control of Open Union from the Former Controlling Party to Beijing Weike on 30 April 2014 were still paid by the Former Controlling Party without recharging to Open Union.

Given the merchant service fee income and those operating costs and expenses were integral parts of the transferred prepaid cards business and internet payment business, for the purpose of the Financial Information, the following income, costs and expenses originally taken up by the Former Controlling Party are now recognised in Open Union's profit or loss and the net amounts were credited as deemed capital contribution from the equity holders in equity as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Merchant service fee income	6,865	1,222	–	–	–
Costs					
Cost of services rendered	(2,482)	(432)	–	–	–
Expenses					
Hardware costs	(782)	(363)	(192)	–	–
Staff costs	(2,674)	(2,368)	(1,995)	(1,497)	(66)
Other operating and administrative expenses	(2,010)	–	–	–	–
Deemed other operating expenses	(5,466)	(2,731)	(2,187)	(1,497)	(66)
Net amounts	(1,083)	(1,941)	(2,187)	(1,497)	(66)

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of preparing the Financial Information, Open Union has consistently adopted all these HKFRSs that are relevant to its operations and are effective for the Relevant Periods.

A summary of the principal accounting policies adopted by Open Union in the preparation of the Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Target Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

Open Union's investment in joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in Open Union's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that Open Union has incurred legal or constructive obligations or made payments on behalf of the investee, Open Union discontinues recognising its share of further losses when Open Union's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interest that, in substance, form part of Open Union's net investment in the investee.

Unrealised profits and losses resulting from transactions between Open Union and its joint venture are eliminated to the extent of Open Union's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, Open Union remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be a joint venture is regarded as the fair value on initial recognition as a financial asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

As Open Union's lease payments for its leasehold land and buildings cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	over the shorter of the unexpired term of leases and their estimated useful lives
Leasehold improvements	3 years
Computer equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Licence rights

Licence rights for the transaction processing system are stated at cost less accumulated amortisation and impairment losses considered necessary by the management. Amortisation is provided over 10 years, which is the shorter of its useful lives and the underlying licence period.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when Open Union becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) Open Union's contractual rights to future cash flows from the financial asset expire or (ii) Open Union transfers the financial asset and either (a) Open Union transfers substantially all the risks and rewards of ownership of the financial asset, or (b) Open Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If Open Union retains substantially all the risks and rewards of ownership of a transferred financial asset, Open Union continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If Open Union neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Open Union recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Initial measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables

Loans and receivables including trade and other receivables, bank balances and bank principal – guaranteed funds are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sales financial assets

Available-for-sale financial assets including other investments are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

Open Union's financial liabilities include trade and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, Open Union assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Cash equivalents

For the purpose of the statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the statements of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Open Union and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Card issuing service fee income is recognised when the prepaid cards are delivered to customers and issued cards are activated.

Merchant service fee represents service fee charged by Open Union to merchants at specific rates on the monetary value of consumptions made by the prepaid cards' holders/internet payment accounts' holders in the merchants' stores. Merchant service fee income is recognised when the transactions occur.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Commission income is derived from sales of goods made on behalf of the merchants at Open Union's cards centres. Commission income is recognised when the service is provided to the merchants, i.e. the goods are sold.

Impairment of non-financial assets

At the end of each reporting period, Open Union reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets and interest in a joint venture may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, Open Union estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable/receivable under operating leases are charged/credited to profit or loss on a straight-line basis over the term of the relevant leases.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution retirement schemes

Pursuant to the law and regulations of the PRC, contributions to the defined contribution retirement schemes for Open Union's staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed in profit or loss as incurred.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in joint venture, except where the timing of the reversal of the temporary differences is controlled by Open Union and it is probable that the temporary difference will not reverse in the foreseeable future.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to Open Union's most senior executive management for the purpose of allocating resources to, and assessing the performance of, Open Union's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to Open Union.

(a) A person or a close member of that person's family is related to Open Union if that person:

(i) has control or joint control over Open Union;

(ii) has significant influence over Open Union; or

(iii) is a member of the key management personnel of Open Union or the parent of Open Union.

(b) An entity is related to Open Union if any of the following conditions applies:

(i) The entity and Open Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either Open Union or an entity related to Open Union.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by Open Union's management in the preparation of the Financial Information. They affect the application of Open Union's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of Open Union's property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation/amortisation charges included in profit or loss.

Impairment of property, plant and equipment and intangible assets

The management determines whether Open Union's property, plant and equipment and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of financial assets

The management determines the provision for impairment of Open Union's financial assets based on the current creditworthiness and the past collection history of each customer and other debtor and the current market condition. If the financial conditions of Open Union's customers and other debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision may be required.

Future changes in HKFRSs

At the date of the Financial Information, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the Relevant Periods, which Open Union has not early adopted. The management does not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the results and financial position of Open Union.

3. SEGMENT INFORMATION

Business segments

Management has determined the operating segments (i.e. the prepaid cards business and the internet payment business) based on the reports reviewed by the chief operating decision maker – Open Union's directors for making strategic decisions. Open Union's operating business are structured and managed separately according to the nature of their operations. Open Union's chief operating decision makers regularly review its financial information to assess the performance and make resource allocation decisions. Since Open Union's internet payment business accounted for less than 1% of the total revenue for each of the Relevant Periods, no business segment information is presented.

Geographical information

Open Union's operations are all located in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

Details of the entities accounting for 10% or more of aggregate revenue of Open Union during the Relevant Periods are as follows:

	RMB'000
Year ended 31 December 2011	
Entity A	5,650
Entity B	2,581
	8,231

	RMB'000
Year ended 31 December 2012	
Entity C	6,093

	RMB'000
Year ended 31 December 2013	
Entity A	6,021
Entity B	4,537
Entity C	5,003
	15,561

	RMB'000
Nine months ended 30 September 2014	
Entity D	9,827
Entity E	2,196
Entity F	2,736
	14,759

	RMB'000
Nine months ended 30 September 2013 (unaudited)	
Entity A	3,159
Entity B	4,479
Entity C	2,658
	10,296

4. REVENUE

Revenue recognised by categories is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Card issuing service fee income	2,372	9,755	4,740	4,222	292
Merchant service fee income	7,447	6,957	7,556	6,009	4,351
Interest income *(Note)*	9,753	10,304	17,829	10,385	16,524
Commission income	167	139	506	461	85
Total revenue	19,739	27,155	30,631	21,077	21,252

Note: It represented interest income on the accumulated unutilised float funds generated from the operation of the prepaid cards business and internet payment business.

5. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Bank interest income on self-owned funds	532	1,823	729	443	971
Gain on disposal of property, plant and equipment	–	–	35	–	–
Gain on disposal of partial interest in a joint venture	–	–	–	–	1,649
Rental income	–	–	150	150	200
Sundry income	–	–	39	–	–
	532	1,823	953	593	2,820

6. (LOSS) PROFIT BEFORE TAXATION

It is stated after charging the following:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff salaries and allowances	3,178	8,160	5,321	4,199	4,991
Contributions to/Provision for defined contribution retirement schemes	527	1,267	501	375	419
Total staff costs (including directors' remuneration)	3,705	9,427	5,822	4,574	5,410
Auditor's remuneration	–	15	20	–	–
Amortisation of intangible assets*	129	258	258	193	193
Deemed other operating expenses *(Note 1(b))*	5,466	2,731	2,187	1,497	66
Depreciation of property, plant and equipment*	109	2,401	4,172	3,097	3,173
Operating lease charges on premises	2,949	2,246	3,070	2,206	2,451

* Included in: General administrative and other operating expenses

7. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by Open Union's directors are as follows:

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011				
– Yin Fu Sheng	–	–	–	–
– Yu Hong	–	–	–	–
– Song Xiang Ping, Peter	–	732	38	770
	–	732	38	770

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012				
– Yin Fu Sheng	–	–	–	–
– Yu Hong	–	–	–	–
– Song Xiang Ping, Peter	–	840	43	883
	–	840	43	883

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013				
– Yin Fu Sheng	–	–	–	–
– Yu Hong	–	–	–	–
– Song Xiang Ping, Peter	–	501	45	546
	–	501	45	546

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2014				
– Yin Fu Sheng	–	–	–	–
– Yu Hong	–	–	–	–
– Song Xiang Ping, Peter	–	653	35	688
	–	653	35	688

	Fees	Salaries and allowances	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2013 (unaudited)				
– Yin Fu Sheng	–	–	–	–
– Yu Hong	–	–	–	–
– Song Xiang Ping, Peter	–	376	33	409
	–	376	33	409

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods. In addition, no emoluments were paid by Open Union to any of the directors as an inducement to join, or upon joining Open Union or as a compensation for loss of office during the Relevant Periods.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
Director	1	1	1	1	1
Non-director	4	4	4	4	4
	5	5	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and allowances	464	646	657	514	506
Contributions to defined contribution retirement schemes	70	99	116	87	78
	534	745	773	601	584

The remuneration paid to each of the above individuals during the Relevant Periods fall within the band of RMBNil to RMB1,000,000.

During the Relevant Periods, no remuneration was paid by Open Union to any of the five highest paid individuals as an inducement to join or upon joining Open Union, or as a compensation for loss of office.

9. TAXATION

Open Union is subject to Enterprise Income Tax ("**EIT**") of the PRC at a statutory rate of 25% for the Relevant Periods. Starting from year 2012, Open Union is approved by the relevant tax authorities in the PRC as a High and New Technology Enterprise to enjoy preferential EIT rate of 15% for three consecutive years.

Open Union reported no current income tax expense because it incurred loss for taxation purpose for the years ended 31 December 2011 and 2012. Open Union's estimated assessable profits for the year ended 31 December 2013 are wholly absorbed by unrelieved tax losses brought forward from previous years. For the nine months ended 30 September 2014, EIT has been provided at the rate of 15% on Open Union's assessable profits.

Reconciliation of income tax expense

	Year ended 31 December			**Nine months ended 30 September**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss) Profit before taxation	(2,061)	(2,381)	(1,968)	(4,648)	1,575
Applicable tax rate	25%	15%	15%	15%	15%
Income tax at applicable tax rate	(515)	(357)	(295)	(697)	236
Non-deductible expenses	311	502	477	379	154
Tax incentive on certain expenses	(93)	(304)	(148)	(112)	(158)
Unrecognised tax losses	23	183	–	420	–
Unrecognised temporary differences	274	(29)	16	10	77
Utilisation of previously unrecognised tax losses	–	–	(44)	–	(234)
Others	–	5	(6)	–	(19)
Income tax expense for the year/period	–	–	–	–	56

Unrecognised deferred tax assets arising from

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deductible temporary differences	1,096	903	1,010	1,523
Tax losses	635	1,854	1,561	–
	1,731	2,757	2,571	1,523

No deductible temporary differences expire under current tax legislation. The tax losses arising in the PRC can be used to offset against future taxable profit for a maximum of 5 years. Deferred tax assets have not been recognised in respect of these items because it is uncertain that future taxable profit will be available against which Open Union can utilise the benefits therefrom.

The unrecognised tax losses arising in the PRC at the end of each reporting period will expire as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015	542	542	249	–
At 31 December 2016	93	93	93	–
At 31 December 2017	–	1,219	1,219	–
	635	1,854	1,561	–

10. DIVIDENDS

No dividends were declared nor paid during the Relevant Periods.

11. (LOSS) PROFIT PER SHARE

(Loss) Profit per share has not been presented as such information is not considered meaningful for the purpose of the Financial Information.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Computer equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2011						
At 1 January 2011	–	–	14	–	–	14
Additions	–	–	1,336	2	–	1,338
Depreciation	–	–	(109)	–	–	(109)
At 31 December 2011	–	–	1,241	2	–	1,243
Reconciliation of carrying amount – year ended 31 December 2012						
At 1 January 2012	–	–	1,241	2	–	1,243
Additions	27,666	1,544	4,738	444	–	34,392
Depreciation	(922)	(313)	(1,118)	(48)	–	(2,401)
At 31 December 2012	26,744	1,231	4,861	398	–	33,234
Reconciliation of carrying amount – year ended 31 December 2013						
At 1 January 2013	26,744	1,231	4,861	398	–	33,234
Additions	–	54	679	–	399	1,132
Depreciation	(1,383)	(543)	(2,092)	(83)	(71)	(4,172)
Disposals	–	–	–	–	(328)	(328)
At 31 December 2013	25,361	742	3,448	315	–	29,866
Reconciliation of carrying amount – nine months ended 30 September 2014						
At 1 January 2014	25,361	742	3,448	315	–	29,866
Additions	–	–	367	1	300	668
Depreciation	(1,037)	(400)	(1,626)	(62)	(48)	(3,173)
At 30 September 2014	24,324	342	2,189	254	252	27,361

	Leasehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Computer equipment *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 31 December 2011						
Cost	–	–	1,350	2	–	1,352
Accumulated depreciation	–	–	(109)	–	–	(109)
	–	–	1,241	2	–	1,243
At 31 December 2012						
Cost	27,666	1,544	6,088	446	–	35,744
Accumulated depreciation	(922)	(313)	(1,227)	(48)	–	(2,510)
	26,744	1,231	4,861	398	–	33,234
At 31 December 2013						
Cost	27,666	1,598	6,767	446	–	36,477
Accumulated depreciation	(2,305)	(856)	(3,319)	(131)	–	(6,611)
	25,361	742	3,448	315	–	29,866
At 30 September 2014						
Cost	27,666	1,598	7,134	447	300	37,145
Accumulated depreciation	(3,342)	(1,256)	(4,945)	(193)	(48)	(9,784)
	24,324	342	2,189	254	252	27,361

Open Union's leasehold land and buildings were situated in the PRC under medium-term leases.

At 30 September 2014, leasehold land and buildings with net carrying amount of approximately RMB24,324,000 were pledged to 上銀瑞金資產管理(上海)有限公司 (Shangyin Ruijin Asset Management (Shanghai) Co., Ltd., English translation for identification purpose only), a subsidiary of 上海銀行股份有限公司 (Bank of Shanghai Co., Ltd., English translation for identification purpose only) for securing a loan facility of RMB70,000,000 granted to Beijing Weike. The facility was drawn down in Oct 2014.

13. INTANGIBLE ASSETS

	Licence rights
	RMB'000
Reconciliation of carrying amount – year ended 31 December 2011	
At 1 January 2011	–
Additions	2,580
Amortisation	(129)
At 31 December 2011	2,451
Reconciliation of carrying amount – year ended 31 December 2012	
At 1 January 2012	2,451
Amortisation	(258)
At 31 December 2012	2,193
Reconciliation of carrying amount – year ended 31 December 2013	
At 1 January 2013	2,193
Amortisation	(258)
At 31 December 2013	1,935
Reconciliation of carrying amount – nine months ended 30 September 2014	
At 1 January 2014	1,935
Amortisation	(193)
At 30 September 2014	1,742
At 31 December 2011	
Cost	2,580
Accumulated amortisation	(129)
	2,451
At 31 December 2012	
Cost	2,580
Accumulated amortisation	(387)
	2,193
At 31 December 2013	
Cost	2,580
Accumulated amortisation	(645)
	1,935
At 30 September 2014	
Cost	2,580
Accumulated amortisation	(838)
	1,742

14. INTEREST IN A JOINT VENTURE

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments:				
Share of net assets	–	9,715	8,871	6,154

Details of the joint venture at 31 December 2012 and 2013 and 30 September 2014 are as follows:

Name of the entity	Place and date of establishment	Registered and paid-up capital	Percentage of equity ownership of interest held directly		Principal place of business and activities
			At 31 December 2012 and 2013	At 30 September 2014	
上海東方網通信技術有限公司 Shanghai Eastern Net Communication Technology Company Limited ("**Eastern Net**", English translation for identification purpose only)	The PRC, 9 May 2012	RMB20,000,000	52% *(Note (a))*	40% *(Note (b))*	Promotion of prepaid cards and provision of related customer service in Shanghai, the PRC

Note:

(a) In accordance with the shareholders' agreement signed between Open Union and the other joint venture partner, each of Open Union and the other joint venture partner is entitled to appoint 2 out of 5 board members of Eastern Net; the remaining board member is appointed on a year-to-year rotation basis by Open Union and the other joint venture partner. Because certain strategic financial and operating decisions in relation to Eastern Net's operation require the consent of 4 out of 5 board members, the parties have joint control of the arrangement and Eastern Net is being regarded as a joint venture of Open Union and is accounted for using the equity method of accounting.

(b) On 25 November 2013, Open Union, together with the other joint venture partner, entered into an equity interest transfer agreement under which both parties agreed to transfer 12% and 8% of their respective equity interest in Eastern Net to a third party (the "**New Investor**"), for a consideration of RMB3,600,000 and RMB2,400,000 respectively (the "**Transfer**"). Upon completion of the Transfer in March 2014, each of Open Union, the other joint venture partner and the New Investor is entitled to appoint 2, 2 and 1, respectively, out of 5 board members of Eastern Net. Because certain strategic financial and operating decisions in relation to Eastern Net's operation still require the consent of 4 out of 5 board members, Open Union and the other joint venture partner still have joint control of the arrangement and Eastern Net is still being regarded as a joint venture of Open Union.

Financial information of the joint venture

Financial information of the joint venture is set out below, which represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs and adjusted by Open Union for equity accounting purposes including any differences in accounting policies and fair value adjustment, if any.

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts				
Current assets	–	17,923	16,835	15,232
Non-current assets	–	911	394	296
Current liabilities	–	(151)	(170)	(143)
Equity	–	18,683	17,059	15,385
Include in current assets above:				
Cash and cash equivalents	–	14,612	873	1,705
Open Union's share of equity	–	9,715	8,871	6,154

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gross amounts					
Revenue	–	308	908	362	1
Expenses	–	(1,625)	(2,532)	(2,149)	(1,674)
Loss and total comprehensive loss	–	(1,317)	(1,624)	(1,787)	(1,673)
Open Union's share of loss and total comprehensive loss	–	(685)	(844)	(930)	(766)
Included in above:					
Depreciation and amortisation	–	(72)	(82)	(123)	(98)
Interest income	–	227	291	291	1

There are no capital commitment and contingent liabilities in relation to the joint venture itself.

15. OTHER INVESTMENTS

The other investments represents unlisted investments in certain principal unguaranteed funds (the "**Investments**") placed with banks in the PRC. The maturity period of the Investments is within 3 months and they cannot be early redeemed within the maturity period. The Investments are unlisted investment funds which mainly invested in treasury bonds, bank debentures, central bank bills, enterprise/corporate bonds and other investments in the PRC with high credit rating. The investments bear interest at floating rate with expected return of 5.2% to 5.7% per annum.

In the opinion of the directors of Open Union, the fair value of the Investments cannot be reliably measured because (a) the Investments do not have quoted market price in an active market; (b) the range of reasonable fair value estimates is significant for the Investments; and (c) the probabilities of the various estimates cannot be reasonably assessed and used in estimating the fair value. As such, the Investments are stated at cost less any impairment losses.

16. TRADE AND OTHER RECEIVABLES

		At 31 December			At 30 September
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
From sales agents		111	8,683	2,342	4,723
From prepaid cards' holders		445	2,282	239	4
From co-operative prepaid cards networks		–	3,168	2,038	2,033
Others		43	133	243	368
	(a)	599	14,266	4,862	7,128
Other receivables					
Deposits		–	700	694	694
Deposits paid to merchants	*(b)*	5,600	24,790	34,588	23,295
Prepayments and other receivables	*(c)*	3,075	12,452	3,757	28,051
		8,675	37,942	39,039	52,040
		9,274	52,208	43,901	59,168

(a) Trade receivables

Open Union grants credit period to sales agents, prepaid cards' holders and co-operative prepaid cards networks up to 1 day, 30 days and 60 days respectively. At the end of each reporting period, the ageing analysis of the trade receivables by invoice date is as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	576	13,711	4,292	6,834
1 month to 3 months	23	537	103	102
Over 3 months	–	18	467	192
	599	14,266	4,862	7,128

At the end of each reporting period, the ageing analysis of the trade receivables by due date is as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	463	4,456	1,940	6,838
Past due:				
Less than 1 month	123	9,621	2,428	102
1 month to 3 months	13	189	146	62
Over 3 months	–	–	348	126
	136	9,810	2,922	290
	599	14,266	4,862	7,128

The past due receivables are not assessed to be impaired as there has not been a significant change in credit quality and the directors believe that the amounts are fully recoverable. Open Union does not hold any collateral over these balances.

(b) Deposits paid to merchants

The amounts represented deposits paid to merchants as a guarantee for the settlement of the spending made by prepaid cards' holders/internet payment accounts' holders.

(c) Prepayments and other receivables

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Funds prepaid to merchants *(Note)*	1,217	10,958	3,261	21,460
Other receivables	1,858	1,494	496	6,591
	3,075	12,452	3,757	28,051

Note: The amounts represented funds remitted to the merchants in advance for the settlement of the spending to be made by the prepaid cards' holders/internet payment accounts' holders. The prepaid amounts are based on the historical spending pattern and expected transaction value with individual merchants.

17. RESTRICTED FUNDS

		At 31 December			At 30 September
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits	*(a)*	321,357	466,709	431,724	602,943
Bank principal – guaranteed funds	*(b)*	–	–	–	65,000
		321,357	466,709	431,724	667,943

Pursuant to relevant laws and regulations in the PRC, the funds are maintained solely for the purpose of settlement of outstanding payable to merchants when the prepaid cards holders/internet payment accounts' holders make purchase transactions with respective merchants and are not allowed to be used by Open Union for any other purpose.

(a) Bank deposits

The balances represented savings/current/fixed deposits accounts maintained with banks. They bear interest rate of 0.35% to 2.8% per annum.

(b) Bank principal – guaranteed funds

The balances represented funds with investment period of around 30 days and the principal amounts are guaranteed by banks. They are unlisted and bear interest at floating rate with expected return of 3.9% to 4.0% per annum.

18. CASH AND CASH EQUIVALENTS

		At 31 December			At 30 September
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank saving/current accounts		1,076	5,034	3,721	1,549
Bank time deposits with original maturities within 3 months		60,000	5,000	–	–
Bank principal – guaranteed funds	*(a)*	–	–	–	19,200
		61,076	10,034	3,721	20,749

(a) Bank principal – guaranteed funds

The balances represented funds with investment period of around 30 days and the principal amounts are guaranteed by banks. They are unlisted and bear interest at floating rate with expected return of 4.1% to 5.3% per annum.

19. TRADE AND OTHER PAYABLES

		At 31 December			At 30 September
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
To sales agents		–	–	744	–
To merchants		887	12,809	5,947	20,728
To co-operative prepaid cards networks		13	2,416	3,563	1,502
	(a)	900	15,225	10,254	22,230
Unutilised float funds	*(b)*	319,600	454,992	416,481	652,410
		320,500	470,217	426,735	674,640
Other payables					
Accruals and other payables		1,208	3,185	2,909	4,627
Due to the Former Controlling Party	*(c)*	2,190	–	–	–
Due to Beijing Weike	*(c)*	–	–	–	1,500
Due to a joint venture	*(c)*	–	2,651	2,115	2,506
		3,398	5,836	5,024	8,633
		323,898	476,053	431,759	683,273

(a) Trade payables

The credit periods of trade payables to sales agents, merchants and co-operative prepaid cards network are up to 30 days, 30 days and 60 days respectively.

At the end of each reporting period, the ageing analysis of the trade payables by invoice date is as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	900	14,895	8,331	22,230
1 month to 3 months	–	330	928	–
Over 3 months	–	–	995	–
	900	15,225	10,254	22,230

(b) Unutilised float funds

The balances represented amounts prepaid by the prepaid cards' holders/internet payment accounts' holders to Open Union and unutilised at the end of each reporting period. Open Union is required to pay to the merchants from these funds when the prepaid cards' holders/internet payment accounts' holders make purchase transactions with respective merchants. The settlement terms with merchants vary and are dependent on the negotiation between Open Union and individual merchants and number of purchase transactions.

(c) Due to the Former Controlling Party/Beijing Weike/a joint venture

The amounts due are unsecured, interest-free and have no fixed repayment term.

20. PAID-UP CAPITAL

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital:	100,000	100,000	100,000	100,000

21. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the Relevant Periods, Open Union had the following transactions with related parties:

Relationship	Nature of transactions	Year ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Nine months ended 30 September 2013 RMB'000 (unaudited)	2014 RMB'000
Former Controlling Party	Property, plant and equipment transfer-in	645	–	–	–	300
	Intangible asset transfer-in	2,580	–	–	–	–
	Rental expenses paid	2,190	–	–	–	–
Fellow subsidiaries	Rental income received	–	–	150	150	200
Joint venture	Expenses paid	–	80	110	–	–

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Open Union's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. Open Union's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Open Union's financial performance.

Credit risk

The carrying amounts of trade and other receivables, bank balances, bank principal – guaranteed funds and other investments included in the statements of financial position represent Open Union's maximum exposure to credit risk in relation to its financial assets.

The credit risk on bank balances, bank principal – guaranteed funds and other investments is limited because the counterparties are banks/entities with high credit-ratings.

Therefore, Open Union's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the management reviews the credit condition of each individual debtor regularly.

Liquidity risk

Open Union's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. At the end of each reporting period, Open Union's financial liabilities are all interest-free and either repayable on demand or within one year.

Interest rate risk

Open Union's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets including bank balances, bank principal – guaranteed funds and other investments.

During the Relevant Periods, if interest rates had been 50 basis points higher/lower and all other variables were held constant, Open Union's net results would be as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Increase/Decrease	1,393	2,148	2,305	1,803	2,121

Open Union's sensitivity to interest rates would change in the same direction as the changes in its interest-bearing balances of financial assets as mentioned above.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the Relevant Periods and had been applied to the exposure to interest rate risk for the average balances of the interest-bearing financial assets in existence during the Relevant Periods. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the Relevant Periods.

Fair value

The carrying values of all financial instruments approximated their fair values at the end of each reporting period.

23. CAPITAL MANAGEMENT

The objectives of Open Union's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. Open Union manages its capital structure and makes adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in Open Union's objectives, policies or processes in managing capital during the Relevant Periods.

24. COMMITMENTS

Commitments under operating lease – Open Union as lessee

Open Union leases a number of properties under operating leases, which typically run for an initial period of one to three years. None of the leases includes contingent rental.

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	620	2,022	1,847	2,660
In the second to fifth years inclusive	300	700	1,487	1,818
	920	2,722	3,334	4,478

Commitments under operating lease – Open Union as lessor

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	–	75	–

Capital commitments – Contracted but not provided for

In July 2014, Open Union entered into certain cooperation agreements with an independent third party, who is a social and healthcare information service provider in the PRC and its shares are listed on the Shenzhen Stock Exchange, for the formation of a limited liability entity (the "**Investee**") to develop certain payment related products, such as real-name prepaid cards, that can be used for making payment at hospitals and pharmacies in the PRC. The total registered capital of the Investee is RMB10,000,000 of which 49% and 51% will be contributed by Open Union and the independent third party, respectively. The Investee shall have a board composed of five board members, among whom Open Union is entitled to nominate two board members and the Investee will be classified as an associate. At the date of approving the Financial Information, the parties are yet to make any capital contributions.

25. EVENTS AFTER THE REPORTING PERIOD

In October 2014, Open Union formed an associate, Beijing Qilekang Technology Limited ("**Qilekang**", English translation of 北京七樂康科技有限公司 for identification purpose only), with an independent third party, a leading enterprise engaged in online healthcare e-commerce in the PRC. The total registered capital of Qilekang is RMB5,000,000, of which Open Union would invest RMB750,000 for a shareholding stake of 15%. Qilekang shall have a board composed of three board members, among whom Open Union is entitled to nominate one board member. At the date of approving the Financial Information, the partners are yet to make any capital contributions.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Open Union in respect of any periods subsequent to 30 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS ON BEIJING WEIKE AND THE LICENCE COMPANY

Set out below is the management discussion and analysis on Beijing Weike and the Licence Company for the three years ended 31 December 2013 and the nine months ended 30 September 2014. The following financial information are based on the audited financial information of Beijing Weike and the Licence Company as set out in Appendix II and Appendix III to this circular respectively.

Business and financial review of Beijing Weike

Beijing Weike has been principally engaged in the trading of softwares and promotion of online technology in the PRC. Due to the keen competition in the industry, Beijing Weike kept a minimum operation scale during the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 and actively seek investment opportunities for expanding from its core business in the operation of electronic payment, trading and settlement platforms.

On 30 April 2014, the acquisition of 90% of the equity interests in the Licence Company by Beijing Weike completed and the assets, liabilities and profit and loss of the Licence Company have been consolidated to the accounts of Beijing Weike since then. During the nine months ended 30 September 2014, Beijing Weike recorded consolidated revenue of approximately RMB12.3 million and consolidated net loss after taxation of approximately RMB451,000 respectively. Such results are substantially attributable to the consolidated general and administrative and other expenses of approximately RMB8.1 million and consolidated selling and distribution costs of approximately RMB3.5 million. As at 30 September 2014, Beijing Weike recorded consolidated total assets of approximately RMB1,162.2 million and consolidated total liabilities of approximately RMB682.1 million substantially due to the consolidation of the assets and liabilities of the Licence Company.

Business and financial review of the Licence Company

(i) Comparison for the nine months ended 30 September 2014 to the nine months ended 30 September 2013

The Licence Company has been principally engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service in the PRC.

For the nine months ended 30 September 2014, the Licence Company recorded revenue of approximately RMB21.3 million, representing a slight increase of approximately 1% as compared with that of approximately RMB21.1 million for the nine months ended 30 September 2013. The slight increase in revenue was attributable to the increase in interest income from the increasing accumulated unutilised float funds, partly offset by the decrease in service fee income from prepaid card issuance and merchants because the License Company adopts a policy to waive cards issuance fee for most of the transactions since January 2014.

Due to the drop in commission paid to sales agents because the Licence Company is relying more on its own sales force, the gross profit increased from approximately RMB13.4 million for the nine months ended 30 September 2013 to approximately RMB18.3 million for the nine months ended 30 September 2014.

The net profit after taxation of the Licence Company for the nine months ended 30 September 2014 was approximately RMB1.6 million, as compared with the net loss after taxation of approximately RMB4.6 million for the nine months ended 30 September 2013. Such change was primarily due to the turnaround in the results for the nine months ended 30 September 2014 as resulted from the increase in gross profit, the gain on disposal of partial interest in a joint venture of approximately RMB1.6 million and the decrease in general administrative and other operating expenses and selling and distribution costs during the nine months ended 30 September 2014.

(ii) Comparison for the year ended 31 December 2013 to the year ended 31 December 2012

The Licence Company has been principally engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service in the PRC.

For the year ended 31 December 2013, the Licence Company recorded revenue of approximately RMB30.6 million, representing an increase of approximately 12.5% as compared with that of approximately RMB27.2 million for the year ended 31 December 2012. Such increase was primarily due to the increase in interest income on the accumulated unutilised float funds generated from the operation of the prepaid cards business and internet payment business and merchant service fee income resulted from the growth in value of prepaid cards issued and value of transactions processed, which off-set the effect of the drop in service fee from card issuance as a result of the waiver by the License Company of the cards issuance fee for certain bulk transactions.

Notwithstanding that the commission paid to sales agents increased in line with the value of prepaid cards issued, the Licence Company was able to report an increase of gross profit from approximately RMB20.8 million for the year ended 31 December 2012 to approximately RMB21.2 million for the year ended 31 December 2013.

The net loss after taxation of the Licence Company for the year ended 31 December 2013 was approximately RMB2.0 million, as compared with that of approximately RMB2.4 million for the year ended 31 December 2012. Such decrease was primarily due to the increase in the gross profit and the decrease in general administrative and other operating expenses.

(iii) Comparison for the year ended 31 December 2012 compared to the year ended 31 December 2011

The Licence Company has been principally engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service in the PRC.

For the year ended 31 December 2012, the Licence Company recorded revenue of approximately RMB27.2 million, representing an increase of approximately 38.1% as compared with approximately RMB19.7 million for the year ended 31 December 2011. Such increase was primarily due to increase in card issuing service fee income and interest income on the accumulated unutilised float funds generated from the operation of the prepaid cards business and internet payment business and service fee income from card issuance because of the growth in value of prepaid cards issued. The slight drop in the merchant service fee income was primarily due to the drop in the percentage of transaction fee charged by the Licence Company.

Accordingly, the gross profit increased from approximately RMB13.2 million for the year ended 31 December 2011 to approximately RMB20.8 million for the year ended 31 December 2012.

The net loss after taxation of the Licence Company for the year ended 31 December 2012 was approximately RMB2.4 million, as compared with the net loss after taxation of approximately RMB2.1 million for the year ended 31 December 2011. Such increase was primarily due to the increase in general administrative and other operating expenses.

(iv) For the year ended 31 December 2011

The Licence Company has been principally engaged in the issuance and acceptance of prepaid cards and the provision of internet payment service in the PRC.

For the year ended 31 December 2011, the Licence Company recorded revenue of approximately RMB19.7 million, mainly comprising the revenue generated by merchant service fee and interest income on the accumulated unutilised float funds generated from the operation of the prepaid cards business and internet payment business. The net loss after taxation of the Licence Company for the year ended 31 December 2011 was approximately RMB2.1 million, which was primarily attributable to the gross profit of approximately RMB13.2 million and the general administrative and other operating expenses of approximately RMB15.2 million.

(v) Performance of the joint venture

The Licence Company invested RMB20 million in (上海東方網通信技術有限公司 Shanghai Eastern Net Communication Technology Company Limited*) ("**Eastern Net**") in 2012 for the promotion of prepaid cards and provision of related customer service in Shanghai, the PRC. The Licence Company intends to develop Eastern Net as the operating platform for its prepaid cards business in the Eastern PRC with strong local business partners, and therefore, the Licence Company and other joint venture partner disposed part of their interests in Eastern Net to 上海唐鎮投資發展(集團)有限公司(Shanghai Tangzhen Investment Development (Group) Limited*) ("**Tangzhen Investment**") in March 2014. Tangzhen Investment is entrusted by the local government to manage and operate certain town-level collective assets and has various investments in Shanghai, the PRC, including those relating to payment industry such as the development of Shanghai Bank Card Industrial Park (上海市銀行卡產業園). Because Eastern Net is still in development stage, no significant revenue and results were reported for each of the two years ended 31 December 2012 and 2013 and the five months ended 31 May 2014.

Liquidity and financial resources

Beijing Weike

As at 31 December 2011, 2012 and 2013, except for the deposits on investment for the acquisition of the Licence Company paid in December 2013, Beijing Weike had no significant assets and liabilities to be reported because it kept a minimum operation scale for the trading of softwares and promotion of online technology in the PRC.

As at 30 September 2014, Beijing Weike was an investment holding company and it did not carry out any other business. The major asset of Beijing Weike is its 90% equity interests in the Licence Company. As the Licence Company is the only operating subsidiary of Beijing Weike, Beijing Weike had no material liabilities.

As at 31 December 2011, 2012 and 2013 and 30 September 2014, Beijing Weike had no borrowings other than the normal trade debts and thus the gearing ratio (being total borrowings over the total assets) is zero.

The Licence Company

As at 31 December 2011, 2012 and 2013 and 30 September 2014, the Licence Company had (i) trade and other payables of approximately RMB323.9 million, RMB476.1 million, RMB431.8 million and RMB683.3 million respectively; and (ii) cash and cash equivalents of approximately RMB61.1 million, RMB10.0 million, RMB3.7 million and RMB20.7 million respectively.

As at 31 December 2011, 2012 and 2013 and 30 September 2014, the Licence Company had (i) restricted funds of approximately RMB321.4 million, RMB466.7 million, RMB431.7 million and RMB667.9 million respectively; and (ii) current ratio (calculated by current assets divided by current liabilities) of approximately 1.2 times, 1.1 times, 1.1 times and 1.1 times respectively. In addition, as at 31 December 2011, 2012 and 2013 and 30 September 2014, the Licence Company had fund prepaid to merchants of approximately RMB1.2 million, RMB11.0 million, RMB3.3 million and RMB21.5 million, respectively. The balances as at 31 December 2011, 2012 and 2013 were fully utilised subsequently and the balance as at 30 September 2014 is expected to be utilised/refunded by January 2015.

As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 September 2014, the Licence Company had no borrowings other than normal trade debts and thus the gearing ratios (being total borrowings over the total assets) are zero.

Foreign exchange management

Beijing Weike and the Licence Company are limited liability companies incorporated in the PRC and most of their monetary assets, liabilities, incomes and expenses were denominated in RMB. Beijing Weike and the Licence Company did not use any derivative financial instruments for hedging purposes.

Funding and treasury policy

Beijing Weike and the Licence Company adopt a prudent funding and treasury policy towards their overall business operations with an aim to minimise financial risks. Future projects will be financed by cash flows from operations or capital raised by means of equity financing.

Capital commitment

As at 31 December 2011, 2012 and 2013, the Licence Company had no capital commitment.

In July 2014, the Licence Company entered into the YLZ Strategic Cooperation Agreement and the Fujian Agreement with YLZ, for the formation of a joint venture (the "**YLZ JV**") with a registered capital of RMB10 million to develop certain payment related products in the PRC. Details of the formation of the joint venture are set out in the letter from the Board under the section headed "Further information relating to the Licence Company" on page 36 of this circular. As the Licence Company had not yet settled the capital contribution to the joint venture, it had a capital commitment of approximately RMB4.9 million for its 49% interests in the joint venture as at 30 September 2014.

Except for the capital commitment for the capital contribution to the YLZ JV of approximately RMB4.9 million as at 30 September 2014, Beijing Weike had no further capital commitment.

Significant investment, material acquisition and disposals

Saved for the investment in the joint ventures, namely the Eastern Net and the YLZ JV, the Licence Company did not have any significant investments, material acquisition or disposal for the period from 1 January 2011 to 30 September 2014.

Saved as the acquisition of 90% equity interests in the Licence Company, Beijing Weike did not have any significant investments, material acquisition or disposal for the period from 1 January 2011 to 30 September 2014.

New products of the Licence Company

In order to capture the business opportunity arising from the growth of the PRC third-party payment industry, the Licence Company is developing new products, such as electronic gift cards which can be applied in internet and mobile payment. Having considered the recent growth of the transaction volume via internet and mobile payment in the PRC, the Board is optimistic of the prospect of new products of the Licence Company.

Contingent liabilities

As at 31 December 2011, 2012, 2013 and 30 September 2014, the Licence Company did not have any significant contingent liabilities.

As at 31 December 2011, 2012 and 2013 and 30 September 2014, Beijing Weike did not have any significant contingent liabilities.

Pledge of asset

As at 31 December 2011, 2012 and 2013, the Licence Company did not have any pledge of assets.

As at 30 September 2014, leasehold land and buildings of the Licence Company with net carrying amount of approximately RMB24,324,000 were pledged to Shangyin for securing a loan facility of RMB70,000,000 granted to Beijing Weike. The facility was drawn in October 2014. Please refer to Appendix I – Financial Information of the Group on page I-2 of this circular for details.

As at 31 December 2011, 2012 and 2013, Beijing Weike did not have any pledge of assets.

As at 30 September 2014, Beijing Weike's 90% equity interest in the Licence Company was pledged to Shangyin to for securing a loan facility of RMB70,000,000 granted to Beijing Weike. The facility was drawn in October 2014. Please refer to Appendix I – Financial Information of the Group on page I-2 of this circular for details.

Employee information

As at 31 December 2011, 2012 and 2013 and as at 30 September 2014, the Licence Company had 51, 99, 77 and 86 employees (including directors) respectively.

As at 31 December 2011, 2012 and 2013 and as at 30 September 2014, Beijing Weike had 1, 1, nil and 4 employee(s) respectively, who are all directors.

The total remunerations paid to Beijing Weike and the Licence Company's employees are disclosed in page IV-7 of this circular.

Remuneration policy

Beijing Weike and the Licence Company recruit, employ, promote and remunerate their employees based on their qualification, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonus to the employees of Beijing Weike and the Licence Company were determined after taking into accounts the results of Beijing Weike and the Licence Company and the performance of employees. During the year ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014, remuneration paid to the employees of Beijing Weike were approximately RMB151,000, RMB19,000, nil and RMB2,251,000 respectively. During the year ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014, remuneration paid to the employees of the Licence Company were approximately RMB3.7 million, RMB9.4 million, RMB5.8 million and RMB5.4 million respectively. Both Beijing Weike and the Licence Company did not have any share option scheme during the three years ended 31 December 2013 and the nine months ended 30 September 2014. However, the Company may grant options to any employee (whether full time or part-time) of Beijing Weike and the Licence Company pursuant to the share option scheme as adopted by the Company after the Completion.

The remuneration policy of Beijing Weike's and the Licence Company's senior management is also regularly monitored by the Company's remuneration committee.

Beijing Weike and the Licence Company provide training (whether in-house or out-sourced) to their employees when necessary.

Set out below are the management discussion and analysis of the Group for each of the three financial years ended 31 March 2014 and the six months ended 30 September 2014.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

BUSINESS REVIEW

During the six months ended 30 September 2014 (the "**Review Period**"), the Group focused on its card acceptance business in Thailand and its cross-border e-commerce solution business upon its acquisition of MCONE in January 2014 respectively. For the card acceptance business, the transaction volume handled by the Group decreased by approximately 35.25% as compared with the record of the corresponding period in 2013 as a result of the political instability in Thailand in the first three months of the Review Period. The card acceptance business commenced to retrieve since July 2014. During the Review Period, the Group was also engaged in the cross-border e-commerce solution business through its newly acquired subsidiary, MCONE, which provided one-stop solution to connect the PRC e-commerce merchants with overseas buyers and covered all aspects of international e-commerce, including but not limited to products sourcing and distribution, cross-border payment, logistics packaging, human resources outsourcing, advertising, brand management. The Group had paid to the suppliers of MCONE a certain amount of re-fundable prepayments to honor its obligation for the future procurement of the relevant products ordered by the overseas buyers because MCONE's cross-border e-commerce solution business was just commenced in January 2014. As at 30 September 2014, the outstanding amount of such prepayment was approximately HK$62 million. Having considered the suppliers are now satisfied with MCONE's proven track records and confident to grant credit period to MCONE, the Group expected to utilise such prepayment through the future settlement with the suppliers on the procurement of the ordered products which was in turn sold to the overseas customers and obtain cash refund from the suppliers by end of January 2015.

BUSINESS OUTLOOK

Leveraging its core business in electronic payment, trading and settlement platforms, the Group has been continuously exploring new business opportunities in order to improve the Group's future operating results and enhance its competitiveness. The Group has gradually shifted the strategic focus to payment business in the PRC (the "**PRC payment business**"). The Group will base the PRC payment business on prepaid payment, internet payment, mobile payment and online-offline services. The PRC payment business will ultimately enable the Group to build a large-scale real-name customer information database and to offer comprehensive personal financial services to the customers.

FINANCIAL REVIEW

Revenue

Total revenue of the Group for the Review Period amounted to approximately HK$159.83 million of which approximately HK$40.95 million was generated from the card acceptance business in Thailand while approximately HK$118.88 million was generated by the cross-border e-commerce solution business.

Cost of Services Rendered/Cost of Goods Sold

Cost of service rendered comprised the information network cost and license fee cost of the card acceptance business in Thailand and the cost of goods sold for the cross-border e-commerce solution business. The total cost of services rendered and cost of goods sold for the six months ended 30 September 2014 increased by approximately 176% to approximately HK$137.83 million as compared with those as recorded in the corresponding period in 2013, which is attributable to the costs incurred by the new subsidiary of the Group in respect of its cross-border e-commerce solution business.

Gross Profit and Gross Profit Margin

The gross profit for the Review Period was approximately HK$22 million, representing an increase of approximately 14% from the corresponding period in last year. The increase was mainly attributed by the introduction of cross-border e-commerce solution business this year.

General Administrative Expenses

The general administrative expenses of the Group during the Review Period were approximately HK$53.64 million, representing an increase of approximately 464% from the corresponding period in last year. The increase was mainly attributable to an increase in the overall staff costs, including the recognition of equity-settled share based payment expenses of approximately HK$38.19 million and directors' remuneration, and the legal and professional fees of the Group during the Review Period.

Selling and Distribution Costs

The selling and distribution costs during the Review Period amounted to approximately HK$1.46 million, which was increased by approximately HK$0.96 million from approximately HK$0.5 million of the same period in last year. The increase was mainly arising from the increase of staff costs of the marketing team in Thailand, the acquisition of new subsidiaries and the overseas travelling expenses of the Group.

Finance Costs

The finance costs for the six months ended 30 September 2014 represented the 9% dividend payable to a non-controlling shareholder in respect of the issue and paid up preference share capital of OCG Thailand.

Loss for the Period

During the six months ended 30 September 2014, the Group reported a net loss attributable to equity holders of the Company of approximately HK$40.44 million, which represented an increase of 50 times as compared with the corresponding period in 2013. The increase in loss attributable to equity holders of the Company was mainly attributable to the increase in general administrative expenses as mentioned above. Loss per share for the six months ended 30 September 2014 was approximately 4.72 HK cents compared with 0.13 HK cents recorded in the corresponding period in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 30 September 2014, the Group's other long-term borrowings amounted to Baht 1,650,000 (equivalent to approximately HK$0.4 million) due to a non-controlling shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum and such dividend was recorded as finance costs. The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for periods ended 30 September 2014 and 2013 were approximately 0.07% and 0.44% respectively.

As at 30 September 2014, the Group had net current assets of approximately HK$263.82 million (31 March 2014: HK$139.33 million). Current ratio as at 30 September 2014 was approximately 7.04 (31 March 2014: approximately 4.44). The cash and cash equivalents of the Group as at 30 September 2014 were approximately HK$110.9 million (31 March 2014: HK$47.14 million).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK$485.59 million as at 30 September 2014 (31 March 2014: HK$134.45 million).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars ("**US$**"). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 30 September 2014, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$2,460,000 (equivalent to approximately HK$19,099,000) (31 March 2014: US$1,000,000, equivalent to approximately HK$7,758,000). No material fair value gain or loss has been recognised for the foreign currency forward contracts and no hedging accounting has been adopted. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as at 30 September 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2014, the Group had a total staff of 61 (31 March 2014: 29) of whom 10 were based in Hong Kong, 11 were based in Thailand and the remaining 40 were based in the PRC. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Pursuant to a capital injection agreement signed on 20 March 2014, during the six months ended 30 September 2014, the Group injected RMB20 million (equivalent to approximately HK$25 million) into 上海商酷網絡科技有限公司 (Shanghai Koolcloud Technology Company Limited, "**Shanghai Koolcloud**", its English translation is for identification purpose only), which represented 22.22% of the enlarged registered capital of Shanghai Koolcloud, a limited company established in the PRC and is a manufacturer and operator of leading smart point-of-sale terminal technology.

On 25 May 2014, the Group entered into a framework agreement on the acquisition of 33% interests in 微科睿思在線(北京)科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited, "**Beijing Weike**", its English translation is for identification purpose only), which is a company established in the PRC with limited liability and holds 90% equity interests in another Company established in the PRC, 開聯通網絡技術服務有限公司 (Open Union Network Technology Services Limited, "**Open Union**", its English translation is for identification purpose only), through certain contractual arrangements as detailed in the Company's circular dated 1 September 2014 at an aggregate consideration of RMB156 million (equivalent to approximately HK$197 million) (the "**BJ Weike Acquisition**") of which a deposit of HK$50 million has been paid by the Group as at 31 March 2014.

Saved as disclosed above, the Group has made no other material acquisitions, disposal or any significant investments during the Review Period.

CAPITAL COMMITMENTS

Save as disclosed on page IV-5 of this Circular regarding the capital commitment of Beijing Weike for the capital contribution to the TLZ JV, as at 30 September 2014, the Group had no commitments contracted for but not provided in the consolidated financial statements.

CHARGES ON ASSETS

Save as disclosed on page IV-6 of this Circular regarding the pledge of Beijing Weike's 90% equity interest in the Licence Company to Shangyin, as at 30 September 2014, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 30 September 2014, the Group did not have any significant contingent liabilities.

FOR THE YEAR ENDED 31 MARCH 2014

BUSINESS REVIEW

During the year ended 31 March 2014, apart from the card acceptance transaction fee income and the foreign exchange rate discount income generated from the card acceptance business in Thailand, the Group also generated income from the cross-border e-commerce solution business from its wholly-owned subsidiary acquired in January 2014.

For the card acceptance business in Thailand, there was a growth in the transaction volume handled by the Group for the first half of the year ended 31 March 2014. However, with the political instability commenced from early November 2013, the transaction volume handled by the Group for the second half of the year ended 31 March 2014 decreased by approximately 16% when compared with the corresponding period in last year. However, with the significant growth in revenue for the first six months, the revenue for the year ended 31 March 2014 still outperformed the records in last year by approximately 35%.

The Group's cross-border e-commerce solution business provided one-stop solution to connect the PRC e-commerce merchants with overseas buyers and covered all aspects of international e-commerce, including product sourcing and distribution, cross-border payment, logistics, packaging, human resources outsourcing, advertising, brand management etc. Such one-stop solution is especially appealing for medium-, small- and even mini-sized e-commerce merchants who lack the resources to build e-commerce infrastructure. Since acquiring this new area of business in January 2014, the Group had benefited from the increasing volume of cross-border e-commerce trading from businesses to businesses ("**B2B**"), from businesses to consumers ("**B2C**") and from consumers to consumers ("**C2C**"). The Group also employed its own e-commerce solution to engage in cross-border trading businesses. The Group had paid to the suppliers of MCONE a certain amount of re-fundable prepayments to honor its obligation for the future procurement of the relevant products ordered by the overseas buyers because MCONE's cross-border e-commerce solution business was just commenced in January 2014. As at 31 March 2014, the outstanding amount of such prepayment was approximately HK$43 million. The Group expected to utilise such prepayment through the future settlement with the suppliers on the procurement of the ordered products which was in turn sold to the overseas customers and obtain cash refund from the suppliers when proven track records are established with the suppliers.

BUSINESS OUTLOOK

Expanding from its core business in electronic payment, trading and settlement platforms, the Group has been continuously exploring new business opportunities in order to improve the Group's future operating results and enhance the competitiveness.

The Group will gradually shift the strategic focus to payment business in the PRC (the "**PRC payment business**"). The Group will base the PRC payment business on prepaid payment, internet payment, mobile payment and online-offline (the "**O2O**") services. The PRC payment business will ultimately enable the Group to build a large-scale real-name customer information database and to offer comprehensive personal financial services to the customers.

As a convenient, secured and interactive payment method, the prepaid payment market in the PRC (the "**PRC prepaid market**") offers immense potential. Based on the information available to the Board, the total market size of prepaid cards in the PRC reached RMB2 trillion in 2012, and will grow to RMB3 trillion in 2015 with a compound annual growth rate of 15%. However, the prepaid market is still at a pre-mature stage of development, and is marked by under-innovation, regional over-competition and tightening regulations. As industry consolidation looms large, the Board believes that only the contender with strengths in all of the four attributes, namely, the license, the team, the technology and the acceptance network, can prevail. To succeed, the Group is building strong capability in all of these four attributes.

The pre-requisite for the PRC payment business is to obtain the licence to engage in prepaid and internet payment services on a nationwide basis. To gain this strategic license, the Group will focus on completing the Possible Investment of the Licence Company (as detailed/defined by the announcement dated 4 November 2013). The Group will also push for the conclusion of the Possible Acquisition (as defined by the announcement dated 26 February 2013), the target company of which is a major prepaid card company in the PRC. Combined with the Licence Company, this Possible Acquisition can enable the Group to become a major player in the PRC prepaid market. In the meantime, the Group is actively negotiating with holders of other types of payment licences for potential partnership and/or investment in order to strengthen the first-mover advantage of the Group after completion of the Possible Investment.

The second focus of the PRC payment business is recruitment of leading talents and industry veterans. Over the past year, the Group has already assembled some of the top professionals in China's payment industry. The Company appointed Mr. Fung Weichang ("**Mr. Fung**") as an executive director and the chief executive officer of the Company in September 2013 and November 2013 respectively. Mr. Fung had worked for MasterCard Incorporated from October 1992 to December 2008 and his last position was executive vice president and general manager of the Greater China region for MasterCard Incorporated, Asia Pacific Region. From January 2009 to December 2010, Mr. Fung was the senior consultant of MasterCard Incorporated, Asia Pacific Region. In June 2014, the Group appointed Mr. Xiong Wensen ("**Mr. Xiong**") as an executive director and the president of the Company. From October 2008 up to May 2014, Mr. Xiong had been the vice president and the senior vice president, and the director of 通聯支付網絡服務股份有限公司 (Allinpay Network Service Co. Ltd.*), one of the largest payment acceptance agencies in the PRC. Mr. Xiong was also once the president of 開聯信息技術有限公司 (Open Union Information Technology Co. Ltd.*). Other key appointments include: Mr. Chen Lie, a former vice general manager of e-commerce at Dalian Wanda Group and former director of product development at Alibaba Group, as Chief Operating Officer; Mr. Liu Jie ("**Mr. Liu**") as Vice President. Mr. Liu founded 大連先鋒商務服務有限公司 (Dalian UCF Business Services Co.

Ltd.) ("**Dalian UCF**"), where he led the efforts to obtain prepaid card and internet payment services licence granted by the People's Bank of China, before Credit China Holdings Limited later acquired Dalian UCF. Earlier, he served as a senior manager at 聯動優勢科技有限公司 (Union Mobile Pay Co. Ltd.), a joint venture between China UnionPay and China Mobile. The Group will continue to make appointments in order to build a first-class management team.

The Group has also recruited a strong implementation team from leading payment companies in order to build an advanced and proprietary information technology system. This system will not only satisfy the Group's future demands for prepaid card issuance and acceptance, but will also enable rapid deployment of internet payment, mobile payment, loyalty and rewards management and big-data analysis. Further, in March 2014, the Group entered into the Capital Injection Agreement to acquire 22.22% interest in Shanghai Koolcloud Technology Co. Limited ("**Shanghai Koolcloud**"), which is a manufacturer and an operator of cutting-edge smart POS terminal technology. The smart POS terminal technology accepts almost all payment technologies on one single platform, and can provide diversified services for merchants and consumers with third-party applications. As a result, this technology is an ideal gateway for mobile payment and O2O services. The Board believes that this Capital Injection Agreement will create strong synergy with the mobile payment and O2O strategies of the Group.

Last but not least, the Group is actively expanding the acceptance network to build a solid foundation for its future businesses. While the traditional prepaid payment service companies rely on bilateral negotiations with individual merchants to expand their networks and great amount of labour, time and resources, the Board believes that obtaining the Bank Identification Number (the "**BIN business**") is the optimum strategy. The BIN is obtained from major card associations such as MasterCard Incorporated or China UnionPay, and can enable a card to be accepted throughout the network of the respective card associations in one stroke. After a thorough vetting process, in April, 2014, the Group submitted the formal application for MasterCard Incorporated prepaid principal membership. Once granted, the Group can issue prepaid cards with MasterCard BIN and serve Chinese outbound travelers' huge demand for fast and convenient cross-border payment solutions. In the meantime, the Group is seeking BIN businesses with other more strategically relevant leading card associations.

With all the above-mentioned arrangements in place, the Group is prepared to quickly introduce a stream of market-leading innovative products as soon as the Possible Investment materialises.

In the meantime, the Group will continue to develop cross-border e-commerce solution business by increasing the sales and marketing efforts and by investing in essential IT infrastructure that will enable the sector's fast expansion.

The Directors consider that the above is in line with the business strategy of the Group. The Group will continue to seek new opportunities, including but not limited to electronic payment, trading and settlement platforms, aiming to diversify the income stream base, enhance the profitability of the Group and therefore increase the value of the Company.

FINANCIAL REVIEW

Revenue

In addition to the card acceptance transaction fee income and the foreign exchange rate discount income generated from the card acceptance business in Thailand, revenue for the Group for the year ended 31 March 2014 was also generated from its cross-border e-commerce solution business which was carried out by a new subsidiary, MCONE, acquired by the Group in January 2014. Total revenue of the Group for the year ended 31 March 2014 amounted to approximately HK$148.47 million, of which approximately HK$114.32 million was attributed from the card acceptance business in Thailand and approximately HK$34.15 million was attributed from the cross-border e-commerce solution business respectively.

As a result of the increase in the number of transactions handled by the Group in Thailand throughout the year, transaction volume handled by the Group for the year ended 31 March 2014 amounted to approximately Thai Baht ("**Baht**") 27,748 million (equivalent to approximately HK$6,836 million), representing an increase of approximately 45% to the record in last year. As such, revenue of the Group from the card acceptance business in Thailand for the year ended 31 March 2014 amounted to approximately HK$114.32 million, represented an increase of approximately 35% as compared with that of approximately HK$84.58 million in the previous year.

The income generated from the cross-border e-commerce solution business was driven by the increasing volume of cross-border e-commerce trading activities. The revenue of e-commerce business for the year amounted to approximately HK$34.15 million, representing 23% of total revenue of the Group.

Cost of Services Rendered/Cost of Goods Sold

Cost of service rendered comprised the information network cost and license fee cost of the card acceptance business in Thailand and the cost of goods sold for the cross-border e-commerce solution business. The total cost of services rendered and cost of goods sold for the year ended 31 March 2014 increased by approximately 96% to approximately HK$112.54 million as compared with those as recorded in last year, which is attributable to the increase in the information network cost and license fee cost of the card acceptance business in Thailand resulting from the increase in the transaction volume handled by the Group and the costs incurred by the new subsidiary of the Group in respect of its cross-border e-commerce solution business.

General Administrative Expenses

The general administrative expenses of the Group for the year ended 31 March 2014 were approximately HK$34.43 million, representing an increase of approximately 144% from that of last year. The increase was primarily attributable to the increase in the share based payment expenses relating to the share options granted amounted to approximately HK$9.5 million (2013: approximately HK$1 million) and the legal and professional expenses incurred for the possible acquisitions and investments amounted to approximately HK$4.5 million (2013: approximately HK$1.6 million) during the year ended 31 March 2014.

Selling and Distribution Costs

The selling and distribution costs for the year ended 31 March 2014 amounted to approximately HK$2.90 million, which was similar to the record for last year.

Finance Costs

The finance costs for the years ended 31 March 2014 and 2013 represented the 9% dividend payable to a non-controlling shareholder in respect of the issue and paid up preference share capital of Oriental City Group (Thailand) Company Limited ("**OCG Thailand**").

Loss for the Year

During the year ended 31 March 2014, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK$17.76 million, representing an increase of approximately 35 times over the last year. Loss per share was approximately 2.72 HK cents compared with 0.08 HK cents recorded in last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 31 March 2014, the Group's other long-term borrowings amounted to Baht 1,650,000 (equivalent to approximately HK$393,000) due to a non-controlling shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum and such dividend was recorded as finance costs. The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for years ended 31 March 2014 and 31 March 2013 were approximately 0.21% and 0.44% respectively.

As at 31 March 2014, the Group had net current assets of approximately HK$139.33 million (2013: HK$15.63 million). Current ratio as at 31 March 2014 was 4.44 (2013: 1.20). The cash and cash equivalents of the Group as at 31 March 2014 were approximately HK$47.14 million (2013: approximately HK$23.01 million).

On 25 October 2013, the Company completed the placing of 120,000,000 placing shares at a price of HK$1.03 per placing share. The net proceeds from the placing, after deducting related placing commission and other related expenses in connection with the placing, amounted to approximately HK$119.7 million. Of these net proceeds, around HK$50 million was used as deposit for the Possible Investment, and the remaining balance of approximately HK$69.7 million was used as general working capital.

On 11 April 2014, after the end of the reporting period, the Company completed the subscription of 144,000,000 placing shares at a price of HK$1.46 per placing share with net proceeds, after deducting related placing commission and other related expenses, of approximately HK$203.3 million. The Company intends to apply the aggregate net proceeds from the placing to finance the Possible Investment and/or Possible Acquisition (if materialised) or towards other lucrative business and investment opportunities which may arise in the future or otherwise as general working capital of the Group.

Other receivables mainly represented (i) the deposit on investment paid in respect of the Possible Investment; and (ii) the prepayment of approximately HK$43,000,000 to suppliers in respect of the cross-border e-commerce solution business, as included in deposits, prepayments and other debtors.

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK$134.45 million as at 31 March 2014 (2013: approximately HK$16.24 million).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States Dollars ("**US$**"). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise.

As at 31 March 2014, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$1,000,000 (equivalent to approximately HK$7,758,000) (2013: US$8,355,000, equivalent to approximately HK$65,172,000). No material fair value gain or loss has been recognised for the foreign currency forward contracts and no hedging accounting has been adopted. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as 31 March 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group had a total staff of 29 (2013: 16) of whom 11 were based in Hong Kong, 11 were based in Thailand and the remaining 7 were based in the PRC. During the year ended 31 March 2014, remuneration paid to the employees of the Group was approximately RMB18.4 million. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

In January 2014, the Group acquired the entire equity interest in MCONE (the "**MCONE Acquisition**"), which is engaged in cross-border e-commerce solution business at an aggregate consideration of HK$2,500,000. As a result of the MCONE Acquisition, the Group is expected to expand from its core business in the operation of electronic payment, trading and settlement platforms.

In March 2014, the Group, Shanghai Koolcloud Technology Co. Limited ("**Shanghai Koolcloud**") and other existing shareholders of Koolcloud entered into a capital injection agreement that Goodgate would inject capital in the amount totalling RMB20 million (equivalent to approximately HK$25 million) to acquire approximately of 22.22% of the enlarged issued share capital of Shanghai Koolcloud and is entitled to an option in allowing Goodgate, at its absolute discretion, to further invest an additional RMB10 million (equivalent to approximately HK$12.5 million) (together with the said capital injection, representing an aggregate of 30% of the further enlarged issued share capital of Shanghai Koolcloud) on or before 31 December 2014. Shanghai Koolcloud is a manufacturer and operator of cutting-edge smart POS terminal technology.

Save as disclosed above, the Group has made no other material acquisitions, disposals or any significant investments during the year ended 31 March 2014.

CAPITAL COMMITMENTS

As at 31 March 2014, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to RMB20 million (equivalent to approximately HK$25 million) in respect of the capital injection of Shanghai Koolcloud (2013: Nil).

CHARGES ON ASSETS

As at 31 March 2014, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any significant contingent liabilities.

FOR THE YEAR ENDED 31 MARCH 2013

BUSINESS REVIEW

The Group focused on the card acceptance business in Thailand during the year ended 31 March 2013. Taking advantage of the increase in the number of the Chinese tourists visiting Thailand and the co-operation with King Power which manages and operates duty free shops in Thailand, transaction volume handled by the Group in Thailand has been increased from Thai Baht ("**Baht**") 5,059 million for the year ended 31 March 2012 to Baht 19,073 million for the year ended 31 March 2013. Consequently, the Group's revenue and gross profit for the year ended 31 March 2013 were increased by approximately 275% and approximately 272% respectively to approximately HK$84.58 million and approximately HK$27.22 million respectively.

BUSINESS OUTLOOK

During the year, the Group has entered into a sale and purchase agreement with two purchasers for the disposal of 30% of its equity interest in OCG Thailand (BVI). The ultimate beneficial owners of these two purchasers were Mr. Yu and Mr. Sung respectively. The Directors expect that the disposal could enable the Group to retain expertise from Mr. Yu and Mr. Sung who are experienced in the card acceptance business as well as enhance the cash flow of the Group, which in turn could enable the Group to better utilise its resources to pursue business with growth potential when opportunities arise. Such transaction was approved by an ordinary resolution passed in the extraordinary general meeting of the Company held on 10 May 2013. Following the completion of the agreement, OCG Thailand (BVI) continued to be a subsidiary of the Company, 70% equity interest of which being held by Charm Act.

Further, the Group is negotiating for the acquisition of the equity interest of a target company which, together with its subsidiary, is principally engaged in the payment card business in the PRC, the Directors consider that this possible acquisition will be in line with the business strategy of the Group and will enhance its profitability and thereby increase the value of the Company.

FINANCIAL REVIEW

Revenue

The Group has a remarkable growth of revenue for the year ended 31 March 2013. Consolidated revenue for the Group for the year amounted to approximately HK$84.58 million, representing a year-on-year increase of approximately HK$62.01 million or approximately 275% from that of the last year.

Cost of Services Rendered

Total cost of services rendered for the year ended 31 March 2013 increased by approximately HK$42.10 million, or approximately 276%, from approximately HK$15.25 million for the last year to approximately HK$57.36 million for the year ended 31 March 2013. Such costs comprised the information network cost and licence fee cost of the card acceptance business in Thailand.

Gross Profit and Gross Profit Margin

The gross profit for the year ended 31 March 2013 was approximately HK$27.22 million, representing an increase of approximately 272% from that of the last year. Gross profit margins for the years ended 31 March 2013 and 31 March 2012 remained as approximately 32% respectively.

General Administrative Expenses

The general administrative expenses of the Group for the year ended 31 March 2013 were approximately HK$14.13 million, representing an increase of approximately 87% from that of the last year. The increase was mainly attributable to an increase in the depreciation and other office expenses relating to the growth in card acceptance business in Thailand and the overall staff costs, including the recognition of equity-settled share based payment expenses and directors' remuneration, and the legal and professional fee of the Group during the year ended 31 March 2013.

Selling and Distribution Costs

The selling and distribution costs for the year ended 31 March 2013 amounted to approximately HK$2.88 million, representing an increase of about 200% as compared with the same recorded last year. The increase was mainly attributed to an increase in staff salaries and incentives for the marketing team in Thailand.

Finance Costs

The finance costs for the year ended 31 March 2013 represented the 9% dividend payable to a non-controlling shareholder in respect of the issue and paid up preference share capital of OCG Thailand.

Profit for the Year

During the year ended 31 March 2013, the Group reported a profit of approximately HK$5.07 million as compared with a loss of approximately HK$2.32 million last year. The Group reported a loss attributable to equity holders of the Company amounted to approximately HK$0.50 million, representing an improvement of 85% over the last year. Loss per share was approximately 0.08 HK cents as compared with approximately 0.54 HK cents recorded last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 31 March 2013, the Group's other long-term borrowings amounted to Baht 1,650,000 (equivalent to approximately HK$434,000) due to a non-controlling shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum and such dividend was recorded as finance costs. The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for the years ended 31 March 2013 and 31 March 2012, were approximately 0.44% and approximately 1.29% respectively.

As at 31 March 2013, the Group had net current assets of approximately HK$15.63 million (2012: approximately HK$16.35 million). Current ratio as at 31 March 2013 was 1.20 (2012: 2.73). The cash and cash equivalents of the Group as at 31 March 2013 were approximately HK$23.01 million (2012: approximately HK$16.91 million).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately HK$16.24 million as at 31 March 2013 (2012: approximately HK$15.14 million).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Thailand with a majority of business transactions being denominated and settled in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United State dollars ("**US$**"). The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging guideline approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 31 March 2013, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$8,355,000 (equivalent to approximately HK$65,172,000) (2012: US$700,000, equivalent to approximately HK$5,460,000). No material fair value gain or loss has been recognised for the foreign currency forward contracts and no hedging accounting has been adopted. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the Group's foreign exchange rate risk as at 31 March 2013.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2013, the Group had a total staff of 16 (31 March 2012: 11) of whom 9 were based in Hong Kong, 6 were based in Thailand and the remaining one was based in the PRC. During the year ended 31 March 2013, remuneration paid to the employees of the Group was approximately RMB7.6 million. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

In March 2013, the Group entered into a sale and purchase agreement with two purchasers for the disposal of the Group's 30% equity interest in OCG Thailand (BVI), a wholly owned subsidiary of the Group at that time, with an aggregate consideration of HK$10,000,000.

Save as disclosed above, the Group has made no material acquisitions, disposals or any significant investments during the year ended 31 March 2013.

CAPITAL COMMITMENTS

As at 31 March 2013, the Group did not have any capital expenditure contracted for but not provided in the consolidated financial statements (2012: HK$490,000).

CHARGES ON ASSETS

As at 31 March 2013, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any significant contingent liabilities.

FOR THE YEAR ENDED 31 MARCH 2012

BUSINESS REVIEW

Card acceptance business in Thailand continued to be the major business of the Group during the year ended 31 March 2012. Despite the impact of the severe flooding in Thailand during the period from late October to November 2011, which led to a significant decrease in the number of tourists visiting Thailand during the period, the Group's revenue for the year ended 31 March 2012 enjoyed a year-on-year increase of approximately 60%. The increase was mainly attributable to the increase in the number of the OCG Thailand's point-of-sales terminals mainly installed in the tourist areas like Bangkok, Pattaya and Phuket which in turn led to the increase of transaction volume during the year.

As regards the Group's co-branded card business, the agreement signed between Oriental City Group (Hainan) Services Limited ("**OCG China**"), a wholly owned subsidiary of the Company, and the Hainan branch of the Bank of Communications Co., Limited ("**BOCOM**") for their joint cooperation in the promotion and issuance of the Pacific – OCG Golf Card, expired in accordance with its terms in last year and both parties decided not to renew the agreement. Subsequently, the Group entered into a cooperation agreement with the Haikou Rural Commercial Bank in January 2012 for the development of the golf debit card business in the People's Republic of China (the "**PRC**"). Business will commence after further discussion by both parties. For the marketing service fee income, it amounted to HK$910,000 for the year ended 31 March 2012, representing a decrease of approximately 42% as compared with the record of last year. The decrease was mainly owing to the expiration of the marketing service agreement in October 2011.

BUSINESS OUTLOOK

During the year ended 31 March 2012, the Group mainly concentrated on its card acceptance business. The Directors intend to install more POS terminals in the tourist areas but will maintain a cautious outlook on the Group's card acceptance business as the performance of the Group's card acceptance business in Thailand highly depends on the prevailing political, environmental and other circumstances there, which are beyond the control of the Group. As such, the Directors are also looking for other new business opportunities in order to broaden the revenue base of the Group on a stable and long term basis.

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2012, the consolidated operating revenue of the Group amounted to approximately HK$22,569,000, representing an increase of approximately 60% over the previous year. The revenue from the Group's card acceptance business in Thailand increased by approximately 73%.

Cost of Services Rendered

The total cost of services rendered for the year ended 31 March 2012 amounted to approximately HK$15,254,000, representing an increase of approximately HK$6,558,000, or approximately 75%, over the previous year. Such costs mainly comprised the information network cost and licence fee cost of the Group's card acceptance business in Thailand.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 March 2012 was approximately HK$7,315,000, representing an increase of approximately 35% from the previous year. Gross profit margins were approximately 32% and 38% for the year ended 31 March 2012 and the previous year respectively. The decrease in the Group's gross profit margin was primarily attributable to the decrease in the marketing service fee income, in respect of which the direct costs were minimal.

General Administrative Expenses

The general administrative expenses of the Group for the year ended 31 March 2012 amounted to approximately HK$7,545,000, representing a slight increase of approximately 5% than that of last year.

Selling and Distribution Costs

The selling and distribution costs for the year ended 31 March 2012 amounted to approximately HK$961,000, representing an increase of about 38% as compared with the same recorded in last year. The increase was mainly attributed by the increases in staff salaries and incentives for the marketing team in Thailand.

Finance Costs

The finance costs for the year ended 31 March 2012 represented the 9% dividend payable to a minority shareholder in respect of the issued and paid up preference share capital of OCG Thailand.

Loss for the Year

During the year ended 31 March 2012, the Group reported a loss attributable to the equity holders of the Company amounting to approximately HK$3,232,000, representing an improvement of 3% over the last year. Loss per share was approximately 0.54 HK cents (2011: 0.56 HK cents).

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flow, public fund raisings and other borrowings. As at 31 March 2012, the Group's other long-term borrowings amounted to Thai Baht ("**Baht**") 1,375,000 (equivalent to approximately HK$345,000) due to a minority shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries a cumulative dividend at 9% per annum and such dividend was recorded as finance costs. The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for both years ended 31 March 2012 and 2011, was approximately 1%.

As at 31 March 2012, the Group had net current assets of approximately HK$16,355,000 (2011: HK$19,564,000). Current ratio as at 31 March 2012 was 2.73 (2011: 3.86). The cash and cash equivalents of the Group as at 31 March 2012 was approximately HK$16,909,000 (2011: approximately HK$19,882,000).

Capital Structure

Total equity attributable to the equity holders of the Company amounted to approximately HK$15,144,000 as at 31 March 2012 (2011: approximately HK$18,416,000).

Foreign Exchange Exposure

The Group mainly operates in Hong Kong, the PRC and Thailand with the majority of business transactions being denominated and settled in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and Baht, which are the functional currencies of the relevant subsidiaries. The Group's trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in United States dollars ("**US$**"). The Directors and senior management monitor the related foreign currency risk exposure closely and, pursuant to a written foreign currency hedging guideline as approved by the Directors, the Group will enter into foreign currency forward contracts should the need arise. At 31 March 2012, the Group had outstanding foreign currency forward contracts for the exchange of US$ with Baht of US$700,000 (equivalent to approximately HK$5,460,000) (31 March 2011: US$300,000, equivalent to approximately HK$2,340,000). No material fair value gain or loss has been recognised for the foreign currency forward contracts and no hedging accounting has been adopted. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as 31 March 2012.

Employees and Remuneration Policy

As at 31 March 2012, the Group had a total staff of 11 (31 March 2011: 11) of whom 5 were based in Hong Kong, 5 were based in Thailand and the remaining one was based in the PRC. During the year ended 31 March 2012, remuneration paid to the employees of the Group was approximately RMB3.1 million. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

Material Acquisitions, Disposal and Significant Investment

The Group has made no material acquisitions, disposals or any significant investments during the year ended 31 March 2012.

Capital Commitments

As at 31 March 2012, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounting to HK$490,000 (2011: HK$225,000).

Charges on Assets

As at 31 March 2012, the Group did not have any charges on its assets.

Contingent Liabilities

As at 31 March 2012, the Group did not have any significant contingent liabilities.

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

MAZARS

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29 December 2014

The Directors
China Smartpay Group Holdings Limited
Room 3815, 38/F, Hong Kong Plaza
188 Connaught Road West
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Smartpay Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position at 30 September 2014, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2014, and related notes as set out on pages VI-5 to VI-17 of the circular in connection with the proposed acquisition of the remaining 67% equity interest of Wei Ke Rui Si Online (Beijing) Technology Company Limited ("**Beijing Weike**", English translation of 微科睿思在線(北京)科技有限公司 for identification purpose only) and its 90%-owned subsidiary namely Open Union Network Technology Services Limited ("**Open Union**", English translation of 開聯通網絡技術服務有限公司 for identification purpose only) (the "**Target Group**", together with the Group hereinafter collectively referred to as the "**Enlarged Group**") (the "**Proposed Acquisition**") dated 29 December 2014 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages VI-5 to VI-17 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Enlarged Group's consolidated financial position at 30 September 2014 and the Enlarged Group's financial performance and cash flows for the year ended 31 March 2014 as if the Proposed Acquisition had taken place on 30 September 2014 and 1 April 2013, respectively. As part of this process, information about the Group's audited financial performance and cash flows for the year ended 31 March 2014 has been extracted by the Directors from the Group's annual report for the year ended 31 March 2014, while the Group's unaudited financial position at 30 September 2014 has been extracted by the Directors from the Group's interim report for the six months ended 30 September 2014. Information about Beijing Weike's and Open Union's audited financial performance and cash flows for the year ended 31 December 2013 and the Target Group's audited financial position at 30 September 2014 has been extracted by the Directors from the accountants' reports of Beijing Weike and Open Union as set out in Appendix II and/or Appendix III, where applicable, of the Circular.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2014 and 1 April 2013, respectively, would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

Pursuant to the Control Agreements, the Option Framework Agreement, the Loan Arrangements, the Second WK S&P Agreement as well as other relevant documents/agreements (the "**Agreements**") as described in circular of the Company dated 29 December 2014 (the "**Circular**"), the Group will acquire the remaining 67% equity interest of Beijing Weike and its 90%-owned subsidiary namely the Licence Company (the "**Target Group**", together with the Group hereinafter collectively referred to as the "**Enlarged Group**") (the "**Proposed Acquisition**").

The unaudited pro forma financial information consisting the unaudited pro forma consolidated statement of financial position at 30 September 2014, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2014 is prepared as if the Proposed Acquisition had been completed on 30 September 2014 and 1 April 2013, respectively, and is based on (i) the unaudited consolidated statement of financial position of the Group at 30 September 2014 as extracted from the interim report of the Group for the six months ended 30 September 2014 and the audited consolidated statement of financial position of the Target Group at 30 September 2014 as extracted from the accountants' report of Beijing Weike as set out in Appendix II of the Circular; and (ii) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2014 as extracted from the annual report of the Group for the year ended 31 March 2014 and the audited statements of comprehensive income and the audited statements of cash flows of Beijing Weike and the Licence Company for the year ended 31 December 2013 as extracted from the accountants' reports of Beijing Weike and the Licence Company as set out in Appendix II and/or Appendix III, where applicable, of the Circular.

The unaudited pro forma financial information is presented after making pro forma adjustments that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The unaudited pro forma financial information is based on a number of assumptions, estimates and uncertainties. Among other key assumptions, the Directors have assumed that the Company would be able to raise sufficient funding through internal resources and other fund raising activities to finance the Proposed Acquisition.

The unaudited pro forma financial information has been prepared by the Directors in accordance with paragraph 7.31(1) of the GEM Listing Rules, for the purposes of illustrating the effect of the Proposed Acquisition pursuant to the terms of the Agreements and because of its hypothetical nature, it may not give a true picture of the financial position, financial performance and cash flows of the Enlarged Group had the Proposed Acquisition been completed as of 30 September 2014 or 1 April 2013, where applicable, or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Group for the year ended 31 March 2014 and the interim report of the Group for the six months ended 30 September 2014, the historical financial information of Beijing Weike, the Licence Company and the Target Group and other financial information included elsewhere in the Circular.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group at 30 September 2014	The Target Group at 30 September 2014	Pro forma adjustments			Pro forma Enlarged Group at 30 September 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	5,467	34,502	–	6,305	–	46,274
Intangible assets	–	2,197	–	–	–	2,197
Interests in an associate	24,842	–	–	–	–	24,842
Interest in a joint venture	197,524	7,760	393,432	(590,956)	–	7,760
Goodwill	988	477,012	–	(6,172)	–	471,828
	228,821	521,471	393,432	(590,823)	–	552,901
Current assets						
Trade and other receivables	190,134	74,674	(80,704)	–	–	184,104
Restricted bank balances	6,479	842,276	–	–	–	848,755
Cash and cash equivalents	110,895	27,142	(110,895)	–	–	27,142
	307,508	944,092	(191,599)	–	–	1,060,001
Current liabilities						
Trade and other payables	39,568	860,100	201,833	–	1,500	1,103,001
Tax payables	4,116	–	–	–	–	4,116
	43,684	860,100	201,833	–	1,500	1,107,117
Net current assets (liabilities)	263,824	83,992	(393,432)	–	(1,500)	(47,116)
Total assets less current liabilities	492,645	605,463	–	(590,823)	(1,500)	505,785

	The Group at 30 September 2014	The Target Group at 30 September 2014	Pro forma adjustments			Pro forma Enlarged Group at 30 September 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current liabilities						
Deferred tax liabilities	459	–	–	1,576	–	2,035
Other long-term liabilities	395	–	–	–	–	395
	854	–	–	1,576	–	2,430
NET ASSETS	491,791	605,463	–	(592,399)	(1,500)	503,355
Capital and reserves						
Share capital	9,683	126,100	–	(126,100)	–	9,683
Reserves	475,910	466,772	–	(466,772)	(1,500)	474,410
Equity attributable to equity holders of the Company	485,593	592,872	–	(592,872)	(1,500)	484,093
Non-controlling interest	6,198	12,591	–	473	–	19,262
TOTAL EQUITY	491,791	605,463	–	(592,399)	(1,500)	503,355

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2014	Beijing Weike for the year ended 31 December 2013	The Licence Company for the year ended 31 December 2013	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 6)*	*(Note 7)*	
Revenue	148,475	–	38,512	–	–	186,987
Cost of services rendered and cost of goods sold	(112,536)	–	(11,859)	–	–	(124,395)
Gross profit	35,939	–	26,653	–	–	62,592
Other income	128	–	1,198	–	–	1,326
General administrative expenses	(34,427)	(1)	(25,181)	(2,700)	–	(62,309)
Selling and distribution costs	(2,901)	–	(4,084)	–	–	(6,985)
Share of loss of a joint venture	–	–	(1,061)	–	–	(1,061)
Finance costs	(37)	–	–	–	–	(37)
Loss before taxation	(1,298)	(1)	(2,475)	(2,700)	–	(6,474)
Income tax expenses	(6,403)	–	–	–	–	(6,403)
Loss for the year	(7,701)	(1)	(2,475)	(2,700)	–	(12,877)
Other comprehensive loss						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference on translation of foreign subsidiaries	(1,502)	–	–	–	–	(1,502)
Total comprehensive loss for the year	(9,203)	(1)	(2,475)	(2,700)	–	(14,379)

	The Group for the year ended 31 March 2014	Beijing Weike for the year ended 31 December 2013	The Licence Company for the year ended 31 December 2013	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 6)*	*(Note 7)*	
(Loss) Profit for the year attributable to:						
Equity holders of the Company	(17,762)	(1)	(2,475)	(2,700)	248	(22,690)
Non-controlling interests	10,061	–	–	–	(248)	9,813
	(7,701)	(1)	(2,475)	(2,700)	–	(12,877)
Total comprehensive (loss) income for year attributable to:						
Equity holders of the Company	(18,848)	(1)	(2,475)	(2,700)	248	(23,776)
Non-controlling interests	9,645	–	–	–	(248)	9,397
	(9,203)	(1)	(2,475)	(2,700)	–	(14,379)

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2014	Beijing Weike for the year ended 31 December 2013	The Licence Company for the year ended 31 December 2013	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 6)*	*(Note 8)*	
OPERATING ACTIVITIES						
Loss before taxation	(1,298)	(1)	(2,475)	(2,700)	–	(6,474)
Depreciation of property, plant and equipment	1,097	–	5,245	–	–	6,342
Amortisation of intangible assets	–	–	324	–	–	324
Deemed capital contribution from equity holders	–	–	2,750	–	–	2,750
Share of loss of a joint venture	–	–	1,061	–	–	1,061
Foreign exchange differences	(1,482)	–	–	–	–	(1,482)
Finance costs	37	–	–	–	–	37
Interest income	(128)	–	(23,333)	–	–	(23,461)
Gain on disposal of property, plant and equipment	–	–	(44)	–	–	(44)
Equity-settled share-based payment expenses	9,499	–	–	–	–	9,499
Changes in working capital:						
Restricted bank balances	(3,141)	–	43,987	–	–	40,846
Trade and other receivables	(13,580)	–	10,444	–	–	(3,136)
Trade and other payables	(31,133)	–	(55,691)	–	–	(86,824)
Cash used in operations	(40,129)	(1)	(17,732)	(2,700)	–	(60,562)
Interest paid	(37)	–	–	–	–	(37)
Interest received	128	–	23,333	–	–	23,461
Income tax paid	(5,391)	–	–	–	–	(5,391)
Net cash (used in) from operating activities	(45,429)	(1)	5,601	(2,700)	–	(42,529)

	The Group for the year ended 31 March 2014	Beijing Weike for the year ended 31 December 2013	The Licence Company for the year ended 31 December 2013	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 6)*	*(Note 8)*	
INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(1,093)	–	(1,423)	–	–	(2,516)
Proceeds from disposal of property, plant and equipment	–	–	456	–	–	456
Investment in other investments, net	–	–	(12,573)	–	–	(12,573)
Acquisition of a subsidiary	(1,894)	–	–	–	(578,287)	(580,181)
Deposits on investment paid	(50,000)	(125,101)	–	–	175,101	–
Net cash used in investing activities	(52,987)	(125,101)	(13,540)	–	(403,186)	(594,814)
FINANCING ACTIVITIES						
Capital contributions from equity holders	–	125,101	–	–	–	125,101
Proceeds from disposal of ownership interests in subsidiaries that does not result in a loss of control	10,000	–	–	–	–	10,000
Proceeds from shares issued upon placing	120,423	–	–	–	–	120,423
Dividend paid to non-controlling interests of a non-wholly owned subsidiary	(6,599)	–	–	–	–	(6,599)
Net cash from financing activities	123,824	125,101	–	–	–	248,925

	The Group for the year ended 31 March 2014	Beijing Weike for the year ended 31 December 2013	The Licence Company for the year ended 31 December 2013	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 March 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 6)*	*(Note 8)*	
Net increase (decrease) in cash and cash equivalents	25,408	(1)	(7,939)	(2,700)	(403,186)	(388,418)
Cash and cash equivalents at beginning of year	23,009	53	12,617	–	(12,669)	23,010
Effect on exchange rate changes	(1,277)	–	–	–	–	(1,277)
Cash and cash equivalents at end of year	47,140	52	4,678	(2,700)	(415,855)	(366,685)

5. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The unaudited consolidated statement of financial position of the Group at 30 September 2014 is extracted, without adjustment, from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014, and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2014 are extracted and rounded to the nearest thousand, without further adjustment, from the audited consolidated financial statements of the Group for the year ended 31 March 2014.

2. For the purpose of the unaudited pro forma financial information, the audited consolidated statement of financial position of the Target Group at 30 September 2014 and the audited statements of comprehensive income and the audited statements of cash flows of Beijing Weike and the Licence Company for the year ended 31 December 2013 are extracted from the accountant's reports of Beijing Weike and the Licence Company as set out in Appendix II and Appendix III to the Circular, and are translated from RMB into HK$ at the following exchange rates and rounded to the nearest thousand:

   - consolidated statement of financial position: RMB1 = HK$1.2610; and
   - consolidated statement of comprehensive income and the audited consolidated statements of cash flows: RMB1 = HK$1.2573.

3. The adjustments represent the consideration payable by the Group to acquire the remaining 67% interest in Beijing Weike at an exercise price of RMB312,000,000 (equivalent to approximately HK$393,432,000) which would be satisfied by:

   (i) a deposit of RMB64,000,000 (equivalent to approximately HK$80,704,000) has been paid by the Group at 30 September 2014;

   (ii) a further deposit of RMB78,800,000 (equivalent to approximately HK$99,367,000) to be paid by the Group within three days after the entering into the Option Supplemental Agreement I, provided that the Second WK Resolutions and the Second WK Articles Amendment Agreement had been entered into by the relevant parties; and

   (iii) the balance of the consideration of RMB169,200,000 (equivalent to approximately HK$213,361,000) to be paid by the Group within ten business days after the entering into of the Transaction Documents.

   For the purposes of the unaudited pro forma financial information, the following adjustments have been made to reflect the settlement of the consideration:

	HK$'000
Utilisation of deposit on investment	80,704
Cash	110,895
Other payable	201,833
Further amount payable	312,728
	393,432

Having considered the placing of 68,490,000 subscription shares at a price of HK$1.46 per subscription share with net proceeds, after deducting the placing commission and other related expenses, of approximately HK$99,995,000 completed by the Company on 8 October 2014, and the internal resources available, the Directors concluded that the Group would be able to settle the outstanding balance of RMB160,058,000 (equivalent to approximately HK$201,833,000) as detailed above upon the Completion.

4. The adjustments represent allocation of purchase price paid by the Group into the fair value of the Target Group's identifiable assets and liabilities, and recognition of goodwill at 30 September 2014. For this purpose, the Directors have determined the fair values of the identifiable net assets (excluding goodwill) of the Target Group, in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 13 (Revised) "*Business Combination*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Except for the leasehold land and buildings with their aggregated fair values higher than the carrying values by RMB5,000,000 (equivalent to approximately HK$6,305,000), the carrying values of all other identifiable net assets (excluding goodwill) of the Target Group approximate their fair values at 30 September 2014 given their short term in nature. For the deferred tax liabilities, it is associated with the fair value adjustments on the leasehold land and buildings and is calculated using the corporate income tax rate in the PRC of 25% on the fair value adjustments.

Accordingly, the goodwill arising from the Proposed Acquisition is calculated as follows:

	HK$'000
Consideration	
– interest in a joint venture *(note a)*	197,524
– consideration payable for the Proposed Acquisition	393,432
Total consideration	590,956
Carrying values of the identifiable net assets of the Target Group	128,451
Fair value adjustments on leasehold land and buildings	6,305
Deferred tax liabilities on fair value adjustments	(1,576)
Total fair values of the identifiable net assets of the Target Group	133,180
Non-controlling interests	13,064
Goodwill arising from the Proposed Acquisition *(note b)*	470,840

Notes:

a. Upon the completion of the Group's acquisition of 33% equity interest in the Target Group on 23 September 2014 at an aggregate consideration of RMB156,000,000 (equivalent to approximately HK$197,524,000) (the "**Beijing Weike JV Transaction**"), the Target Group is classified as a joint venture of the Group in accordance with HKFRS 11 "*Joint Arrangements*" issued by the HKICPA and accounted for in the consolidated financial statements of the Group under the equity method of accounting in accordance with Hong Kong Accounting Standard ("**HKAS**") 28 (2011) "Investments in Associates and Joint Ventures" issued by the HKICPA. The Beijing Weike JV Transaction is detailed in the Company's circular dated 1 September 2014.

b. Upon the Completion, the Target Group will be classified as a subsidiary of the Group in accordance with HKFRS 10 "*Consolidated Financial Statements*" issued by the HKICPA under acquisition method of consolidation accounting which the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values.

The goodwill arising from the Proposed Acquisition, being the excess of total consideration paid/payable over the fair values of the identifiable net assets of the Target Group and adjusted for the non-controlling interests, is attributable to (i) the Target Group's licenses for the operation of the prepaid cards business and the internet payment business and (ii) the growth and profit potential as a result of benefiting from the growing demand in the prepaid cards and the internet payment businesses. However, in the opinion of the Directors, the fair values of the licenses and the growth and profit potential cannot be reasonably estimated and thus no individual intangible assets have been recognised. None of the goodwill recognised is expected to be deductible for income tax purpose. In addition, the Directors are of the view that the goodwill would not have any future impact on the cash flows of the Enlarged Group.

The fair value of the identifiable assets and liabilities of the Target Group used in the preparation of the unaudited pro forma financial information are subject to changes up to the completion of the Proposed Acquisition and is to be re-assessed on the date of completion of the Proposed Acquisition. Consequently, the actual allocation of the consideration, the resulting goodwill to be recognised in connection with the Proposed Acquisition at the Completion date could be materially different from the estimated amounts stated herein and will likely result in different amounts than those stated in the unaudited pro forma financial information.

For the purpose of the unaudited pro forma financial information, the Directors have made an assessment on whether there is any impairment in respect of the goodwill arising from the Proposed Acquisition with reference to HKAS 36 "*Impairment of Assets*" issued by the HKICPA. With respect to the impairment assessment for goodwill, the Directors assume that, upon the completion of the Proposed Acquisition, all of the business of the Target Group will be within a distinct prepaid cards and internet payment cash generating unit (the "**Prepaid Cards and Internet Payments CGU**") and have engaged ROMA to assist them to assess whether there is any impairment of goodwill in the Prepaid Cards and Internet Payments CGU.

With reference to a business valuation of the Licence Company determined on a market-based approach based on the multiples of price-to-annual prepaid cards issuing amount as stated in a valuation report issued by ROMA as set out in Appendix VI of the Circular, the Directors concluded that there would be no impairment in respect of goodwill in the Prepaid Cards and Internet Payments CGU at 30 September 2014.

The Directors consider such business valuation is appropriate to be used as a reference in determining the recoverable amount of goodwill in the Prepaid Cards and Internet Payments CGU for impairment analysis under HKAS 36 "*Impairment of Assets*" issued by the HKICPA, which is consistent with the accounting policies of the Group. In addition, unless there is significant change in the circumstances, the Group will adopt consistent accounting policies and valuation method to assess the impairment of goodwill in the Prepaid Cards and Internet Payments CGU in subsequent reporting periods in accordance with the requirements of HKAS 36.

The adjustments relating to purchase price allocation also included the consolidation entries for the elimination of investment cost, share capital and reserves of the Target Group, and are non-recurring in nature.

5. The adjustments represent acquisition-related costs (including advisory, legal, accounting, valuation and other professional fees) of approximately HK$1,500,000 which will be expensed in profit or loss of the Group upon the Completion. These adjustments are not expected to have continuing effect on the Enlarged Group's consolidated statement of comprehensive income and consolidated statement of cash flows.

6. Assuming the Proposed Acquisition had taken place on 1 April 2013, the adjustments in the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2014 represent the estimated acquisition-related costs (including advisory, legal, accounting, valuation and other professional fees) of approximately HK$2,700,000 payable by the Group for the BJ Weike JV Transaction and the Proposed Acquisition which are not expected to have continuing effect on the Enlarged Group's consolidated statement of comprehensive income and consolidated statement of cash flows.

7. The adjustments represent non-controlling interests' share of results of the Licence Company at 10% equity interests.

8. The adjustments represent pro forma cash flow items reclassification (1) to reflect the net cash paid for the Proposed Acquisition (including the consideration paid by the Group for the BJ Weike JV Transaction) amounting to approximately HK$578,287,000, as represented by the cash and cash equivalents of Beijing Weike and the Licence Company at the end of its preceding accounting period amounting approximately HK$12,669,000 to be consolidated into the Enlarged Group on the acquisition date on 1 April 2013, net off with the aggregated consideration of approximately HK$590,956,000 (as detailed in Note 4 above); and (2) the elimination of deposits on investment paid of approximately HK$175,101,000.

9. In addition to the fund raising activities as detailed in Note 4 above, the Group had completed the following fund raising activities subsequent to 31 March 2014, which no adjustment has been made to the unaudited pro forma consolidated statement of cash flow:

    (i) In April 2014, a total number of 144,000,000 ordinary shares were issued via placing at a price of HK$1.46 per share. The Group raised net proceeds, after deducting the placing commission and other related expenses, of approximately HK$204,707,000 to finance the Group's future potential investments or otherwise as general working capital of the Group.

    (ii) In September 2014, a total number of 104,310,000 ordinary shares were issued via placing at a price of HK$1.46 per share. The Group raised net proceeds, after deducting the placing commission and other related expenses, of approximately HK$148,245,000 to finance the Group's future potential investments or otherwise as general working capital of the Group.

10. Apart from the above, no other adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2014 and of the Target Group entered into subsequent to 30 September 2014.

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 31 August 2014 of the Licence Company.

29 December 2014

China Smartpay Group Holdings Limited
Office No. 15,
38th Floor, Hong Kong Plaza,
188 Connaught Road West,
Hong Kong

Dear Sir/Madam,

Re: Business Valuation of 60.3% Equity Interest in 開聯通網絡技術服務有限公司

We refer to recent instructions from China Smartpay Group Holdings Limited (hereinafter referred to as the "**Company**") to us to conduct a business valuation on 60.3% equity interest in 開聯通網絡技術服務有限公司 (hereinafter referred as the "**Licence Company**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 31 August 2014 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Licence Company, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

This valuation report has been prepared in accordance with the International Valuation Standards. Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company and/or its representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of third party payment services industry in the PRC, the development, operations and other relevant information of the Licence Company. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Licence Company provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

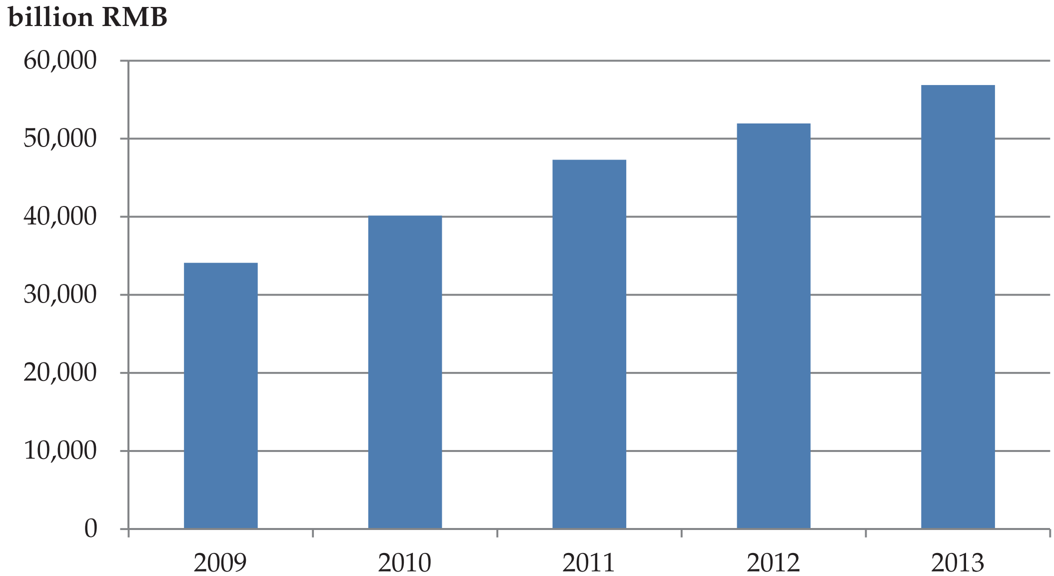
3.1 Overview of the Economy in the PRC

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of the PRC in the second quarter of 2014 was RMB26,904 billion, an increase of 7.40% over the same period in last year. The PRC was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP estimated by the International Monetary Fund ("**IMF**") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make the PRC less dependent on foreign exports. The PRC's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth in 2011, 2012 and 2013.

Over the past decade from 2004 to 2013, compound annual growth rate of the PRC's nominal GDP was 15.1% and in the government's latest plan, it is targeted to grow at 7% for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of the PRC from 2009 to 2013.

Figure 1 – The PRC's Nominal Gross Domestic Product from 2009 to 2013

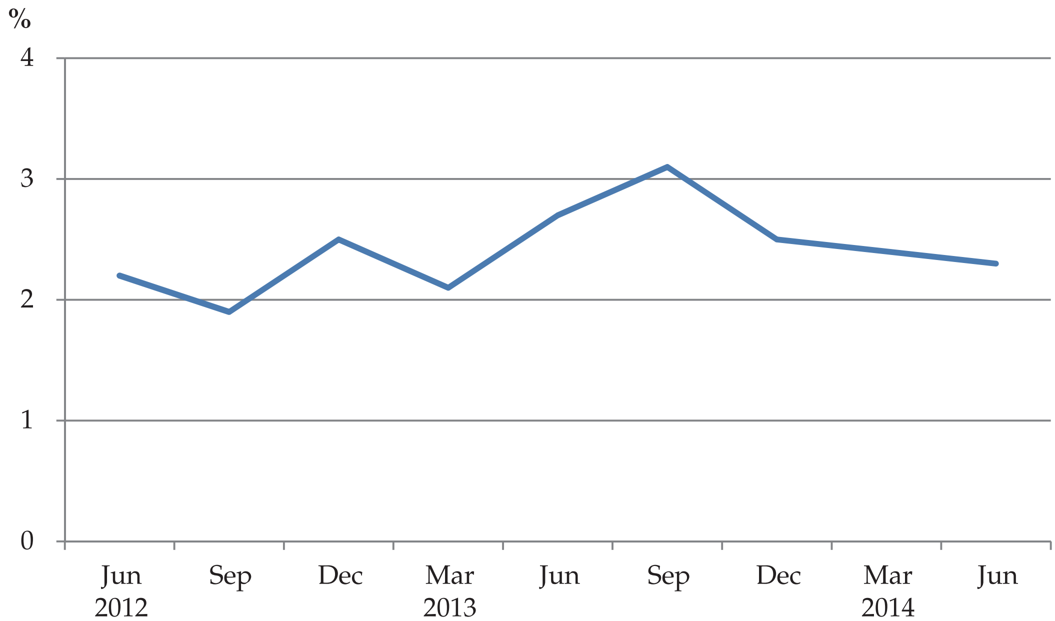


Source: National Bureau of Statistics of China

3.2 Inflation in the PRC

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in the PRC has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation slowed in 2012 and maintained at around 2% to 3% since then. Figure 2 shows the year-over-year change in consumer price index of the PRC from June 2012 to June 2014.

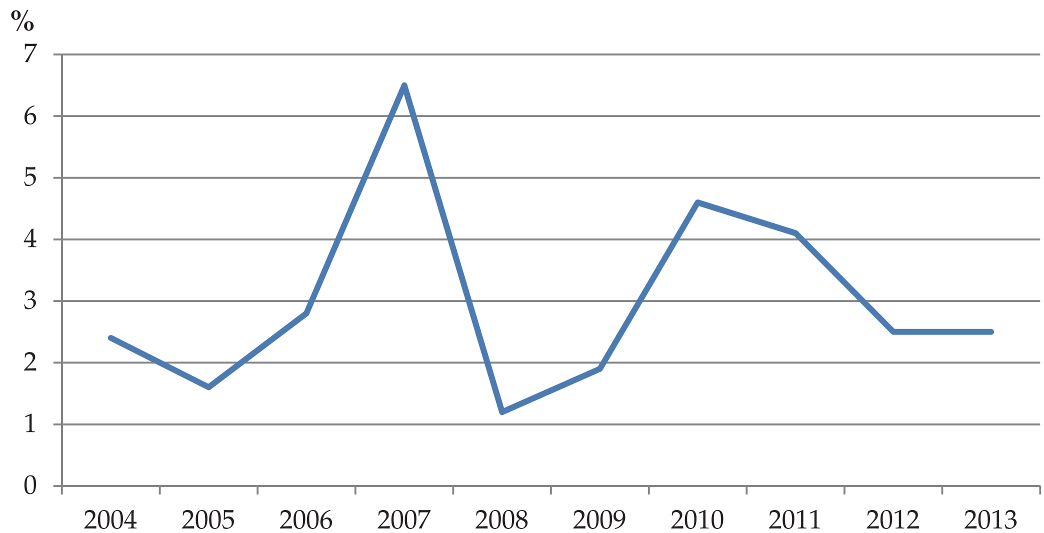
Figure 2 – Year-over-year Change in the PRC's Consumer Price Index from June 2012 to June 2014



Source: National Bureau of Statistics of China

The PRC's inflation rate was volatile during the past decade. According to the IMF, the average inflation rate in the PRC increased sharply from 2.8% in 2006 to 6.5% in 2007, and then dropped drastically to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate rebounded and increased to 4.6% in 2010 and maintained at a similar level of 4.1% in 2011. The inflation dropped again in 2012 to 2.5% and maintained at 2.5% in 2013. Figure 3 shows the historical trend of the PRC's inflation rate from 2004 to 2013.

Figure 3 – The PRC's Inflation Rate from 2004 to 2013



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Third Party Payment Services Industry in the PRC

Third party payments are transactions that are not directly handled by banking institutions. In such transactions a non-financial institution provides a platform for transactions where the buyer's payment is processed through the platform and notifies the seller, and the provider transfers the money to the seller when the deal is completed. Such payment method shields buyer's credit card or other payment information from the merchant. The range of businesses covered in the third-party payment market includes banking card payment, online payment, mobile payment, land-line telephone payment, digital television payment, and prepaid card processing and issuance businesses.

Since June 2010, the Chinese government has gradually introduced regulatory measures to define and develop the industry. The "Administrative Measures Relating to Payment Services by Non-financial Institutions (非金融機構支付服務管理辦法)" (hereinafter referred to as the "**Payment Service Measures**") promulgated by the People's Bank of China ("**PBOC**") was the start of regulations and thus giving legal status to the industry.

According to the Payment Service Measures, the third party payment business comprises of three parts, namely (i) online payment, (ii) prepaid card issuance and acceptance and (iii) bank card acceptance.

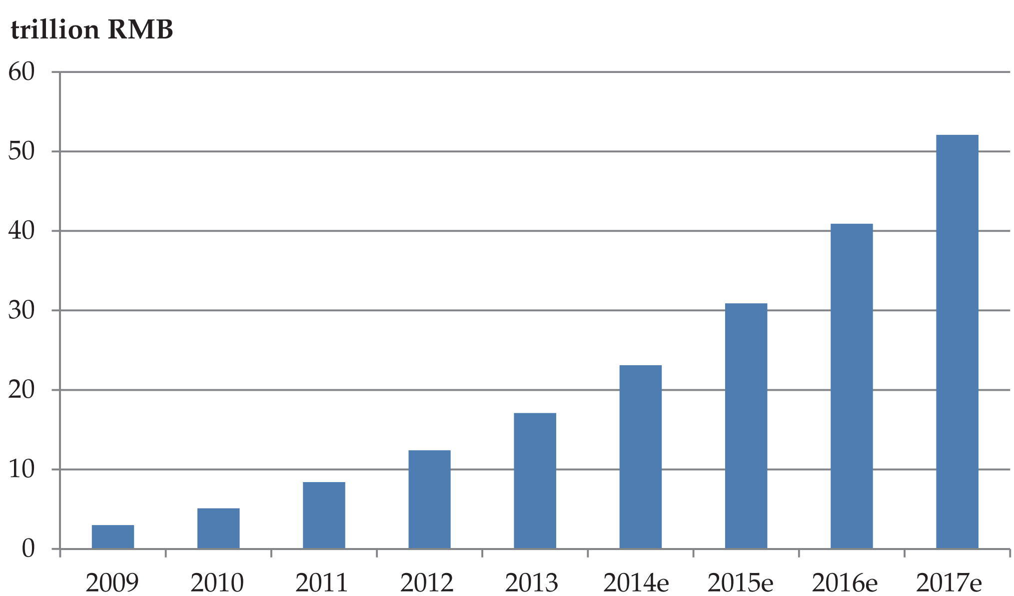
Online payment refers to money transfers activities between payers and receivers through a public or private network, including currency exchange, internet payment, mobile phone payment, fixed telephone payment, digital TV payment, etc.

Prepaid card issuance and acceptance refers to issuance of prepaid cards for commercial purposes. The stored value of prepaid value would be spent on purchase of goods or services beyond the prepaid card issuance company. This includes prepaid cards with magnetic stripe or chip technologies which issued in forms of cards or passcodes, etc.

Bank card acceptance refers to payment collection activities of bank card merchants through the point of sale ("**POS**") terminals.

The market has experienced exponential growth in recent years, according to iResearch Inc., an independent market research and consultancy company based in the PRC. The market increased by more than five times during the years 2009 to 2013, amounting to RMB17.1 trillion in transaction volume in 2013. Figure 4 shows the transaction size of the third party payment services industry from 2009 to 2017. In fact, according to Maverick China Research, a PRC-based market research company, third party payment is the most popular payment method in the PRC, the usage of which is higher than credit cards.

Figure 4 – Transaction Size of the Third Party Payment Services Industry from 2009 to 2017



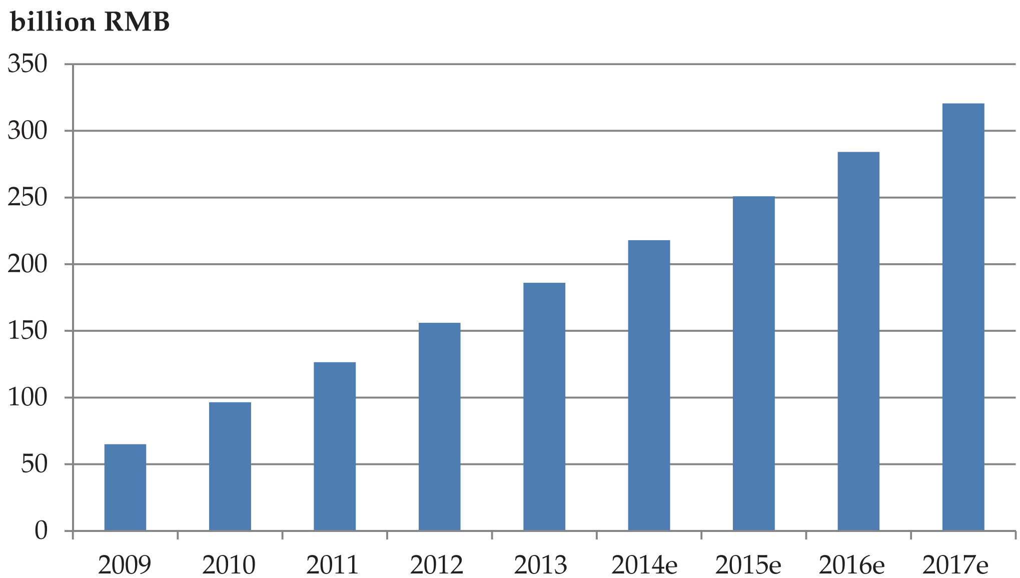
Source: iResearch Inc.

Incumbents are concentrated in more developed areas of the PRC, such as Beijing and Shanghai. In terms of the industry makeup, competition can be intense especially in segments such as internet transactions. Such phenomenon reflects the characteristics of a maturing market where growth begins to slow and new entrants are numerous, and well established players such as Alipay and UnionPay enjoy advantages.

Prepaid card business is more fragmented and less mature in comparison. Prepaid cards can be divided into two categories depending on the licenses granted:

the first being vendor-specific cards which could be used within a specific vendor's network of stores; another being multipurpose cards which could be used at a variety of vendors. The regulations also concern whether these cards can be used throughout the nation or only used locally. According to Partners in Prepaid, a MasterCard initiative promoting collaboration and innovation in the prepaid industry, there is an already established preference for prepaid card particularly in the business segment, along with high interest rates and growing electronic payments usage. iResearch Inc. remarked that users take the initiative to buy prepaid cards mainly because of its convenience and discount in shopping. The market size of multipurpose prepaid card sector has tripled from 2009 to 2013. Figure 5 shows the market size of the multipurpose prepaid card market from 2009 to 2017.

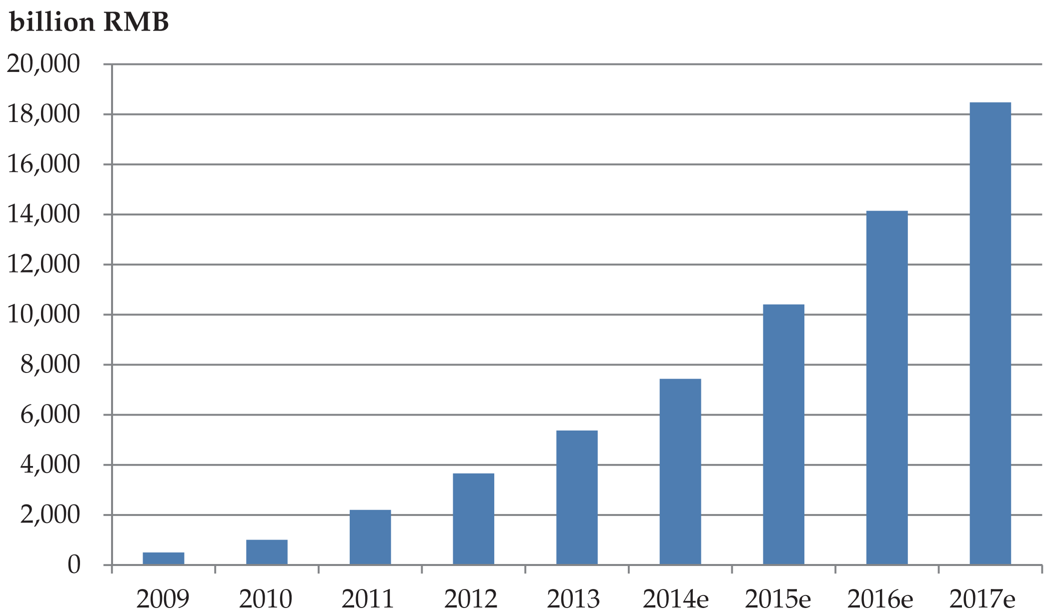
Figure 5 – Market Size of the Multipurpose Prepaid Card Market from 2009 to 2017



Source: iResearch Inc.

Third party online payment segment have experienced dramatic growth, achieving 100.1% growth in 2010 and 118.1% growth in 2011, however as market begins to transition to maturity stage while the growth rate was 66% in 2012 and 46.8% in 2013. Figure 6 illustrates the transaction volume of the third party online payment market from 2009 to 2017.

Figure 6 – Transaction Volume of the Third Party Online Payment Market from 2009 to 2017



Source: iResearch Inc.

5. THE LICENCE COMPANY

The Licence Company is engaged in third party payment business on a nationwide basis, which mainly includes two components: (i) issuing and processing prepaid card; and (ii) providing online payment processing services. The two components are often overlapping, as in scenario when the cardholder uses Licence Company's prepaid cards to do online shopping. Therefore, the Licence Company does not report the two components separately.

The business of the Licence Company is mainly based in Beijing. In 2012, the Licence Company began to expand its operation in Shanghai, Shandong and Shanxi. In 2013, Wenzhou of Zhejiang is added. It has developed a wide range of merchant network across a broad section of retailers.

The Licence Company holds the relevant license to issue multipurpose prepaid cards, which are also authorized to be used throughout the whole country. According to the Management, the Licence Company, apart from its own brand of prepaid cards, it also processes transactions from other non-bank institution's prepaid cards as well, generating revenue from such transactions. The Licence Company also enabled its prepaid card to conduct online payments and mobile payments.

6. BASIS OF VALUATION

Our valuation is based on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, market value is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of third party payment services industry in the PRC, the development, operations and other relevant information of the Licence Company. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Licence Company provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The valuation of the Licence Company requires consideration of all pertinent factors, which may or may not affect the operation of the business. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Licence Company;
- The financial condition of the Licence Company;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Licence Company, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities in companies that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("**equity**") and investors who lend money to the business entity ("**debt**"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing the Licence Company, we have taken into account of the uniqueness of its operation and the nature of the third party payment services industry it is participating. Also, we have considered the accessibility to available data and relevant market transactions.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. Despite the Licence Company has over three years of financial track record, the Management was of the view that the Licence Company is at early development stage which its historical financial performance could not form a reasonable and sufficient basis to produce a concrete financial projection. Hence, financial projection was not provided to us and hence the Income-Based Approach was not adopted. The Asset-Based Approach, which values a business entity solely based on the value of the business entity's invested capital, was not adopted because it could not reflect the true market value of the Licence Company. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Licence Company.

Under the Market-Based Approach, we have shortlisted three transactions of comparable companies (hereinafter referred to as the "Comparable Companies") which their principal businesses are comparable to that of the Licence Company. The Comparable Companies were selected mainly with reference to the following selection criteria:

- The subject company was principally engaged in prepaid card business in the PRC;
- The transaction was completed during the period from June 2010 (since the Payment Service Measures became effective) to the Date of Valuation; and
- Details of the transaction, such as the percentage of interest acquired, consideration amount and latest prepaid card issuing amount, were available.

Since the Payment Service Measures was introduced in June 2010 and there was no official payment service license existed before that, also the prepaid card and third party payment business in the PRC has only started to develop and grow in recent years, we considered that covering comparable transactions completed during the period from June 2010 to the Date of Valuation would be relevant and appropriate for this valuation.

Details of the Comparable Companies selected are listed as follows:

Transaction Date:	27 September 2012
Acquirer:	深圳市明華智能技術有限公司 (Shenzhen Minghua Intelligence Technology Co., Ltd.)

Target Company: 深圳市壹卡會科技服務有限公司 (Shenzhen Eka Technology Service Co., Ltd.) (hereinafter referred to as the "**Comparable Company 1**")

% Equity Interest Acquired: 73%

Price-to-Annual Issuing Amount Multiple: 1.33

Source: China Payment Industry Research and Payment Licenses Evaluation Report (2012-2013) prepared by iResearch Inc. (hereinafter referred to as "iResearch Report")

Note: Price-to-annual issuing amount multiple was estimated by the consideration amount of the comparable transaction on 100% equity interest basis divided by the trailing 12-month issuing amount (發卡金額) of the Comparable Company 1 as at 30 September 2012. "Issuing amount" is referred to the monetary value stored on the prepaid cards issued by the card issuance company. As advised by the Management, regarding a prepaid card issuance company, issuing amount is an important indicator of its business strength, because all of its major revenue streams (including interest income, card issuance fee, merchant service fee, etc.) are all dependent on card issuing amount. Hence, it is expected that annual issuing amount was an appropriate and relevant figure to reflect the value of a prepaid card Issuance company.

Transaction Date: 28 February 2011

Acquirer: China Innovationpay Group Limited (formerly known as SYSCAN Technology Holdings Limited) (8083.HK)

Target Company: Country Praise Enterprises Limited and its subsidiaries (including 北京高匯通商業管理有限公司 (Beijing Gaohuitong Commercial Management Co., Ltd., "**Gaohuitong**") (hereinafter referred to as the "**Comparable Company 2**")

% Equity Interest Acquired: 100%

Price-to-Annual Issuing Amount Multiple: 0.68

Source: Announcement of China Innovationpay Group Limited (formerly known as SYSCAN Technology Holdings Limited) (8083.HK) dated 26 November 2010

Note: Price-to-annual issuing amount multiple was estimated by the consideration amount of the comparable transaction divided by the trailing 12-month issuing amount (發卡金額) of the Comparable Company 2 as at 30 September 2010.

Transaction Date:	13 November 2013
Acquirer:	貴州長征電氣股份有限公司 (Guizhou Changzheng Tiacheng Holding Co. Ltd.) (600112.CH)
Target Company:	北京國華匯銀科技有限公司 (BeijingGuohua Huiyin Technology Co.,Ltd., "**Guohua Huiyin**") (hereinafter referred to as the "**Comparable Company 3**")
% Equity Interest Acquired:	100%
Price-to-Annual Issuing Amount Multiple:	2.87

Source: Circular of Changzheng Tiacheng Holding Co. Ltd. dated 13 November 2013 and audited financial report of Comparable Company 3 published dated 13 November 2013.

Note: Price-to-annual issuing amount multiple was estimated by the consideration amount of the comparable transaction divided by the estimated trailing 12-month issuing amount (發卡金額) of the Comparable Company 3 as at 30 September 2013. The adopted issuing amount was estimated based on the trailing 12-month cash inflow from operating sales income (銷售商品、提供勞務收到的現金) according to the audited financial report. This is because prepaid card issuance is the main business of Comparable Company 3 hence the major component of such cash inflow should be due to issuance of prepaid cards. Should the prepaid card issuance amount be lower than such cash inflow, only a higher multiple would be arrived at.

iResearch Inc. obtained the information of the Comparable Company 1 through the information package which the Comparable Company 1 used for fund-raising.

Audited consolidated financial statements of the Comparable Company 3 are for the 10 month ended 31 October 2013 and year ended 31 December 2012.瑞華會計師事務所(特殊普通合伙)(Ruihua Certified Public Accountants) was the auditor who prepared the audited financial statements of the Comparable Company 3.

We understand from the Management that the financial statements have been prepared and reviewed by auditors (an independent third party) and they are final versions. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the financial statements.

The selected three comparable transactions were exhaustive based on the aforementioned criteria. We noted that the transaction of Comparable Company 2 occurred in 2011; the scale of prepaid card issuance of the Comparable Companies was comparatively smaller than the Licence

Company's. However, these were the only available comparable transactions that have been completed during the period from June 2010 (since the Payment Service Measures became effective) to the Date of Valuation. Also, the comparable transactions were selected on a best effort basis after thorough searches as regard to the similarity to the Licence Company. We have conducted searches through Bloomberg and public internet domains in selecting the comparable transactions suitable for the valuation, in which we have made full-fledged attempt to search for as many comparable transactions as possible. Hence, the comparable transactions were selected on a best effort basis and we believed that the three comparable transactions are representative for this valuation.

The Comparable Company 1 was established in June 2006, and it is one of the third-party payment companies which could obtain the nationwide payment service licence (支付業務許可證) issued by PBOC (No. Z2002744000016). The principal business of the Comparable Company 1 is prepaid card business on nationwide basis, which includes nationwide prepaid card issuance and acceptance, providing internet payment services, and providing payment application solutions and consumer services for enterprises and individuals. The issuing amount of the Comparable Company 1 was RMB288,650,000 for the period from 1 January 2012 to 30 September 2012; while the trailing 12-month issuing amount of the Licence Company as at 31 August 2014 was RMB893,167,715. We are of the view that both the issuing amounts of Licence Company and the Comparable Company 1 were sizable.

We do not have reliable information on the number of participating merchants and number of POS terminals of the Comparable Company 1 for comparison. Regarding operating history, both the Licence Company and the Comparable Company 1 obtained their nationwide third party payment service licences on the same date (i.e. 3 May 2011) which are both among the first batches of nationwide third party payment service licences issued by PBOC.

The Comparable Company 2 was established in August 2008. The principal business of the Comparable Company 2 includes providing payment service and development and operation of electronic payment tools. The issuing amount of the Comparable Company 2 was RMB184,213,000 for the period from 1 January 2010 to 30 September 2010. As of 30 September 2010, the Comparable Company 2 had 798 contracted merchants and 8,500 accepting POS devices, compared with the Licence Company's 1900 merchants and 11,000 accepting POS devices. As such, we are of the view that both the Licence Company and the Comparable Company 2 were sizable in prepaid card business.

The Comparable Company 3 was established in June 2009, and has obtained the payment service licence (支付業務許可證) for the city of Beijing issued by PBOC (No. Z2023111000017). The principal business of the

Comparable Company 3 is prepaid card business in Beijing and providing payment application solutions for enterprises and individuals. The cash inflow from sales of the Comparable Company 3 was RMB6,460,191 for the period from 1 January 2013 to 31 October 2013. We consider it representative of the issuance amount because prepaid card issuance is the main business of Comparable Company 3.

Due to the fact that the Licence Company is also a non-bank institution that engages in prepaid card business in the PRC, we believe that the Comparable Companies are comparable to the Licence Company.

We note that all of the Comparable Companies are smaller in scale than the Licence Company. As advised by the Management, a prepaid card company with higher issuance amount enjoys bigger advantage when negotiating with banks to secure higher interest rates and when negotiating with merchants to secure higher fees and charges. However, we believe the Comparable Companies are comparable to the Licence Company because all of these companies have the same business model. The advantage of bigger business scale only implies there is potential upside of our current valuation.

We note that the Comparable Company 2 did not have any payment service licence back in 2011 when its transaction was first announced. This is because the Payment Service Measures was still not in place, until the first batch of licence was issued in May 2011. The Comparable Company 2 later obtained the payment service licence to issue prepaid cards in Beijing and Shanghai on 27 June 2012 and extended the licence coverage to Zhejiang, Guangdong and Liaoning and online payment service on a nationwide basis. The payment service licence allows a company to operate payment business in compliance with regulation. A licenced payment company should be valued more than an unlicenced one if all other conditions are equal. The fact that at the time transaction Comparable Company 2 did not have any licence implies there is potential upside of our current valuation.

We also note the transaction of Comparable Company 2 occurred more than 3 years ago. Both the third party industry and the prepaid card industry have grown over the past 3 years. Consequently, the valuation today should be higher. Indeed, after the completion of transaction, the share price of China Innovationpay Group Limited (8083.HK) has risen 70% from HK$0.4 to HK$0.68 the 50-day moving average on 15 August 2014. This suggests potential upside of our current valuation.

We note that the Comparable Company 3's payment service licence only allows it to issue prepaid cards in Beijing while the Licence Company can issue prepaid cards everywhere in the PRC. We also note that a nationwide licence has certain advantages over localized ones as nationwide licence is able to develop nationwide product. The Licence Company concentrates its business in Beijing, Shanghai, Shandong and Shanxi Provinces, but could easily be expanded to other provinces, especially when the Licence Company works with merchants with nationwide networks. However, we believe the Comparable Company 3 is comparable to the Licence Company because the two companies have the same business model. The advantage of nationwide licence only implies there is potential upside of our current valuation.

In the course of our valuation, we have made reference to the price-to-annual issuing amount multiples of the Comparable Companies. We have performed the valuation in accordance with the common practice in valuing prepaid card business. Also, we noted from the circular of China Innovationpay Group Limited (formerly known as SYSCAN Technology Holdings Limited) (8083.HK) dated 24 January 2011 that the consideration of the transaction was subject to adjustments after completion upon the satisfaction of certain targets in terms of (i) monetary amounts of prepaid cards issued, (ii) number of prepaid cards issued and (iii) aggregate transaction amounts executed under the prepaid cards issued. We are of the view that the market value of a prepaid card business entity is very much dependent on the issuing amount of prepaid cards. Hence, adopting price-to-annual issuing amount multiples of Comparable Companies in this valuation is considered appropriate and it is a common practice in valuing prepaid card business.

"Issuing amount" is referred to the monetary value stored on the prepaid cards issued by the card issuance company. As advised by the Management, regarding a prepaid card issuance company, issuing amount is an important indicator of its business strength, because all of its major revenue streams (including interest income, card issuance fee, merchant service fee, etc.) are all dependent on card issuing amount. Hence, it is expected that annual issuing amount was an appropriate and relevant figure to reflect the value of a prepaid card Issuance company.

As advised by the Management, the high seasons for the prepaid card business are usually around holiday seasons as many of the prepaid cards are used as gift cards. The major holidays are evenly distributed among the four quarters of the year. There is spring festival for the first quarter, dragon boat festival and labor day holiday for the second quarter, mid-autumn festival for the third quarter, national day holiday, Christmas and new year eve for the last quarter. Therefore, the prepaid card business and issuing amount do not vary a lot between different quarters and there is not much seasonality in the price-to-annual issuing amount multiples adopted for the Comparable Companies.

Considering that the market value of a prepaid card business entity is highly dependent on the issuing amount of prepaid cards, price-to-annual issuing amount multiples would be the primary indicator for us to arrive at the market value of the Licence Company.

8.4.1 Price-to-Annual Issuing Amount

Based on the audited financial information of the Licence Company as provided by the Management, the issuing amount of the Licence Company for the year ended 31 December 2013 was RMB931,009,883 and that for the period from 1 January 2014 to 31 August 2014 was RMB582,831,088. We estimated that the trailing 12-month issuing amount of the Licence Company as at 31 August 2014 was RMB893,167,715 on a pro-rata basis. We summed up the issuing amount of the Licence Company for the period from 1 January 2014 to 31 August 2014 and fourth-twelfths of the issuing amount for the year ended 31 December 2013 to arrive at the trailing 12-month issuing amount of the Licence Company as at 31 August 2014. We have applied the price-to-annual issuing amount multiple of the Comparable Company 1 of 1.33, the Comparable Company 2 of 0.68 and the Comparable Company 3 of 2.87 to the trailing 12-month issuing amount of the Licence Company as at 31 August 2014 respectively in arriving at the market value of the Licence Company.

8.4.2 Valuation Summary

With the price-to-annual issuing amount multiple derived from the Comparable Companies, we have estimated the 100% market value of the Licence Company based on calculation as follows:

Price-To-Annual Issuing Amount

	Comparable Company 1	**Comparable Company 2**	**Comparable Company 3**
Trailing 12-Month Issuing Amount of the Licence Company as at 31 August 2014 (RMB)	893,167,715	893,167,715	893,167,715
Price-To-Annual Issuing Amount Multiple of the Comparable Companies (RMB)	1.33	0.68	2.87
Estimated 100% Market Value of the Licence Company (RMB)	1,191,172,639	606,750,303	2,562,918,629

As aforementioned in section 8.4, the market value of a prepaid card business entity is highly dependent on the issuing amount of prepaid cards, price-to-annual issuing amount multiples would be the primary indicator for us to arrive at the market value of the Licence Company.

With the price-to-annual issuing amount multiples, the estimated 100% market values of the Licence Company by each of the Comparable Companies were RMB1,191,172,639, RMB606,750,303 and RMB2,562,918,629 respectively. We concluded that the market value of 100% equity interest in the Licence Company was the average of these figures, i.e. RMB1,453,613,857. In the view that the business nature of the Comparable Companies are similar to that of the License Company, there is no clear indication for us nor do we have any reason to overweight one comparable company over the other. Hence, we have applied average on the values derived from each of the Comparable Companies, giving same weight to them. The market value of 60.3% equity interest in the Licence Company was estimated to be RMB877,000,000.

In view that there were limited comparable transactions and limited financial information of the comparable transactions available to us, the selected three comparable transactions were exhaustive based on the aforementioned criteria in section 8.4 of the valuation report. The comparable transactions were selected on a best effort basis after thorough searches as regard to the similarity to the Licence Company. We have conducted searches through Bloomberg and public internet domains in selecting the comparable transactions suitable for the valuation, in which we have made full-fledged attempt to search for as many comparable transactions as possible. Hence, the comparable transactions were selected on a best effort basis and we believed that the three comparable transactions are representative for this valuation.

In addition, we have conducted enquiries and discussions with the Management to understand the comparable transactions selected. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts provided by the Management. Therefore, we are of the opinion that the valuation of the market value of the Licence Company was fair and reasonable.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- Our valuation has relied to a considerable extent on the figures regarding the transaction of the Comparable Companies (including but not limited to consideration amount, annual issuing amount and book value of equity) as disclosed in iResearch Report and internal documents provided by the Management, which we have assumed to be reasonably accurate;

- The cost structure of the Licence Company would be maintained at the industry level in the long run;

- It is assumed that the Licence Company does not carry any non-operating assets and/or liabilities, and hence none is included in the valuation;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Licence Company operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Licence Company operates, and the Licence Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Licence Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Licence Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Licence Company; and

- Interest rates and exchange rates in the localities for the operation of the Licence Company will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Licence Company. The factors considered included, but were not necessarily limited to, the following:

- Audited financial information of the Licence Company;

- General descriptions and historical information of the Licence Company;

- iResearch Report prepared by iResearch Inc.;

- Details of the Comparable Companies;

- Market trends of the third party payment services industry in the PRC; and

- Economic outlook in the PRC.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Licence Company and have assumed no responsibility for the title to the Licence Company valued.

This valuation report has been prepared in accordance with the International Valuation Standards. Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Licence Company, and their subsidiaries and associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 60.3% equity interest in the Licence Company as at the Date of Valuation, in our opinion, was reasonably stated as **RMB877,000,000 (RENMINBI EIGHT HUNDRED AND SEVENTY SEVEN MILLION ONLY).**

Yours faithfully,
For and on behalf of
Roma Appraisals Limited
Kelvin Luk
CVA,
Director

Note: Mr. Luk is a member of the International Association of Consultants, Valuators and Analysts (IACVA). He has over ten years of experience in business valuation and consultation.

In 2013, Mr. Kelvin Luk has performed purchase price allocation for accounting reference purpose on a private company established in the PRC which principally engaged in the provision of online third-party payment services and prepaid card issuance business in the PRC. Moreover, in 2014, Mr. Luk has performed business valuation and purchase price allocation for accounting reference purpose on a private company established in the PRC which provides payment and settlement solutions for online transactions and related technical supporting services.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in Shares/Underlying Shares

	Number of Shares/Underlying Shares held					Approximate
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% of issued share capital *(Note 1)*
Mr. Cheng Nga Ming Vincent ("**Mr. Cheng**")	–	–	174,500,000 *(Note 2)*	–	174,500,000	16.83%
Mr. Cao Guoqi ("**Mr. Cao**")	6,000,000 *(Note 3)*	770,000 *(Note 4)*	51,270,000 *(Note 5)*	–	58,040,000	5.60%
Mr. Fung Weichang ("**Mr. Fung**")	2,000,000 *(Note 3)*	–	–	–	2,000,000	0.19%
Mr. Xiong Wensen ("**Mr.Xiong**")	8,600,000 *(Note 3)*	–	–	–	8,600,000	0.83%

	Number of Shares/Underlying Shares held					
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of issued share capital *(Note 1)*
Mr. Joe Zhang Huaqiao	6,000,000 *(Note 3)*	–	–	–	6,000,000	0.58%

Notes:

1. The approximate percentage of issued share capital is calculated based on 1,036,800,000 Shares in issue as at the Latest Practicable Date.

2. These 174,500,000 Shares were held by Tian Li, a company which is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee, the sister of Mr. Cheng, respectively. As Mr. Cheng owns more than one-third of the issued share capital of Tian Li, he is deemed to be interested in the 174,500,000 Shares held by Tian Li under the SFO.

3. These Shares represent the options of Shares granted to Mr. Cao, Mr. Fung, Mr.Xiong and Mr. Joe Zhang Huaqiao pursuant to the Company's share option scheme.

4. These 770,000 Shares were held by Ms. Zheng Lu ("**Ms. Zheng**"), the spouse of Mr. Cao.

5. These 51,270,000 Shares were held by Probest Limited ("**Probest**"), a company which is wholly-owned by Mr. Cao.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares/Underlying Shares

	Number of Shares/Underlying Shares held					
Name of Shareholder	Personal Interests (held as beneficial owner)	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of issued share capital *(Note 1)*
Tian Li	174,500,000	–	–	–	174,500,000	16.83%
Probest	51,270,000	–	–	–	51,270,000	4.95%
Mr. Zhang Chang	68,490,000	–	–	–	68,490,000	6.61%
Ms. Zheng	770,000	57,270,000 *(Note 2)*	–	–	58,040,000	5.60%

Notes:

1. The approximate percentage of issued share capital is calculated based on 1,036,800,000 Shares in issue as at the Latest Practicable Date.

2. Ms. Zheng is the spouse of Mr. Cao and accordingly, she is deemed to be interested in the 57,270,000 Shares in which Mr. Cao is interested in under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other person (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial Shareholder required to be kept by the Company under Section 336 of the SFO, or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

Service Contracts

There is no existing or proposed service contract between any of the Directors and the Company or any member of the Enlarged Group (excluding contracts expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensations)).

Interests in other competing business

Each of the Directors has confirmed that so far as they are aware, the Directors and their respective associates do not have any interests in a business apart from the Enlarged Group's business which competes or likely to compete with the Enlarged Group.

Interests in assets

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets have been acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2014, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Enlarged Group.

3. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

4. EXPERTS AND CONSENT

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
Roma Appraisals Limited	Professional valuers

As at the Latest Practicable Date, each of Mazars CPA Limited, and Roma Appraisals Limited has no shareholding in any company in the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Enlarged Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2014, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of, Mazars CPA Limited and Roma Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice and/or references to its name, in the form and context in which they respectively appear.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the sale and purchase agreement dated 11 March 2013 entered into between Charm Act Group Limited (a wholly-owned subsidiary of the Company) as the vendor and Straum Investments Limited as well as Original Fortune Group Limited as the purchasers relating to the disposal of 30 ordinary shares of US$1.00 each in the issued share capital of Oriental City Group Thailand Limited (representing 30% of the then issued share capital of Oriental City Group Thailand Limited) for an aggregate consideration of HK$10,000,000;

(b) the placing agreement dated 10 October 2013 entered into between the Company and the placing agents in respect of the placing of up to 120,000,000 new Shares at a price of HK$1.03 per placing Shares on a several and best effort basis, which was subsequently completed on 25 October 2013, where a total of 120,000,000 new Shares were placed;

(c) the Framework Agreement;

(d) the sale and purchase agreement dated 25 November 2013 in respect of the disposal of 12% equity interests of Eastern Net by the Licence Company at a consideration of RMB3.6 million;

(e) the supplemental agreement to the Framework Agreement dated 27 December 2013 entered into among the PRC Company, Mr. Tan Zhihui, Mr. Zhang Baojian, Goodgate and OCG Hainan, pursuant to which, among other things, OCG Hainan had paid a deposit in the amount of HK$50 million to the PRC Company;

(f) the capital injection agreement dated 20 March 2014 entered into among Goodgate as the investor, Koolcloud as the target company and the then shareholders of Koolcloud, pursuant to which Goodgate had injected capital in the amount of RMB20 million to acquire approximately 22.22% of the enlarged issued share capital of Koolcloud and was granted an option to invest a further RMB10 million into the registered capital of Koolcloud (together with the aforesaid capital injection, representing an aggregate of approximately 30% of the further enlarged issued share capital of Koolcloud) by 31 December 2014;

(g) the placing and subscription agreement dated 28 March 2014 entered into between the Company, Tian Li and the placing agents in respect of (a) the placing of up to 144,000,000 existing Shares at a placing price of HK$1.46 per placing Share on a best effort basis; and (b) the subscription of up to 144,000,000 new Shares by Tian Li at a subscription price of HK$1.46 per subscription Share, which was subsequently completed on 2 April 2014 and 11 April 2014 respectively, where 144,000,000 existing Shares were placed to the placees and 144,000,000 new Shares were subscribed by Tian Li;

(h) the agreement dated 25 May 2014 entered into among the PRC Company, Mr. Tan Zhihui, Mr. Zhang Baojian, Goodgate and OCG Hainan for termination of the Framework Agreement;

(i) the New Framework Agreement;

(j) the New Supplemental Agreement;

(k) the First Side Letter;

(l) the Second Side Letter;

(m) the Third Side Letter;

(n) the WK S&P Agreement;

(o) the First WK S&P Supplemental Agreement;

(p) the Second WK S&P Supplemental Agreement;

(q) the Option Agreement;

(r) the WK Pledge Agreement;

(s) the First Loan Agreement;

(t) the Receivable Assignment Agreement;

(u) the LC Acquisition Agreement;

(v) the supplemental agreements entered into in May 2014, July 2014 and August 2014 to amend and supplement certain terms of the LC Acquisition Agreement;

(w) the YLZ Strategic Cooperation Agreement;

(x) the Fujian Agreement;

(y) the ZH Strategic Cooperation Agreement;

(z) the placing and subscription agreement dated 10 September 2014 entered into between the Company, Tian Li and the placing agents in respect of (a) the placing of up to 104,310,000 existing Shares at a placing price of HK$1.46 per placing Share on a best effort basis; and (b) the subscription of up to 104,310,000 new Shares by Tian Li at a subscription price of HK$1.46 per subscription Share, which was subsequently completed in 15 September 2014 and 24 September 2014 respectively, where 104,310,000 existing Shares were placed to the placees and 104,310,000 new Shares were subscribed by Tian Li;

(aa) the subscription agreement dated 10 September 2014 entered into between the Company and Mr. Zhang Chang in respect of the subscription of 68,490,000 new Shares at a subscription price of HK$1.46 per subscription Share, which was subsequently completed on 8 October 2014;

(bb) the Control Agreements;

(cc) the WK Articles Amendment Agreement;

(dd) the LC Articles Amendment agreement;

(ee) the Exclusive Equity Acquisition Agreement;

(ff) the Exclusive Assets Acquisition Agreement;

(gg) the Undertakings;

(hh) the equity income right transfer agreement dated 25 September 2014 entered into between Beijing Weike and 上銀瑞金資產管理（上海）有限公司 (Shangyin Ruijin Asset Management (Shanghai) Co., Ltd.*) ("**Shangyin**"), a subsidiary of 上海銀行股份有限公司 (Bank of Shanghai Co., Ltd.*) ("**Bank of Shanghai**"), pursuant to which Beijing Weike shall transfer the income right arising from its 90% equity interests in the Licence Company to Shangyin (upon the investment instructions of Bank of Shanghai, the appointer of 上銀瑞金 – 上海銀行專項資產管理計劃 (Shangyin – Bank of Shanghai specific asset management plan)) at the consideration of RMB70,000,000, and any dividend or other income associated with the 90% equity interests in the Licence Company shall be directly paid to an escrow account opened by Beijing Weike with Bank of Shanghai specifically for payment of the Basic Price (as defined below) and the Premium (as defined below) under the Equity Income Right Buy-back Agreement (as defined below);

(ii) the equity income right buy-back agreement (the "**Equity Income Right Buy-back Agreement**") dated 25 September 2014 entered into between Beijing Weike and Shangyin, pursuant to which Beijing Weike shall be obliged to buy back the income right arising from its 90% equity interests in the Licence

Company at one time upon the terms and conditions thereof (the "**Buyback Obligation**") at the basic price in the amount of RMB70,000,000 (the "**Basic Price**") plus a premium (the "**Premium**") of 8.57% per annum of the Basic Price for the relevant period as referred to therein;

(jj) the pledge agreement dated 25 September 2014 entered into between Beijing Weike and Shangyin, pursuant to which Beijing Weike shall pledge its 90% equity interest in the Licence Company in favor of Shangyin to secure its performance of the Buy-back Obligation (including but not limited to payment of the Basic Price and any other amount payable by Beijing Weike to Shangyin under the Equity Income Right Buy-back Agreement);

(kk) the mortgage agreement dated 25 September 2014 entered into between the Licence Company and Shangyin, pursuant to which the Licence Company shall pledge certain properties owned by it in favor of Shangyin to secure Beijing Weike's payment of the Basic Price under the Equity Income Right Buy-back Agreement;

(ll) the Second Loan Agreement;

(mm) the Option Framework Agreement;

(nn) the Second WK Articles Amendment Agreement;

(oo) the Option Supplemental Agreement I;

(pp) the New Third Loan Agreement;

(qq) the TourismCard Cooperation Agreement;

(rr) the Option Framework Side Letter; and

(ss) the Option Supplemental Agreement II.

Save as disclosed above, there was no contract (not being contract in the ordinary course of business of the Enlarged Group) which have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material.

6. AUDIT COMMITTEE

The audit committee of the Company comprises Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin, all of whom are independent non-executive Directors, with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. Dr. Yuan Shumin has been appointed as the chairman of the audit committee. The audit committee meeting shall be held at least every three months to consider, among others, the Company's budget, revised budget and financial reports prepared by the Board. The primary responsibilities of the audit committee are set out below:

1. to review the annual report and accounts, half yearly report and quarterly reports and provide advice and comments thereon to the Board; and

2. to review and supervise the financial reporting process and internal control system of the Group.

Mr. Wang Yiming ("**Mr. Wang**"), aged 47, was appointed as an independent non-executive Director in August 2013. Mr. Wang is a member of the Company's audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Wang holds a bachelor degree in electronic and a master degree in business administration from Shanghai Jiao Tong University. He was the executive director of Shanghai Jiaoda Withub Information Industrial Company Limited* (上海交大慧谷信息產業股份有限公司), a company listed on GEM between September 2004 and July 2014.

Mr. Lu Dongcheng ("**Mr. Lu**"), aged 47, was appointed as an independent non-executive Director in August 2013. Mr. Lu is the chairman of the Company's nomination committee and a member of the Company's audit committee, remuneration committee, internal control committee and compliance committee. Mr. Lu holds a Master degree of Business Administration from Yale University and a Doctor degree from Peking Medical University which has merged with Peking University. He was the partner of Infinity Group (Peking) Venture Capital Management Co., Ltd. during June 2008 to April 2011 and the chief executive officer of AnPing Capital Management Limited during May 2011 to April 2012. Mr. Lu is currently the chief executive officer of Suzhou Mountain View Equity Investment Management Co., Ltd. and the supervising partner of Mountain View Capital PE Funds.

Dr. Yuan Shumin ("**Dr. Yuan**"), aged 65, was appointed as an independent non-executive Director in May 2014. Dr. Yuan is the Company's compliance officer, the chairman of the Company's audit committee, remuneration committee and internal control committee, and a member of the Company's nomination committee and compliance committee. Dr. Yuan was a member of the Chinese Institute of Certified Public Accountants. He obtained a doctorate degree in Science (part-time doctorate program) in the School of Management from Fudan University in January 1998. Dr. Yuan was the supervisor of teaching department, the assistant supervisor and the assistant dean of the School of Accountancy in Shanghai University of Finance and Economics from 1993 to 2000; and the standing assistant dean and the dean of the School of Adult Education in Shanghai University of Finance and Economics from 2000 to 2005. Dr. Yuan joined the School of Accountancy in Shanghai Finance University in September 2005 and had been the president of that School of Accountancy until 2013.

From 2008 to March 2014, Dr. Yuan was an independent director of Shanghai Tofflon Science and Technology Co., Ltd.* (上海東富龍科技股份有限公司), whose shares are listed on the Chinext of Shenzhen Stock Exchange. Dr. Yuan is an independent director of (i) Deluxe Family Co., Ltd.* (華麗家族股份有限公司); (ii) Shanghai Jiabao Industry & Commerce (Group) Co., Ltd.* (上海嘉寶實業(集團)股份有限公司), the shares of these companies are listed on the Shanghai Stock Exchange; and (iii) Shanghai Morn Electric Equipment Co., Ltd.* (上海摩恩電氣股份有限公司), the shares of this company are listed on the Shenzhen Stock Exchange.

Dr. Yuan is also an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited (上海交大慧谷信息產業股份有限公司), whose shares are listed on GEM.

7. GENERAL

(a) The company secretary of the Company is Mr. Tang Wai Leung, who is a fellow member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(c) The head office and principal place of business of the Company in Hong Kong is at Office No. 15, 38th Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

(d) The Company's share registrar and transfer office in Hong Kong is Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong.

(e) The Company's compliance officers are Mr. Cheng Nga Ming Vincent and Dr. Yuan Shumin.

(f) In the event of inconsistency, the English text shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business in Hong Kong at Office No. 15, 38th Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2013 and 2014;

(c) the accountants' reports from Mazars CPA Limited in respect of the financial information of Beijing Weike and the Licence Company, the texts of which are set out in Appendix II and Appendix III, respectively, to this circular;

(d) the accountants' report from Mazars CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix VI to this circular;

(e) the business valuation report on the Licence company prepared by Roma Appraisals Limited as set out in Appendix VII to this circular;

(f) the written consent referred to in the paragraph headed "Experts and Consent" in this appendix;

(g) the material contracts referred to under the section headed "Material Contracts" in the appendix; and

(h) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of China Smartpay Group Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Thursday, 15 January 2015 at 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the framework agreement dated 15 October 2014 (the "**Option Framework Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) (as amended and supplemented by the side letter dated 29 December 2014 (the "**Option Framework Side Letter**", a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification)) entered into among 深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited*) ("**Shenzhen Yongle**"), 上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Limited*) ("**Shanghai Yongle**"), 微科睿思在線（北京）科技有限公司 (Wei Ke Rui Si Online (Beijing) Technology Company Limited*) ("**Beijing Weike**"), Mr. Zhang Zebin ("**Mr. Zhang**"), Mr. Lin Xiaofeng and Mr. Wu Mianqing in relation to the exercise of the option (the "**Option**") to acquire 67% of the equity interests in Beijing Weike granted by Mr. Zhang to Shanghai Yongle pursuant to the agreement dated 9 July 2014 (the "**Option Agreement**") entered into between Shanghai Yongle and Mr. Zhang and the transactions contemplated thereunder, including but without limitation to:

(i) the exercise of the Option and the execution of the written notice (the "**Exercise Notice**") to be served to Mr. Zhang for the exercise of the Option under the Option Agreement;

(ii) the execution of the shareholders' resolution of Beijing Weike dated 15 October 2014 (the "**Second WK Resolutions**") signed by Mr. Zhang and Shanghai Yongle, and the agreement dated 15 October 2014 (the "**Second WK Articles Amendment Agreement**") entered into between Mr. Zhang and Shanghai Yongle in relation to the proposed amendments to be made to the articles of association of Beijing Weike;

* *For identification purpose only*

(iii) the entering into of the supplemental agreements to the Option Agreement dated 15 October 2014 (the "**Option Supplemental Agreement I**") and 29 December 2014 (the "**Option Supplemental Agreement II**") respectively between Shanghai Yongle and Mr. Zhang;

(iv) the entering into of a loan agreement dated 15 October 2014 (the "**New Third Loan Agreement**") between Shenzhen Yongle and Shanghai Yongle in relation to the provision of a loan in the amount of RMB78.8 million to Shanghai Yongle by Shenzhen Yongle;

(v) the entering into of a loan agreement (the "**Fourth Loan Agreement**") between Shenzhen Yongle and Shanghai Yongle in relation to the provision of a loan in the amount of RMB169.2 million to Shanghai Yongle upon serving of the Exercise Notice; and

(vi) the entering into of a sale and purchase agreement (the "**Second WK S&P Agreement**") between Shanghai Yongle and Mr. Zhang following the exercise of the Option for the acquisition of 67% of the equity interests in Beijing Weike by Shanghai Yongle from Mr. Zhang

be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company (the "**Director**") (or if execution under the common seal of the Company is required, any two Directors) be and is hereby authorised for and on behalf of the Company to do all such acts, matters and things as he may in his absolute discretion consider necessary, desirable or expedient for the purposes of implementing, completing and giving effect to the Option Framework Agreement (as amended and supplemented by the Option Framework Side Letter) and the transactions contemplated thereunder (including but without limitation to the exercise of the Option and the execution of the Second WK Resolutions, the Second WK Articles Amendment Agreement, the Option Supplemental Agreement I, the Option Supplemental Agreement II, the New Third Loan Agreement, the Fourth Loan Agreement, the Exercise Notice and the Second WK S&P Agreement), with such amendments, alterations or additions thereto as he may in his absolute discretion think fit, whose signature thereto shall be conclusive evidence of his approval to such amendments, alterations or additions."

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

Hong Kong, 29 December 2014

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Office No. 15
38th Floor, Hong Kong Plaza
188 Connaught Road West
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

(2) Delivery of an instrument appointment a proxy will not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy will be deemed to be revoked.

(3) To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such power or authority), must be deposited at the office of the Hong Kong share registrar of the Company, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.