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**, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the 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)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 75% EQUITY INTERESTS IN KEEN BEST INVESTMENTS LIMITED; AND (2) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7 to 22 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation in respect of the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) is set out on pages 25 to 45 of this circular.

A notice convening the EGM to be held on Friday, 12 June 2020 at 11:00 a.m. at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. 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 or any adjournment thereof (as the case may be), please read the notice and complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be).

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 (as the case may be) if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.chinasmartpay.com.

22 May 2020

CHARACTERISTICS OF GEM

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

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

CONTENTS

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

"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	board of Directors
"Bonds"	9% fixed rate senior secured bonds in the aggregate principal amount of US$48,000,000 issued by the Company in 2016, the aggregate outstanding principal amount of which is approximately HK$310 million as at the Latest Practicable Date
"Business Day(s)"	means a day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal No. 8 or above or black rainstorm signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Company"	China Smartpay Group Holdings Limited (中國支付通集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM with stock code: 8325
"Completion"	completion of the Disposal in accordance with the SPA (as amended by the Supplemental Agreement)
"Connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	Consideration A and Consideration B
"Consideration A"	HK$105,000,000 payable by Purchaser A to the Company in relation to the purchase of the Sale Shares A
"Consideration B"	HK$120,000,000 payable by Purchaser B to the Company in relation to the purchase of the Sale Shares B
"controlling shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Director(s)"	director(s) of the Company
"Disposal"	disposal of the Sale Shares, representing an aggregate of 75% of the total issued share capital of the Target Company as at the Latest Practicable Date, by the Company to the Purchasers, pursuant to the SPA
"EGM"	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, to approve, among other things, the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement)
"February Announcement"	the announcement of the Company dated 28 February 2020 in relation to the administrative penalty decision issued by the operation office of the People's Bank of China to Open Union
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders on the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement)

"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement)
"Independent Shareholders"	in respect of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement), the Shareholders (other than Mr. Yan and his associate)
"Intercompany Loans"	the outstanding intercompany loans in the aggregate principal amount of approximately HK$400.2 million provided by the Company to the Target Group as at 31 December 2019
"Latest Practicable Date"	18 May 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Massnet Microcredit"	重慶市眾網小額貸款有限公司(Massnet Microcredit Company (Chongqing) Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Union Evernew
"Mr. Yan"	Mr. Yan Dinggui (嚴定貴先生), an executive Director, the executive deputy chairman of the Board and a substantial shareholder of the Company, who is interested in approximately 20.32% of the total issued share capital of the Company as at the Latest Practicable Date
"Open Union"	開聯通支付服務有限公司(Open Union Payment Services Limited*), an indirect wholly-owned subsidiary of the Company

"OPG"	Oriental Payment Group Holdings Limited (東方支付集團有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM with stock code: 8613 and an indirect non wholly-owned subsidiary of the Company held by it as to 32.5% as at the Latest Practicable Date
"OPG Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of OPG
"PRC"	the People's Republic of China, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"Purchaser A"	Geerong (HK) Limited (formerly known as Jiayin (HK) Limited), a company incorporated in Hong Kong with limited liability
"Purchaser B"	Oak Bay International Limited (橡樹灣國際有限公司), a company incorporated in Hong Kong with limited liability
"Purchasers"	Purchaser A and Purchaser B
"Remaining Group"	companies within the Group excluding the Target Group
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	Sale Shares A and Sale Shares B
"Sale Shares A"	35 ordinary shares of the Target Company, representing 35% of the total issued share capital of the Target Company as at the Latest Practicable Date, to be disposed of by the Company to Purchaser A
"Sale Shares B"	40 ordinary shares of the Target Company, representing 40% of the total issued share capital of the Target Company as at the Latest Practicable Date, to be disposed of by the Company to Purchaser B

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shanghai Yangyu"	上海洋芋信息科技有限公司(Shanghai Yangyu Information Technology Company Limited*), a company established in the PRC with limited lability and a wholly-owned subsidiary of Massnet Microcredit
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shareholders' Agreement"	the shareholders' agreement to be entered into among the Target Company's Shareholders and the Target Company upon Completion, substantially in the form as set out in the SPA (as amended by the Supplemental Agreement)
"SPA"	the conditional sale and purchase agreement dated 13 March 2020 entered into among the Company and the Purchasers in relation to the sale and purchase of the Sale Shares (as may be amended, supplemented or modified from time to time)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Supplemental Agreement"	the supplemental agreement to the SPA dated 8 May 2020 entered into among the Company and the Purchasers regarding, among others, execution of the Shareholders' Agreement upon Completion
"Target Company"	Keen Best Investments Limited(建佳投資有限公司), a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company
"Target Company's Shareholder(s)"	the Company and the Purchasers

"Target Group"	the Target Company and its subsidiaries, namely, Union Evernew, Massnet Microcredit and Shanghai Yangyu
"Union Evernew"	Union Evernew Investment Limited (百聯投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
"US$"	the United States dollars, the lawful currency of the United States of America
"%"	per cent.

The English names of the entities marked with "" in this circular are translations from their Chinese names which are for identification purpose only. If there is any inconsistency, the Chinese names shall prevail.*

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. Yan Dinggui *(Executive Deputy Chairman)*
Ms. Song Qian *(Chairlady and Chief Executive Officer)*
Mr. Song Xiangping
Mr. Lin Xiaofeng
Mr. Liu Liang

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. 01, 31st Floor
Hong Kong Plaza
188 Connaught Road West
Hong Kong

22 May 2020

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 75% EQUITY INTERESTS IN KEEN BEST INVESTMENTS LIMITED; AND (2) NOTICE OF EGM

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 13 March 2020 in relation to the entering into of the SPA; and (ii) the announcement of the Company dated 8 May 2020 in relation to the entering into of the Supplemental Agreement.

After trading hours on 13 March 2020, the Company entered into the SPA with the Purchasers, pursuant to which the Company has conditionally agreed to sell, and the Purchasers have conditionally agreed to buy, the Sale Shares, being an aggregate of 75 ordinary shares of the Target Company, representing 75% of the entire issued share capital of the Target Company as at the Latest Practicable Date, for a total consideration of HK$225 million in accordance with the terms and conditions of the SPA. According to the SPA, each of Purchaser A and Purchaser B shall acquire Sale Shares A and Sale Shares B respectively.

After trading hours on 8 May 2020, the Company entered into the Supplemental Agreement with the Purchasers, pursuant to which the Company and the Purchasers agreed to, inter alia, deliver the Shareholders' Agreement duly executed by the Company, the Target Company and the Purchasers to the other party upon Completion in order to, among others, govern their rights and duties and to further regulate their respective responsibilities towards management of the business and affairs of the Target Company after Completion.

The purpose of this circular is to provide you with, among other things, (i) further details of the SPA (as amended by the Supplemental Agreement), the Shareholders' Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement); (iv) financial information of the Group; and (v) other information as required to be contained in the circular under the GEM Listing Rules, together with a notice of the EGM and an enclosed form of proxy.

THE DISPOSAL

After trading hours on 13 March 2020, the Company entered into the SPA (as amended by the Supplemental Agreement) with the Purchasers, pursuant to which the Company has conditionally agreed to sell, and the Purchasers have conditionally agreed to buy, the Sale Shares, being an aggregate of 75 ordinary shares of the Target Company, representing 75% of the entire issued share capital of the Target Company as at the Latest Practicable Date, for a total consideration of HK$225 million in accordance with the terms and conditions of the SPA. According to the SPA, each of Purchaser A and Purchaser B shall acquire Sale Shares A and Sale Shares B respectively.

THE SPA

Principal terms and conditions of the SPA are summarised as follows:

Date: 13 March 2020 (after trading hours)

Parties:

Vendor: the Company

Purchasers: Purchaser A and Purchaser B

Assets to be disposed of

Sale Shares A: being 35 ordinary shares of the Target Company, representing 35% of the total issued share capital of the Target Company as at the Latest Practicable Date, to be disposed of by the Company to Purchaser A

Sale Shares B: being 40 ordinary shares of the Target Company, representing 40% of the total issued share capital of the Target Company as at the Latest Practicable Date, to be disposed of by the Company to Purchaser B

Consideration

Consideration A: as to HK$105,000,000 payable by Purchaser A to the Company in relation to the purchase of the Sale Shares A

Consideration B: as to HK$120,000,000 payable by Purchaser B to the Company in relation to the purchase of the Sale Shares B

The aggregate Consideration shall be HK$225 million payable by each of the Purchasers to the Company by way of irrevocable telegraphic transfer or wire in immediately available funds into the Company's bank account(s) (or such other method of payment as may be mutually agreed between the Company and the Purchasers) upon Completion. The Consideration is arrived at after arm's length negotiations between the Company and the Purchasers taking into account the factors including but not limited to:

(i) the carrying value of the 75% equity interests in the Target Company as at 31 December 2019 of approximately HK$237.2 million after adjusting for the waiver of the Intercompany Loans, where the Consideration represents a discount of approximately 5% (the "**Discount**") to the foregoing carrying value. The Discount has been determined after taking into account (a) the unaudited Target Group's impairment loss on loan receivables of approximately HK$30.9 million for the eleven months ended 29 February 2020 as a result of the increase in aging of loan receivables; and (b) the further potential impairment loss on loan receivables in view of the worsening financial condition and loan repayment ability of the Target Group's debtors as a result of the negative impact on their business operation amid the current sluggish economic environment in the PRC taking into account the impact of trade war between the PRC and the United States of America, and the recent outbreak of coronavirus disease (COVID-19). As at 29 February 2020, 75% of the unaudited consolidated net asset value of the Target Group after adjusting for the waiver of the Intercompany Loans was approximately HK$226.4 million, which was close to the Consideration of HK$225 million;

(ii) the loss-making position of the Target Group in the past few years; and

(iii) the information set out under the section headed "REASONS FOR THE DISPOSAL AND PROPOSED USE OF PROCEEDS" below.

Conditions precedent

Completion shall be subject to and conditional upon:

(i) the Independent Shareholders having resolved and approved the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) at a general meeting of the Company in accordance with the GEM Listing Rules, if required; and

(ii) all necessary consents, approvals, authorisations, waivers, clearances and certifications in relation to the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) having been obtained, where applicable.

Save for the aforesaid condition precedent (i) which cannot be waived, each of the Purchasers may waive any of the above conditions precedent in whole or in part in writing pursuant to the SPA.

As at the Latest Practicable Date, none of the above conditions has been fulfilled. Regarding the condition precedent (ii) above, to the best knowledge of the Directors, it includes the approval from the Independent Shareholders as mentioned above and the approval from the board of director(s) of each of the Purchasers.

If any of the conditions precedent set out above is not fulfilled (or waived, as the case may be) on or before 30 June 2020 (or such other date as the Company and the Purchasers may agree in writing), the SPA and the transactions contemplated thereunder shall terminate (save and except certain clauses which shall survive termination and remain valid) and no parties thereto shall have any liabilities to the other party, save with respect to any antecedent breaches of the terms thereof.

Completion

Completion shall take place within three Business Days (or such other date as the parties to the SPA may agree in writing) following the date on which the above conditions precedent have been fulfilled (or waived, as the case may be).

THE SUPPLEMENTAL AGREEMENT

Principal terms of the Supplemental Agreement are summarised as follows:

Date:	8 May 2020
Vendor:	the Company
Purchasers:	Purchaser A and Purchaser B

Pursuant to the Supplemental Agreement, each of the Company and the Purchasers agreed to:

(a) insert definition of "Shareholders' Agreement" into the SPA and amend the provisions of the conditions precedent originally set out in the SPA with respect to obtaining Independent Shareholders' approval and all other necessary consents and approvals etc so as to provide for the entering into of the Shareholders' Agreement upon Completion; and

(b) deliver their respective duly executed Shareholders' Agreement upon Completion in order to, among others, govern their rights and duties and to further regulate their respective responsibilities towards management of the business and affairs of the Target Company after Completion.

THE SHAREHOLDERS' AGREEMENT

Principal terms of the Shareholders' Agreement are summarised below:

(i) Business of the Target Company

Each of the Target Company's Shareholders undertakes to use its reasonable endeavours to promote the business of the Target Company and its subsidiaries, namely, investment holding as well as internet microcredit business in the PRC and any other activities which the board of directors of the Target Company shall from time to time decide (the "**Target Company's Business**").

(ii) Management of the Target Company

The maximum number of directors of the Target Company shall be 3. Each of the Target Company's Shareholders shall have the right to nominate, appoint and remove 1 director of the Target Company.

(iii) Financing of the Target Company

The finance of the Target Company shall be obtained in the following order of priority by way of:

(a) borrowing from banks or other similar sources on the most favourable terms reasonably obtainable as to interest, repayment and security and if it is necessary for further borrowings to be wholly or partially guaranteed and/or the Target Company's Shareholders are required to provide security to the banks or the financial institutions for such further borrowings, the giving of such security and/or guarantee by the Target Company's Shareholders on a several basis in proportion to the shareholding interest in the Target Company owned by the respective Target Company's Shareholders;

(b) injection of capital or funds by the Target Company's Shareholders as may be necessary for the Target Company's further capital financing in proportion to the shareholding interest in the Target Company owned by the respective Target Company's Shareholders; and

(c) subscription of new shares of the Target Company by the Target Company's Shareholders for the Target Company's further equity financing at a price to be determined in accordance with the fair value of the Target Company.

(iv) Matters requiring unanimous approval

Certain matters set out in the Shareholders' Agreement shall be subject to unanimous approval by the Target Company's Shareholders, including but not limited to (1) issuing any shares of the Target Company or any loan capital, securities, debentures or other rights, having attached a right of conversion into or exchange or subscription for or redemption or purchase of any equity interest in the Target Company; (2) merging or consolidating with or into any other company; (3) incorporating any subsidiary or permitting the disposal or dilution of its interest; (4) commencing or acquiring any new line of business not falling within the Target Company's Business; (5) engaging in any material investments or disposals of, or creating any security interest and encumbrances over, assets of the Target Company in excess of a certain amount; (6) carrying out any fund raising exercise or obtaining finance in excess of a certain amount; (7) declaring or paying any dividends; (8) changing the memorandum and articles of association of the Target Company; (9) changing number of directors of the board of directors of the Target Company; (10) varying or modifying any rights attached to the shares of the Target Company; (11) changing share capital of the Target Company; and (12) pledging the shares of the Target Company to any parties/persons.

(v) Restriction on transfers of equity securities of the Target Company

Subject to the provisions of the Shareholders' Agreement, no transfer of any equity securities and shareholder's loan (if any) (collectively, "**Subject Interests**") of the Target Company shall be made by any Target Company's Shareholder and none of the Target Company's Shareholders shall otherwise sell, mortgage, charge, or otherwise dispose of or encumber the whole or any part of its Subject Interests of the Target Company.

In the event a Target Company's Shareholder (the "**Transferor**") has received a bona fide offer from an unaffiliated third-party (the "**Prospective Purchaser(s)**") for the transfer of any or all of the Subject Interests, the Transferor shall notify the other Target Company's Shareholders of such transfer, together with an offer by the Transferor to sell the Subject Interests at the same terms and conditions of such transfer. Each of such other Target Company's Shareholders shall have the right to purchase the Subject Interests in the manner as set out in the Shareholders' Agreement. If the foregoing offer is not accepted in whole or in part, the Transferor may make a bona fide transfer to the Prospective Purchaser upon the terms and conditions set out in the Shareholders' Agreement.

(vi) Pre-emptive right

In the event of future issuance of equity securities by the Target Company, any of the Target Company's Shareholders shall have the first right to purchase in such issuance or sale on a pro rata basis and the rights of entitlement of the Target Company's Shareholders are calculated on fully diluted basis.

(vii) Tag-along rights

In the event that any of the Target Company's Shareholders shall propose to transfer, in one or more transactions, any of its interest in the Target Company, to the Prospective Purchaser(s), the other existing Target Company's Shareholder(s) shall have the right to sell to the Prospective Purchaser(s), as a condition of such sale by the Transferor, all or part of the Subject Interests on a pro rata basis to be determined by the method set out in the Shareholders' Agreement owned by the other existing Target Company's Shareholder(s) on the same terms and conditions as the proposed sale by the Transferor.

(viii) Event of Default

Upon occurrence of any event of default in relation to a party to the Shareholders' Agreement (the "**Defaulting Party**") such as commencement of proceeding for winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Defaulting Party, breach of its material obligations under the Shareholders' Agreement or change in control over the composition of its board of directors, all rights attaching to the equity securities held by the Defaulting Party are suspended until the default is remedied (and, if the default is not capable of remedy, are suspended indefinitely while those equity securities are held by the Defaulting Party).

If the Defaulting Party is not the Target Company, the Target Company's Shareholders not in default shall (without prejudice to their other rights and remedies) have the right to either require the Defaulting Party to purchase all, but not less than all, of their equity securities, or purchase all, but not less than all, of the Defaulting Party's shares, in the manner as set out in the Shareholders' Agreement.

(ix) Effective Date

The Shareholders' Agreement shall take effect from the date of signing.

Save as disclosed above, all other terms and conditions of the SPA shall remain in full force and effect. The Supplemental Agreement was entered into after arm's length negotiations among the parties to the SPA.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Target Company is an investment holding company holding 100% of the equity interests in Union Evernew, which in turn wholly-owns Massnet Microcredit. Shanghai Yangyu is a wholly-owned subsidiary of Massnet Microcredit. The Target Group is principally engaged in internet microcredit business in the PRC.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is extracted from the unaudited consolidated financial statements of the Target Group for the two financial years ended 31 March 2019 and the eleven months ended 29 February 2020:

	For the year ended 31 March 2018	**For the year ended 31 March 2019**	**For the eleven months ended 29 February 2020**
	Unaudited	*Unaudited*	*Unaudited*
	HK$'000	*HK$'000*	*HK$'000*
Revenue	77,749	30,090	38,290
Net (loss) before taxation	(2,895)	(48,471)	(14,587)
Net (loss) after taxation	(6,238)	(48,471)	(15,189)

As at 29 February 2020, the Target Group recorded unaudited consolidated net liabilities of approximately HK$98.4 million. As at the Latest Practicable Date, the Group has waived the Intercompany Loans of approximately HK$400.3 million due from the Target Group. Considering that the Intercompany Loan has been waived, the unaudited consolidated adjusted net asset value (the "**Adjusted Net Asset Value**") of the Target Group as at 29 February 2020 was approximately HK$301.9 million.

INFORMATION ON THE PURCHASERS

Purchaser A is indirectly wholly-owned by Jiayin Group Inc. ("**Jiayin Group**"), a company incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ (stock code: JFIN). Purchaser A is an investment holding company and Jiayin Group is operating a leading online individual finance marketplace in the PRC. Given that Jiayin Group is beneficially owned by Mr. Yan as to approximately 53.68% as at the Latest Practicable Date; and Mr. Yan is an executive Director, executive deputy chairman of the Board and a substantial shareholder of the Company, who is interested in approximately 20.32% of the total issued share capital of the Company as at the Latest Practicable Date, Purchaser A is a connected person of the Company.

Purchaser B is a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Chen Liang (陳亮先生) as at the Latest Practicable Date. Purchaser B is an investment holding company.

Save as disclosed above, to the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, each of Purchaser B and its ultimate beneficial owner is a third party independent of and not connected with the Company and its connected persons.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is principally engaged in investment holding, while the Group is principally engaged in operating prepaid cards and internet payment business, prestige benefits business, internet micro-credit business in the PRC and merchant acquiring business in Thailand.

REASONS FOR THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The primary operating subsidiary of the Target Group, namely, Massnet Microcredit was established by the Group in 2016 to commence internet microcredit platform service in the PRC. During the past few years, the business environment for microcredit in the PRC has become more competitive with the tightening regulatory policies in the PRC. For instance, following the circulation of《2018年重慶小額貸款公司監管工作要點》(the Notice of Chongqing Micro-Credit Company Supervision in 2018*) by 重慶市金融工作辦公室 (Chongqing Financial Office*) in April 2018, stricter policies, supervisions, controls and measures have been imposed or implemented on the operations and business of micro-credit companies in Chongqing including, among other things, (i) more in-depth scrutiny and inspection on high-risk micro-credit companies; (ii) imposition of penalty on both micro-credit companies and their responsible person(s) for non-compliance; (iii) restrictions on types of loan granted by micro-credit companies and the use of funds by their respective customers; (iv) restrictions on the scope of financial products sold by micro-credit companies; (v) strengthened inspection on the legality of the source of funds; and (vi) imposing a cap on annualized loan interest rate, which overall pose more challenges to the micro-credit companies in Chongqing. Moreover, the Target Group's financial performance and position has been deteriorating as a result of the intense competition in the market and the increase in default risk. On one hand, the Target Group recorded a revenue of approximately HK$30.1 million for the year ended 31 March 2019, representing a decrease of approximately 61.3% as compared to that of approximately HK$77.7 million for the year ended 31 March 2018. On the other hand, the Target Group's net loss after taxation for the year ended 31 March 2019 was approximately HK$48.5 million, representing a substantial increase of approximately 682.3% as compared to that of approximately HK$6.2 million for the year ended 31 March 2018, as a result of the impairment of loan receivables of approximately HK$29.2 million.

After deducting the estimated expenses incurred from the Disposal of approximately HK$1.3 million, the net proceeds from the Disposal will amount to approximately HK$223.7 million. The Group intends to apply the net proceeds as to approximately HK$190.1 million to repay part of its current debts and as to approximately HK$33.6 million as general working capital of the Group, in the following manner: (i) approximately HK$13 million will be used for debt interest payment; (ii) approximately HK$9 million will be used for payment of salaries and allowances; (iii) approximately HK$3.7 million will be used for legal and professional fee; (iv) approximately HK$3.3 million will be used for settlement of audit fee; (v) approximately HK$2.2 million will be used for rental payments; and (vi) approximately HK$2.4 million will be applied on miscellaneous expenses.

As disclosed in the announcement of the Company dated 26 February 2020, the Company has obtained consent in writing from the existing subscribers to the Bonds to further extend the maturity date of the Bonds to 1 August 2020, while approximately HK$23.6 million and HK$159.6 million of the outstanding principal amounts of the Bonds shall be redeemed by the Company on or before 1 May 2020 and 24 July 2020 (or such other date as the Company and the existing subscribers to the Bonds may agree in writing), respectively. In light of the above, the Disposal represents a good opportunity for the Group to realise part of its investment in the Target Group and to improve its liquidity position.

Upon Completion, the Remaining Group will continue to hold 25% equity interests in the Target Company. The investment in the Target Group will be accounted for under the equity method in the Remaining Group. After disposing of the majority stake in the Target Group, the Group can reallocate its resources to its core businesses, in particular its prepaid cards business and prestige benefits business.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and accounted for under the equity method in the Remaining Group.

Based on the unaudited consolidated management accounts of the Target Group as at 29 February 2020, the Company expects to record an unaudited loss of approximately HK$1.4 million from the Disposal, being the difference between the aggregate Consideration of HK$225 million and the Adjusted Net Asset Value (taking into account that the Intercompany Loan has been waived) in respect of the 75% equity interests in the Target Company subject to the Disposal of approximately HK$226.4 million.

Given the above net loss on Disposal to the Group, the consolidated net asset value attributable to the Shareholders is preliminarily estimated to decrease by approximately HK$1.4 million upon Completion. On the above basis, the consolidated total assets of the Group is expected to decrease by approximately HK$0.6 million, and the consolidated total liabilities of the Group is expected to decrease by approximately HK$2.0 million upon Completion.

In any event, the financial impacts of the Disposal to be recorded by the Group are subject to audit and are to be determined at Completion.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

Given that Purchaser A is indirectly wholly-owned by Jiayin Group, which is in turn beneficially owned by Mr. Yan as to approximately 53.68% as at the Latest Practicable Date; and Mr. Yan is an executive Director, executive deputy chairman of the Board and a substantial shareholder, who is interested in approximately 20.32% of the total issued share capital of the Company as at the Latest Practicable Date, Purchaser A is a connected person of the Company under Chapter 20 of the GEM Listing Rules. The Disposal (including but not limited to the entering into of the Shareholders' Agreement) constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As Mr. Yan has a material interest in the Disposal (including but not limited to the entering into of the Shareholders' Agreement), Mr. Yan abstained from voting on the Board resolutions approving the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement); and, together with his associate, an indirect non wholly-owned company held by him as to 75%, namely, Invech Holdings Limited, directly holding 334,019,430 Shares, representing approximately 20.32% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM in relation to the resolution to be proposed for approving the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and related matters at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin, all being the independent non-executive Directors, has been established by the Company to provide recommendations to the Independent Shareholders in respect of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement).

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement).

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement). At the EGM, any Shareholder with a material interest in the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) as set out in the ordinary resolution is required to abstain from voting on the relevant resolution approving the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and related matters.

Save as disclosed in the section headed "IMPLICATIONS UNDER THE GEM LISTING RULES", to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and therefore no Shareholder (and his/her/its associates) is required to abstain from voting at the EGM in relation to the resolution to be proposed for approving the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and related matters at the EGM.

A notice convening the EGM to be held on Friday, 12 June 2020 at 11:00 a.m. at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

VOTING BY POLL

According to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of such general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution put to the vote at the EGM will be taken by way of poll, and the Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains its recommendation to the Independent Shareholders regarding the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement); and (ii) the letter from the Independent Financial Adviser set out on pages 25 to 45 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders regarding the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and the principal factors and reasons taken into consideration in arriving at its advice and recommendation.

Having noted and considered the reasons stated under the section captioned "REASONS FOR THE DISPOSAL AND PROPOSED USE OF PROCEEDS", the Directors (other than Mr. Yan) are of the view that the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than Mr. Yan) recommend the Independent Shareholders to vote in favour of the resolution to approve the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement).

Completion is subject to the satisfaction of the conditions precedent as set out in the section headed "Conditions precedent" above. There is no assurance that any of such conditions precedent will be fulfilled. Therefore, the transactions contemplated under the SPA (as amended by the Supplemental Agreement) may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

By Order of the Board
China Smartpay Group Holdings Limited
Song Qian
Chairlady

The following is the text of the letter of recommendation, prepared for incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement).

中國支付通

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)

22 May 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 75% EQUITY INTERESTS IN KEEN BEST INVESTMENTS LIMITED; AND (2) NOTICE OF EGM

INTRODUCTION

We refer to the circular (the "**Circular**") dated 22 May 2020 issued by the Company, of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and to advise you as to whether or not, in our opinion, the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) as described on pages 9 to 15 of the Circular are fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement).

The Independent Financial Adviser, namely, Lego Corporate Finance Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement). Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in its letter on pages 25 to 45 of the Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board as set out on pages 7 to 22 of the Circular which contains details of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement); and the letter from the Independent Financial Adviser as set out on pages 25 to 45 of the Circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement), and the additional information set out in Appendices I to II to the Circular.

Having taken into account the advice and recommendation of, and the principal factors and reasons considered by, the Independent Financial Adviser, we consider that the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) are fair and reasonable and on normal commercial terms, although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM approving the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and related matters.

Yours faithfully,
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin
Independent Board Committee

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement), which has been prepared for the purpose of inclusion in this circular.

Lego Corporate
Finance Limited
力高企業融資有限公司

22 May 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF 75% EQUITY INTERESTS IN
KEEN BEST INVESTMENTS LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 22 May 2020 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

After trading hours on 13 March 2020, the Company entered into the SPA (as amended by the Supplemental Agreement) with the Purchasers, pursuant to which the Company has conditionally agreed to sell, and the Purchasers have conditionally agreed to buy, the Sale Shares, being an aggregate of 75 ordinary shares of the Target Company, representing 75% of the entire issued share capital of the Target Company for a total consideration of HK$225 million in accordance with the terms and conditions of the SPA. According to the SPA, each of Purchaser A and Purchaser B shall acquire Sale Shares A and Sale Shares B, respectively.

After trading hours on 8 May 2020, the Company entered into the Supplemental Agreement with the Purchasers, pursuant to which the Company and the Purchasers agreed to, *inter alia*, deliver the Shareholders' Agreement duly executed by the Company, the Target Company and the Purchasers to the other party upon Completion in order to, among others, govern their rights and duties and to further regulate their respective responsibilities towards management of the business and affairs of the Target Company after Completion.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

Given that Purchaser A is indirectly wholly-owned by Jiayin Group which is, in turn, beneficially owned by Mr. Yan as to approximately 53.68%; and Mr. Yan is an executive Director, executive deputy chairman of the Board and a substantial shareholder who is interested in approximately 20.32% of the total issued share capital of the Company as at the Latest Practicable Date, Purchaser A is a connected person of the Company under Chapter 20 of the GEM Listing Rules. The Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As Mr. Yan has a material interest in the Disposal (including but not limited to the entering into of the Shareholders' Agreement), Mr. Yan abstained from voting on the Board resolution approving the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement); and, together with his associate, an indirect non wholly-owned company held by him as to 75%, namely, Invech Holdings Limited, which directly held 334,019,430 Shares, representing approximately 20.32% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM in relation to the resolution to be proposed for approving the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin, has been established to advise the Independent Shareholders as to whether the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the EGM to approve the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement). As the Independent Financial Adviser, our role is to give an independent and fair opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, save for the engagement as the independent financial adviser to the then independent board committee and independent Shareholders in relation to a potential transaction in or around June 2019, there was no other engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or the Purchasers. Accordingly, we are qualified to give independent advice in respect of the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement).

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the EGM. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Target Group or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Disposal, we have considered the following principal factors and reasons:

1. Background information on the Group

1.1. Principal businesses and information on the Group

The Group is principally engaged in (i) operating prepaid cards and internet payment business in the PRC; (ii) prestige benefits business in the PRC; (iii) internet micro-credit business in the PRC; and (iv) merchant acquiring business in Thailand.

1.2 Historical financial information

The following table summarises the financial information of the Group for the years ended 31 March 2018 and 2019 and the six months ended 30 September 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 March 2019 (the "**2018/19 Annual Report**") and the interim report of the Company for the six months ended 30 September 2019 (the "**2019/20 Interim Report**").

	For the years ended 31 March		For the six months ended 30 September	
	2018	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	598,482	629,437	285,330	132,978
Segment revenue:				
— prepaid cards and internet payment business	110,336	297,908	98,593	37,906
— prestige benefits business	282,938	190,740	110,697	37,503
— internet micro-credit business	99,125	28,987	18,087	15,313
— merchant acquiring business	106,083	111,802	57,953	42,256
Gross profit	234,661	127,966	87,512	59,586
General administrative expenses	(266,457)	(257,116)	(121,261)	(96,463)
Selling and distribution costs	(60,762)	(29,652)	(16,944)	(4,457)
Fair value loss on financial assets at FVPL	(56,388)	—	(19,304)	—
Impairment loss on goodwill	(73,588)	(95,853)	—	—
Impairment loss on interests in associates	(67,893)	(18,654)	—	—
Waiver of contingent consideration	—	37,766	—	—
Loss on early redemption of convertible bonds	—	(31,751)	—	—
Finance costs	(47,432)	(48,365)	(24,634)	(16,828)
Loss before taxation	(356,101)	(297,421)	(81,397)	(41,455)
Loss for the year/period	(364,454)	(307,542)	(85,816)	(43,998)

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*
Cash and cash equivalents	289,223	201,034	120,944
Total assets	2,432,613	1,883,719	1,699,880
Bonds payables and convertible bonds (current portion)	-	371,406	314,012
Bonds payables and convertible bonds (non-current portion)	448,423	-	-
Total liabilities	1,030,856	847,497	785,309
Net assets	1,401,757	1,036,222	914,571

For the years ended 31 March 2018 and 2019

Revenue of the Group amounted to approximately HK$598.5 million and HK$629.4 million for the years ended 31 March 2018 and 2019, respectively, which represented an increase of approximately HK$31.0 million or 5.2%.

According to the 2018/19 Annual Report, the increase in revenue was mainly attributable to (i) the increase of approximately HK$187.6 million in the revenue generated from the prepaid cards and internet payment business mainly resulted from the Group's active promotion on the online payment services and the co-cooperation with different network merchants for enhancing the popularity of the Group's internet payment service; and (ii) the increase of approximately HK$5.7 million in the revenue generated from the merchant acquiring business primarily due to higher merchant discount rate charged for transactions in our merchant network. Such increase was partially mitigated by (a) the decrease in revenue of approximately HK$92.2 million from the prestige benefit business mainly because of the termination of the cooperation with Shanghai Pudong Development Bank Co., Limited, a major customer of the Group, which recorded a significant decrease in the issuance of prestige benefits cards owing to the low gross profit margin and the termination of the cooperation with cold call centers due to the decrease of effectiveness; and (b) the decrease in revenue of approximately HK$70.1 million from internet micro-credit business as a result of the drop of interest income of settlement of one significant loan and the temporary suspension of operation of Massnet Microcredit due to the regulatory inspection by the Chongqing Financial Office and the system optimisation to meet the regulatory requirement.

Gross profit of the Group amounted to approximately HK$234.7 million and HK$128.0 million for the years ended 31 March 2018 and 2019, respectively, which represented a decrease of approximately HK$106.7 million or 45.5%. The Group's gross profit decreased despite its revenue increased mainly due to (i) the additional costs incurred after the change of operation model in prepaid cards and internet payment business whereby the Group changed from acting as an agent to a principal; and (ii) the lower gross profit margin of the prestige benefits business attributable to the stricter regulations from the PRC government and more competitive market.

Loss for the year amounted to approximately HK$364.5 million and HK$307.5 million for the years ended 31 March 2018 and 2019, respectively, which represented a reduction in loss of approximately HK$57.0 million or 15.6%. The Group's loss for the year ended 31 March 2019 reduced to approximately HK$307.5 million despite the drop of gross profit as discussed above mainly due to (i) the fair value loss on financial assets at FVPL of approximately HK$56.4 million for the year ended 31 March 2018 whereas no such fair value loss was recorded for the year ended 31 March 2019; (ii) the decrease in the impairment loss on interests in associates of approximately HK$49.2 million; and (iii) the waiver of contingent consideration of approximately HK$37.7 million from the vendor of the Group's previous acquisition, which was partially offset by (a) a loss on early redemption of convertible bonds of approximately HK$31.8 million; and (b) the increase in impairment loss on goodwill of approximately HK$22.3 million.

As at 31 March 2019, total assets of the Group amounted to approximately HK$1,883.7 million which comprised mainly (i) goodwill amounted to approximately HK$505.4 million; (ii) trade and other receivables amounted to approximately HK$402.1 million; (iii) restricted funds amounted to approximately HK$367.0 million and (iv) interests in associates amounted to approximately HK$223.3 million. As at 31 March 2019, total liabilities of the Group amounted to approximately HK$847.5 million which comprised mainly (a) trade and other payables of approximately HK$452.2 million; and (b) bond payables amounted to approximately HK$371.4 million.

For the six months ended 30 September 2018 and 2019

Revenue of the Group amounted to approximately HK$285.3 million and HK$133.0 million for the six months ended 30 September 2018 and 2019, respectively, which represented a decrease of approximately HK$152.4 million or 53.4%.

According to the 2019/20 Interim Report, the decrease in revenue was mainly attributable to (i) the decrease in the revenue generated from the prepaid cards and internet payment business of approximately HK$60.7 million as a result of the effects of the stringent prepaid cards policy in the PRC which led to a decrease of approximately 30% in the prepaid cards value and the substantial drop in merchant service fee income of prepaid cards when compared to the corresponding period in the last financial year; and (ii) the decrease in the revenue generated from the prestige benefits business of approximately HK$73.2 million because of the effects of the termination of the co-operation with Shanghai Pudong Development Bank Co., Limited and cold call centers as discussed above and the decrease in the income from hotel booking service since one of the major customers reduced their budget on credit cards loyalty points redemption.

Gross profit of the Group amounted to approximately HK$87.5 million and HK$59.6 million for the six months ended 30 September 2018 and 2019, respectively, which represented a decrease of approximately HK$27.9 million or 31.9%. The decrease in the Group's gross profit was in line with the decrease in revenue.

Loss for the period amounted to approximately HK$85.8 million and HK$44.0 million for the six months ended 30 September 2018 and 2019, respectively, which represented a decrease in loss of approximately HK$41.8 million or 48.7%. The Group's loss for the period reduced to approximately HK$44.0 million despite the drop of gross profit as discussed above mainly due to (i) the decrease in general administrative expenses of approximately HK$24.8 million primarily attributable to the decrease in share-based compensation costs, salaries, allowances and other short-term employee benefits; and (ii) the decrease in selling and distribution expenses of approximately HK$12.5 million since the Group employed new information technology staff for the development of the systems instead of outsourcing the development to the service providers and hence resulted in a decrease in the agency fee.

As at 30 September 2019, total assets of the Group amounted to approximately HK$1,699.9 million which comprised mainly (i) goodwill amounted to approximately HK$477.1 million; (ii) trade and other receivables amounted to approximately HK$362.3 million; (iii) restricted funds amounted to approximately HK$346.6 million; and (iv) interests in associates amounted to HK$208.1 million. As at 30 September 2019, total liabilities of the Group amounted to approximately HK$785.3 million which comprised mainly (a) trade and other payables of approximately HK$435.6 million; and (b) bond payables amounted to approximately HK$314.0 million.

2. Background information on the Target Group

The Target Company is a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date. As stated in the Letter from the Board, the Target Company is an investment holding company which wholly owns Union Evernew, a company incorporated in Hong Kong with limited liability, which in turn wholly owns (i) Massnet Microcredit, a company established in the PRC with limited liability and principally engaged in internet micro-credit business in the PRC; and (ii) Shanghai Yangyu, a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Massnet Microcredit.

2.1 Financial information of the Target Group

Set out below is an extract of the unaudited consolidated financial information of the Target Group for the two years ended 31 March 2019 and the eleven months ended 29 February 2020:

	For the year ended 31 March 2018	**For the year ended 31 March 2019**	**For the eleven months ended 29 February 2020**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Revenue	77,749	30,090	38,290
Loss before taxation	(2,895)	(48,471)	(14,587)
Loss after taxation	(6,238)	(48,471)	(15,189)

As at 29 February 2020, the Target Group recorded unaudited consolidated net liabilities of approximately HK$98.4 million. As at the Latest Practicable Date, the Company has waived the Intercompany Loans of approximately HK$400.3 million due from the Target Group. Considering that the Intercompany Loans has been waived, the unaudited consolidated adjusted net asset value (the "**Adjusted Net Asset Value**") of the Target Group as at 29 February 2020 was approximately HK$301.9 million.

As disclosed above, revenue of the Target Group decreased from approximately HK$77.7 million for the year ended 31 March 2018 to approximately HK$30.1 million for the year ended 31 March 2019, representing a decrease of approximately HK$47.6 million or 61.3%. As advised by the management of the Group, such decrease was primarily due to the temporary suspension of operation of Massnet Microcredit from July to September 2018 as a result of the regulatory inspection by 重慶市金融工作辦公室 (Chongqing Financial Office*) and the system optimisation to meet the regulatory requirement. The business scale of Massnet Microcredit has also been adjusted downward after the relaunch of its business in order to meet the requirement set by 重慶市金融工作辦公室 (Chongqing Financial Office*) and thus, the Target Group's revenue substantially dropped to approximately HK$30.1 million for the year ended 31 March 2019. As further advised by the management of the Group, despite Massnet Microcredit recorded revenue of approximately HK$38.3 million for the eleven months ended 29 February 2020, the Target Group recognised an unaudited impairment loss on loan receivables of approximately HK$30.9 million for the eleven months ended 29 February 2020 as a result of the increase in aging of loan receivables. Furthermore, since the PRC government has restricted the promotion for the internet micro-credit business, the prospects of micro-credit business in the PRC remain unfavourable under the current tightened regulatory environment and sluggish economic conditions.

3. Information on the Purchasers

As stated in the Letter from the Board, Purchaser A is indirectly wholly-owned by Jiayin Group Inc. ("**Jiayin Group**"), a company incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ (stock code: JFIN). Purchaser A is an investment holding company and Jiayin Group is operating a leading online individual finance marketplace in the PRC. Given that Jiayin Group is beneficially owned by Mr. Yan as to approximately 53.68% as at the Latest Practicable Date; and Mr. Yan is an executive Director, executive deputy chairman of the Board and a substantial shareholder of the Company, who is interested in approximately 20.32% of the total issued share capital of the Company as at the Latest Practicable Date, Purchaser A is a connected person of the Company.

Purchaser B is wholly-owned by Mr. Chen Liang as at the Latest Practicable Date. Purchaser B is an investment holding company. As disclosed in the Letter from the Board, each of Purchaser B and its ultimate beneficial owner is a third party independent of and not connected with the Company and its connected persons.

4. Reasons for and benefits of the Disposal

As disclosed in the Letter from the Board, the primary operating subsidiary of the Target Group, namely, Massnet Microcredit was established by the Group in 2016 to commence internet micro-credit platform service in the PRC. During the past few years, the environment for micro-credit business in the PRC has become more competitive with the tightening regulatory policies in the PRC. For instance, following the circulation of《2018年重慶小額貸款公司監管工作要點》(the Notice of Chongqing Micro-Credit Company Supervision in 2018*) by 重慶市金融工作辦公室 (Chongqing Financial Office*) in April 2018, stricter policies, supervisions, controls and measures have been imposed or implemented on the operations and business of micro-credit companies in Chongqing including, among other things, (i) more in-depth scrutiny and inspection on high-risk micro-credit companies; (ii) imposition of penalty on both micro-credit companies and their responsible person(s) for non-compliance; (iii) restrictions on the types of loan granted by micro-credit companies and the use of funds by their respective customers; (iv) restrictions on the scope of financial products sold by micro-credit companies; (v) strengthened inspection on the legality of the source of funds; and (vi) imposing a cap on annualised loan interest rate, which overall pose more challenges to the micro-credit companies in Chongqing. Moreover, the Target Group's financial performance and position have been deteriorating as a result of the intense competition in the market and the increase in default risk. On one hand, the Target Group recorded a revenue of approximately HK$30.1 million for the year ended 31 March 2019, representing a decrease of approximately 61.3% as compared to that of approximately HK$77.7 million for the year ended 31 March 2018. On the other hand, the Target Group's net loss after taxation for the year ended 31 March 2019 was approximately HK$48.5 million, representing a substantial increase of approximately 682.3% as compared to that of approximately HK$6.2 million for the year ended 31 March 2018.

As advised by the management of the Group, after the circulation of《2018年重慶市小額貸款公司監管工作要點》(the Notice of Chongqing Micro-Credit Company Supervision in 2018*) by 重慶市金融工作辦公室 (Chongqing Financial Office*), the regulatory environment of micro-credit industry in Chongqing was tightened in various aspects including, among other things, (i) strict enforcement of the leverage ratio, i.e. ratio of total financing to total capital, of micro-credit company to 2.3 times; (ii) strict prohibition on down payment loans, student loans and cash loans by micro-credit company; and (iii) restriction on annualised loan interest rate by not more than 24%. Since then, the business environment for micro-credit business in Chongqing has become more challenging.

We have discussed with the management of the Group and understood that the Group established Massnet Microcredit intending to tap into the market of micro-credit platform business in the PRC. However, due to the unanticipated change in the market conditions, including, among other things, (i) the tightening regulatory environment of the micro-credit business; (ii) the increasing default risk arising from the poor-quality loan receivables; and (iii) the intense competition from the new P2P financing platforms in the PRC, Massnet Microcredit has already recognised an impairment of loan receivables of approximately HK$24.8 million and HK$29.2 million, and a net loss after taxation of approximately HK$6.2 million and HK$48.5 million for the years ended 31 March 2018 and 2019, respectively. As at 29 February 2020, the Target Group recorded unaudited consolidated net liabilities of approximately HK$98.4 million. On top of that, the management of the Group expected that the outbreak of COVID-19 and the implementation of《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》(the Notice on Further Enhancing Financial Support for Prevention and Control of COVID-19*) jointly published by the People's Bank of China, the Ministry of Finance, the China Banking Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange will have certain further impacts on the operation of the Target Group and thus, the prospects of the Target Group remain unfavourable.

We have further discussed with the management of the Group and understood that given (i) the loss-making position and the lower than expected profitability of the Target Group as discussed above; (ii) the revenue generated from the Target Group only accounted for approximately 4.8% of the total revenue of the Group for the year ended 31 March 2019; (iii) unaudited consolidated net liabilities of the Target Group in the amount of approximately HK$98.4 million as at 29 February 2020 without taking into account the waiver of Intercompany Loans; and (iv) the current tightening regulatory environment, sluggish economic conditions and uncertainty on the consequence inflicted by the outbreak of COVID-19, the Disposal, if materialised, provides a timely opportunity for the Group to (a) reduce the exposure to the micro-credit business in the PRC and thereby mitigating the loss-making position of the Remaining Group during the current tough business environment; (b) partially realise its investment in the Target Group; (c) provide immediate funding to meet the debt repayment obligation as discussed below; and (d) to reallocate its resources to its core businesses, in particular, its prepaid cards and internet payment business and prestige benefits business.

We have also noted from the 2018/2019 Annual Report and the 2019/2020 Interim Report that the Group recorded finance costs of approximately HK$47.4 million, HK$48.4 million and HK$16.8 million for the years ended 31 March 2018 and 2019 and the six months ended 30 September 2019, respectively, which were mainly attributable to interest expenses incurred on the Bonds. It is expected that, by applying part of the net proceeds from the Disposal to repay part of the Group's outstanding debts, the Group will be able to reduce its finance cost burden, which will in turn mitigate the Group's loss-making position.

Based on the foregoing, it appears that it is justifiable for the Group to carry on the Disposal.

5. Intended use of proceeds

As set out in the Letter from the Board, after deducting the estimated expenses incurred from the Disposal of approximately HK$1.3 million, the net proceeds from the Disposal will amount to approximately HK$223.7 million. The Group intends to apply the net proceeds from the Disposal as follows: (a) approximately HK$190.1 million to repay part of its current debts; and (b) approximately HK$33.6 million as general working capital of the Group in the following manner: (i) approximately HK$13.0 million will be used for debt interest payment; (ii) approximately HK$9.0 million will be used for payment of salaries and allowances; (iii) approximately HK$3.7 million will be used for legal and professional fee; (iv) approximately HK$3.3 million will be used for settlement of audit fee; (v) approximately HK$2.2 million will be used for rental payments; and (vi) approximately HK$2.4 million will be applied on miscellaneous expenses.

We noted from the 2019/2020 Interim Report that the current portion of bonds payables of the Group amounted to approximately HK$314.0 million as at 30 September 2019, which will fall due within one year, while the bank balances and cash of the Group only amounted to approximately HK$120.9 million as at 30 September 2019.

We also noted from the announcement of the Company dated 26 February 2020 that the Company has obtained consent in writing from the existing subscribers to the Bonds to further extend the maturity date of the Bonds to 1 August 2020, while approximately HK$23.6 million and HK$159.6 million of the outstanding principal amounts of the Bonds shall be redeemed by the Company on or before 1 May 2020 and 24 July 2020 (or such other date as the Company and the existing subscribers to the Bonds may agree in writing), respectively.

Given the recent financial position of the Group as at 30 September 2019 and the forthcoming debt repayment obligation of approximately HK$23.6 million and HK$159.6 million on or before 1 May 2020 and 24 July 2020, respectively, we are of the view that the Group is in need of funding to meet its debt repayment obligations and working capital requirement, and the allocation of the intended use of net proceeds from the Disposal appears to be justifiable. It is expected that the Group's overall liquidity will be enhanced and the Group will have greater flexibility in utilising its financial resources to meet its operational needs.

In light of the historical financial performance and prospects of the Target Group as discussed above and having taken into account the intended use of proceeds from the Disposal, we concur with the Company's view that the Disposal represents a good opportunity for the Group to realise part of its investment in the Target Group and to improve its liquidity position.

6. Principal terms of the SPA

Principal terms and conditions of the SPA (as amended by the Supplemental Agreement) are summarised as follows:

Asset to be disposed

The asset to be disposed comprised Sales Share A and Sales Shares B as below:

Sale Shares A: being 35 ordinary shares of the Target Company, representing 35% of the total issued share capital of the Target Company as at the Latest Practicable Date, to be disposed of by the Company to Purchaser A

Sale Shares B: being 40 ordinary shares of the Target Company, representing 40% of the total issued share capital of the Target Company as at the Latest Practicable Date, to be disposed of by the Company to Purchaser B

Consideration

The consideration of HK$225 million shall be settled in the following manner:

Consideration A: as to HK$105,000,000 payable by Purchaser A to the Company in relation to the purchase of Sale Shares A

Consideration B: as to HK$120,000,000 payable by Purchaser B to the Company in relation to the purchase of Sale Shares B

The aggregate Consideration shall be HK$225 million payable by each of the Purchasers to the Company by way of irrevocable telegraphic transfer or wire in immediately available funds into the Company's bank account(s) (or such other method of payment as may be mutually agreed between the Company and the Purchasers) upon Completion.

As disclosed in the Letter from the Board, the Consideration is arrived at after arm's length negotiations between the Company and the Purchasers taking into account the factors including but not limited to (i) the carrying value of the 75% equity interests in the Target Company as at 31 December 2019 of approximately HK$237.2 million after adjusting for the waiver of the Intercompany Loans, where the Consideration represents a discount of approximately 5% (the "**Discount**") to the foregoing carrying value. The Discount has been determined after taking into account (a) the Target Group's unaudited impairment loss on loan receivables of approximately HK$30.9 million for the eleven months ended 29 February 2020 as a result of the increase in aging of loan receivables; (b) the further potential impairment loss on loan receivables in view of the worsening financial condition and loan repayment ability of the Target Group's debtors as a result of the negative impact on their business operation amid the current sluggish economic environment in the PRC taking into account the impact of trade war between the PRC and the United States of America, and the recent outbreak of COVID-19; and (c) the unaudited consolidated net asset value of 75% equity interests in the Target Group after adjusting for the waiver of the Intercompany Loans as at 29 February 2020 of approximately HK$226.4 million, which was close to the Consideration of HK$225 million; (ii) the loss-making position of the Target Group in the past few years; and (iii) the information set out under the section headed "Reasons for the Disposal and proposed use of proceeds" in the Letter from the Board.

Evaluation of the Consideration

In assessing the fairness and reasonableness of the Consideration, we have also considered comparing the price-to-earnings ratio (the "**P/E ratio**") and the price-to-book ratio (the "**P/B ratio**") under the Disposal against those of the companies which are listed on the Stock Exchange and are engaged in similar businesses to those of the Target Group. However, given the Target Group has been loss-making in the recent financial years as discussed above, we are of the view that P/E ratio is not an applicable or appropriate methodology to assess the Consideration. On this basis, we have proceeded with our analysis on P/B ratio, which is considered to be one of the common valuation multiples used to assess the reasonableness of a valuation of a business.

For the purpose of our comparable analysis, we have, to our best knowledge and so far as we are aware, identified an exhaustive list of seven comparable companies (the "**Comparable Companies**") based on the selection criteria that (i) they are companies listed on the Stock Exchange; and (ii) they are principally engaged in credit or lending business in the PRC. Shareholders should note that the business model, operations and prospects of the Target Group may not be the same as, or even substantially vary from, those of the Comparable Companies, and we have not conducted any detailed investigation into the respective business model and operations of the Comparable Companies.

The table below sets out the P/B ratios of each of the Comparable Companies:

Stock code	Company name	Principal business	Market capitalisation *(Note 1)* *HK$ (million)*	Net asset value attributable to shareholders *(Note 2)* *HK$ (million)*	P/B ratio *(Note 3)* *times*
1577	Quanzhou Huixin Micro-credit Co., Ltd	Provision of loan finance lease service in the PRC	870.4	1,188.4	0.73
1915	Yangzhou Guangling District Taihe Rural Micro-Finance Company Limited	Provision of micro and small loan service in the PRC	1,542.0	947.6	1.63
605	China Financial Services Holdings Limited	Provision of short-term financing, loan guarantee services and related management and consultancy services in the PRC	709.5	3,724.5	0.19
6866	Zuoli Kechuang Micro-finance Company Limited	Provision of micro-finance service in the PRC	424.8	1,800.7	0.24
1290	China Huirong Financial Holdings Limited	Provision of financing services in the PRC	1,196.5	1,972.4	0.61

Stock code	Company name	Principal business	Market capitalisation *(Note 1)* *HK$ (million)*	Net asset value attributable to shareholders *(Note 2)* *HK$ (million)*	P/B ratio *(Note 3)* *times*
2003	VCREDIT Holdings Limited	provision of online consumer financial services in the PRC	2,506.0	3,407.0	0.74
8207	Chong Sing Holdings Fintech Group Limited	provision of pawn loans, entrusted loan and financing consultancy services in the PRC	277.7	1,934.0	0.14 *(Note 4)*
				Maximum	**1.63**
				Minimum	**0.19**
				Average	**0.69**
				The Disposal	**0.99** *(Note 5)*

Source: website of the Stock Exchange (www.hkexnews.hk)

Notes:

(1) Market capitalisation of the Comparable Companies is calculated based on their respective closing price times their respective number of issued shares as at the Latest Practicable Date.

(2) Net asset value attributable to shareholders of the Comparable Companies are extracted from the respective latest annual reports of the Comparable Companies.

(3) The P/B ratios of the Comparable Companies are calculated by dividing their respective market capitalisation as at the Latest Practicable Date by their respective net asset value attributable to shareholders.

(4) The P/B ratio of Chong Sing Holdings Fintech Group Limited (stock code: 8207) is excluded in our analysis due to the suspension of trading of its shares since 8 July 2019.

(5) The P/B ratio of the Target Group implied by the Consideration (the "**Implied P/B Ratio**") is calculated by dividing the Consideration of HK$225 million by 75% of Adjusted Net Asset Value of the Target Group as at 29 February 2020 of approximately HK$226.4 million.

(6) For the purpose of this table, the conversion of RMB into HK$ in relation to the respective financial figures of the Comparable Companies and the Target Group denominated in RMB (if applicable and if any) is calculated at the approximate exchange rate of HK$1 to RMB1.1. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

With reference to the table set out above, the P/B ratios of the Comparable Companies ranged from a minimum of approximately 0.19 times to a maximum of approximately 1.63 times with an average P/B ratio of approximately 0.69 times. The Implied P/B Ratio in respect of the Disposal of approximately 0.99 times is, therefore, within the range of the P/B ratios of the Comparable Companies and higher than the average of the P/B ratios of the Comparable Companies.

Despite the fact that the Consideration represented a slight discount of 5% to 75% of the Adjusted Net Asset Value of the Target Group as at 31 December 2019, in view of the Implied P/B Ratio in respect of the Disposal falling within the range of those of the Comparable Companies and higher than the average of the those of the Comparable Companies, and having considered:

(i) the loss-making position of the Target Group as discussed in the paragraph headed "2.1 Financial information of the Target Group" above;

(ii) the unfavourable market prospects of the micro-credit business in the PRC under the tightening regulatory environment, sluggish economic conditions, as well as the impact of the outbreak of COVID-19 as discussed in the paragraph headed "4. Reasons for and benefit of the Disposal" above;

(iii) the further potential impairment of the loan receivables of the Target Group in 2020 in view of (a) the worsening financial condition and loan repayment ability of the Target Group's debtors amid the current sluggish economic environment in the PRC; and (b) the unaudited impairment loss on the loan receivables of the Target Group of approximately HK$30.9 million recognised for the eleven months ended 29 February 2020 as a result of the increase in aging of loan receivables; and

(iv) the immediate improvement on the liquidity position of the Group to meet the debt repayment obligation as discussed in the paragraph headed "5. Intended use of proceeds" above,

we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

We have also reviewed other terms of the SPA (as amended by the Supplemental Agreement) and noted that the clauses of the SPA (as amended by the Supplemental Agreement) are on normal commercial terms. In light of the above, we are of the view that the major terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

7. The Shareholders' Agreement

With the entering into of the Supplemental Agreement, the Company, the Target Company and the Purchasers agreed to, *inter alia*, deliver the duly executed Shareholders' Agreement to the other party upon Completion in order to, among others, govern their rights and duties and to further regulate their respective responsibilities towards management of the business and affairs of the Target Company after Completion.

We noted that the principal terms of the Shareholders' Agreement cover matters relating to (i) the business of the Target Company; (ii) management of the Target Company; (iii) financing of the Target Company; (iv) matters requiring unanimous approval; (v) restriction on transfers of equity securities of the Target Company; (vi) pre-emptive right; (vii) tag-along rights; (viii) events of default; and (ix) effective date, details of which are summarised in the section headed "The Shareholders' Agreement" in the Letter from the Board.

We have reviewed the principal terms of the Shareholders' Agreement, having considered that (i) the terms of the Shareholders' Agreement apply to all shareholders of the Target Company following Completion; (ii) the rights and obligations of the shareholders of the Target Company are in proportion to their respective shareholding interests in the Target Company following Completion; and (iii) the principal terms of the Shareholders' Agreement represent the common features of a typical shareholder agreement, we are of the view that the principal terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

8. Possible financial effect of the Disposal

Upon completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company. The Group will continue to hold 25% equity interests in the Target Company and the financial results of the Target Group will be accounted for under the equity method in the Remaining Group.

8.1 Earnings

Notwithstanding that revenue of the Group will decrease upon Completion and an unaudited loss on disposal of approximately HK$1.4 million is expected to be recorded, after taking into account the overall benefits of the Disposal as discussed in the paragraphs headed "4. Reasons for and benefits of the Disposal" and "5. Intended use of proceeds" in this letter, we concur with the Company that the impact on the Group's earnings is acceptable. In addition, having considered the loss-making position of the Target Group and the potential impairment on the loan receivables of the Target Group, we consider that the loss-making position of the Remaining Group is expected to be mitigated by reducing the exposure to the micro-credit business in the PRC through the Disposal upon Completion.

Shareholders and potential investors of the Company should note that the actual amount of loss on disposal should be calculated on the basis of the relevant figures as at the date of the Completion and therefore would or would not be different from the abovementioned.

8.2 Net asset value

According to the 2019/2020 Interim Report, the unaudited consolidated net asset value of the Group as at 30 September 2019 was approximately HK$914.6 million. As disclosed in the Letter from the Board, it is estimated that upon Completion, the consolidated total assets of the Group are expected to decrease by approximately HK$0.6 million, and the consolidated total liabilities of the Group are expected to decrease by approximately HK$2.0 million. As a result, the consolidated net asset value of the Group is expected to decrease after Completion.

8.3 Liquidity and working capital

According to the 2019/2020 Interim Report, the unaudited consolidated bank balance and cash of the Group as at 30 September 2019 was approximately HK$120.9 million, of which approximately HK$57.3 million was held by the Target Group. The net proceeds from the Disposal of approximately HK$223.7 million will be applied as to approximately HK$190.1 million for repaying part of its debts and as to approximately HK$33.6 million as general working capital of the Group. It is expected that the Disposal will likely have a positive effect on the working capital and liquidity position of the Group.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that (i) the terms of the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal, though is not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders as well as the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Andrew Lau
Executive Director

Mr. Andrew Lau is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 12 years of experience in the accounting and investment banking industries.

* *for identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for each of the financial years ended 31 March 2017, 2018 and 2019 and the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2019 are disclosed in the following documents which have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinasmartpay.com respectively:

- The audited consolidated financial statements of the Group for the year ended 31 March 2017 has been set out in pages 66 to 159 of the annual report 2017 of the Company. Please see below link to the Company's annual report 2017:

  https://www1.hkexnews.hk/listedco/listconews/gem/2017/0629/gln20170629221.pdf

- The audited consolidated financial statements of the Group for the year ended 31 March 2018 has been set out in pages 70 to 167 of the annual report 2018 of the Company. Please see below link to the Company's annual report 2018:

  https://www1.hkexnews.hk/listedco/listconews/gem/2018/0702/gln20180702015.pdf

- The audited consolidated financial statements of the Group for the year ended 31 March 2019 has been set out in pages 73 to 179 of the annual report 2019 of the Company. Please see below link to the Company's annual report 2019:

  https://www1.hkexnews.hk/listedco/listconews/gem/2019/0701/gln20190701015.pdf

- The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2019 has been set out in pages 3 to 40 of the interim report 2019 of the Company. Please see below link to the Company's interim report 2019:

  https://www1.hkexnews.hk/listedco/listconews/gem/2019/1114/2019111401745.pdf

2. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2020, being the latest practicable date for ascertaining certain information relating to the indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

Amount due to an associate

The Group had an amount due to an associate of approximately HK$0.7 million which was unsecured, unguaranteed, interest-free and repayment on demand.

Amount due to a director

The Group had an amount due to a director of approximately HK$0.1 million which was unsecured, unguaranteed, interest-free and repayment on demand.

Amount due to related companies

The Group had an aggregate amount due to related companies of approximately HK$149.7 million which was unsecured, unguaranteed, interest-free and repayable on demand. The related companies are controlled by Mr. Yan.

Lease liabilities

The Group had lease liabilities of approximately HK$10.3 million in relation to payment obligation of the tenancy agreements in respect of offices in Hong Kong, the PRC and Thailand. The lease liabilities are initially measured at the present value of the lease payments that are not paid at the relevant commencement dates, discounted by using the Group's incremental borrowing rate. The effective interest rate for the lease liabilities of the Group is ranged from 2.65% to 4.75% per annum.

Bonds payables

The bonds with coupon interest rate of 9% per annum will be matured on 1 August 2020 and the Company has undertaken to the existing holders of the Bonds that:

- on or before 1 May 2020 (or such other date as the Company and the existing holders of the Bonds may mutually agree in writing), redeem certain Bonds in the aggregate principal amount of US$3.0 million (equivalent to approximately HK$23.6 million) and the relevant unpaid interest, default interest and fees (if any) accrued thereon; and

- on or before 24 July 2020 (or such other date as the Company and the existing holders of the Bonds may mutually agree in writing), redeem certain Bonds in the aggregate principal amount of US$20.3 million (equivalent to approximately HK$159.6 million) and the relevant unpaid interest, default interest and fees (if any) accrued thereon.

Details of the aforesaid undertakings given by the Company in favour of the existing holders of the Bonds are set out in the Company's announcement dated 26 February 2020.

Other long-term liabilities

The Group had a total outstanding amount of Baht 22.5 million (equivalent to approximately HK$6.1 million) due to Mrs. Nongluck Anantachote in respect of the issue and paid up preference share capital of Oriental City Group (Thailand) Co., Limited ("**OCG Thailand**"), a wholly-owned subsidiary of OPG with cumulative dividend at 9.5% 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 9.5% per annum 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.

Forward contract position

The Group had outstanding foreign currency contracts for the exchange of United States Dollars with Baht of US$600,000 (equivalent to approximately HK$4.7 million). The Group has no significant exposure on these forward currency contracts.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 March 2020, the 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 disclosed above, the Directors have confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Group since 31 March 2020, up to and including the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As disclosed in the February Announcement, Open Union was found to have failed to comply with certain PRC laws, rules or regulations governing anti-money laundering matters and internet payment business, and was therefore issued with a warning and imposed with a fine of approximately RMB19.2 million, with its income of approximately RMB4 million as derived from those non-compliant transactions confiscated. Save as aforesaid, the Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that after taking into account the Group's internal resources, cash flow from operations, the present facilities available to the Group and also the effect of the Disposal, the Group will have sufficient working capital to satisfy its requirements, that is, for at least the next twelve months from the date of this circular, in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in operating prepaid cards and internet payment business, prestige benefits business, internet micro-credit business in the PRC and merchant acquiring business in Thailand. The Group offers a wide range of value-added and internet payment services to its customers and controls one of the only six payment service licences for nationwide prepaid cards and internet payment services in the PRC. It has always been the Group's intention to provide its users a one-stop solution combining payment, benefits and credit services.

After Completion, the Remaining Group will be principally engaged in operating prepaid cards and internet payment business, prestige benefits business in the PRC and merchant acquiring business in Thailand.

As for the prepaid cards and internet payment business, with the breakthrough of the industrial solution and speedy growth of internet, the Group will continue to (i) develop its module product lines such as cross-border payment, KLT Pay, 海外聚合, 商圈卡 & 積分商城; (ii) promote the business model for "Payment + Industrial solution"; and (iii) extend the direction to B-end enabling business.

As for the prestige benefits business, the Group will continue to utilise its own licensed resources advantage to link to the financial services such as internet payment and consumption analysis for better use of the services to the Group's ecology. Moreover, the Group will increase the share of procured and retailed products and will in turn heighten the overall profit margin of the products via reduction of the share of use rate products. The Group will continue to update the generation of the products in benefits business and set aside some products with low gross profit which may incur losses, provide the banks with better benefit service and also ensure its own profit margin to pursue market share; on the other hand, the Group will continue to arrange its products' pricing, control our procurement costs in all aspects and implement pre-online product examination model to maintain the profit margin.

As for the merchant acquiring business in Thailand, the Group remains cost conscious through implementing stringent cost control measures in order to improve the performance of the Group. The Group will proactively seek business opportunities that will contribute to and sustain the Group's future development in generating better return for the Shareholders.

As for the securities investment business, the Group will continue to capitalise on financial investment opportunities in the Company's related industries or markets to enhance capital returns, facilitate future growth and develop our core business segments.

Taking into account the uncertainties in the global economic outlook caused by the softening global economic growth, the trade war between the United States of America and the PRC as well as the outbreak of coronavirus disease (COVID-19), the management of the Group would closely monitor the market conditions and adjust the Group's business strategies to cope with the fluctuation of the markets of our core business segments.

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 respects 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

Directors' and chief executives' interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares

Name	Capacity	Number of Shares	Approximate Percentage of Shareholding
Mr. Yan	Interest in controlled corporations *(Note 1)*	334,019,430	20.32%
Mr. Song Xiangping ("**Mr. Song**")	Beneficial owner *(Note 2)*	5,000,000	0.30%

Notes:

1. These 334,019,430 Shares were held by Invech Holdings Limited ("**Invech**"). Invech was wholly-owned by Bright New Vision Inc. ("**BNV**"), which was in turn wholly-owned by Jiayin Asia Limited ("**Jiayin**"). Jiayin was wholly-owned by 上海嘉凝信息技術有限公司 (Shanghai Jiaying Information Technology Co., Ltd.*)("**Shanghai Jiaying**"), which was in turn wholly-owned by 上海嘉銀金融服務有限公司 (Shanghai Jiayin Financial Services Co., Ltd.*) ("**Shanghai Jiayin**"). Shanghai Jiayin was held by Mr. Yan as to 75%. Accordingly, each of Mr. Yan, Shanghai Jiayin, Shanghai Jiaying, Jiayin and BNV was deemed to be interested in such 334,019,430 Shares held by Invech pursuant to Part XV of the SFO.

2. These 5,000,000 Shares represent the share options granted to Mr. Song pursuant to the Company's share option scheme. Accordingly, pursuant to Part XV of the SFO, he was taken to be interested in the underlying Shares for which he is entitled to subscribe subject to his exercise of the share options granted.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executives of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (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 or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors, to be notified to the Company and the Stock Exchange.

Substantial shareholders' and other persons' interests or short positions in the Shares, underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares and underlying Shares

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Zhang Chang ("**Mr. Zhang**")	Interest in controlled corporation *(Note 1)*	170,000,000	10.34%
	Beneficial owner *(Note 1)*	93,090,000	5.66%
Sino Starlet Limited ("**Sino Starlet**")	Beneficial owner *(Note 1)*	170,000,000	10.34%
Vered Capital Limited ("**Vered Capital**")	Person having a security interest in shares *(Note 2)*	260,090,000	15.82%
Shanghai Jiayin	Interest in controlled corporation *(Note 3)*	334,019,430	20.32%
Shanghai Jiaying	Interest in controlled corporation *(Note 3)*	334,019,430	20.32%
Jiayin	Interest in controlled corporation *(Note 3)*	334,019,430	20.32%
BNV	Interest in controlled corporation *(Note 3)*	334,019,430	20.32%
Invech	Beneficial owner *(Note 3)*	334,019,430	20.32%

Notes:

1. Out of these 263,090,000 Shares, 93,090,000 Shares were directly held by Mr. Zhang, while 170,000,000 Shares were held by Sino Starlet, which was in turn wholly-owned by Mr. Zhang. As such, Mr. Zhang was deemed to be interested in such 170,000,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.

2. Information is extracted from the corporate substantial shareholder notices filed by Vered Capital on 29 August 2018. Accordingly to the notices, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang on 27 July 2018.

3. These 334,019,430 Shares were held by Invech. Invech was wholly-owned by BNV, which was in turn wholly-owned by Jiayin. Jiayin was wholly-owned by Shanghai Jiaying, which was in turn wholly-owned by Shanghai Jiayin. Shanghai Jiayin was held by Mr. Yan as to 75%. Accordingly, each of Mr. Yan, Shanghai Jiayin, Shanghai Jiaying, Jiayin and BNV was deemed to be interested in such 334,019,430 Shares held by Invech pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person (other than the Directors or the chief executives of the Company) who had or were deemed or taken to have an interest or short position 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, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. INTERESTS IN ASSETS

Save as contemplated under the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement), as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 March 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

Save as contemplated under the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement), as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had any business or interest which competes or may compete, either directly or indirectly, with the business of the Group, or has or may have any other conflict of interest with the Group pursuant to the GEM Listing Rules.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

Save as disclosed in the February Announcement, as at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by any members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the second supplemental agreement dated 8 May 2018 to the share disposal agreement dated 28 September 2017 (the "**2017 Share Disposal Agreement**") entered into between Joy Grand Investment Limited ("**Joy Grand**"), a wholly-owned subsidiary of the Company, as vendor and Mr. Wu Xiaoming（吳筱明先生）("**Mr. Wu**") as purchaser in relation to the disposal of 508,000,000 shares of Zhi Cheng Holdings Limited ("**Zhi Cheng**"), whose shares are listed on GEM with stock code: 8130, pursuant to which the final completion date under the 2017 Share Disposal Agreement shall be extended from 8 May 2018 to 26 June 2018 (or such other date as agreed by the parties thereto in writing);

(b) the third supplemental agreement dated 26 June 2018 to the 2017 Share Disposal Agreement, pursuant to which, among others, the final completion date under the 2017 Share Disposal Agreement shall be further extended from 26 June 2018 to 10 September 2018 (or such other date as agreed by the parties thereto in writing);

(c) the fourth supplemental agreement dated 10 September 2018 to the 2017 Share Disposal Agreement, pursuant to which the final completion date under the 2017 Share Disposal Agreement shall be further extended from 10 September 2018 to 10 November 2018 (or such other date as agreed by the parties thereto in writing);

(d) the sale and purchase agreement dated 18 September 2018 entered into among Charm Act Group Limited ("**Charm Act**"), a wholly-owned subsidiary of the Company, Straum Investments Limited ("**Straum Investments**") and Original Fortune Group Limited ("**Original Fortune**") as vendors and OPG as purchaser, pursuant to which Charm Act, Straum Investments and Original Fortune agreed to sell and OPG agreed to purchase 70%, 21% and 9% of the issued share capital of OCG Thailand, respectively, in consideration of OPG allotting and issuing 70 OPG Shares, 21 OPG Shares and 9 OPG Shares to Charm Act, Straum Investments and Original Fortune, respectively;

(e) the deed of indemnity dated 18 September 2018 executed by the Company and Charm Act in favour of OPG regarding certain indemnities;

(f) the deed of non-competition dated 18 September 2018 executed by the Company and Charm Act in favour of OPG regarding certain non-competition undertakings,

(g) the conditional public offer underwriting agreement dated 26 September 2018 relating to the public offer of OPG Shares (as described in the prospectus of OPG dated 27 September 2018) entered into by, among others, OPG, the Sponsor, the Sole Global Coordinator and the Public Offer Underwriters (as respectively defined in the announcement of the Company dated 27 September 2018);

(h) the conditional placing underwriting agreement dated 11 October 2018 relating to the placing of 225,000,000 OPG Shares entered into by, among others, OPG, the Sponsor, the Sole Global Coordinator and the Placing Underwriters (as respectively defined in the announcement of the Company dated 27 September 2018);

(i) the fifth supplemental agreement dated 9 November 2018 to the 2017 Share Disposal Agreement, pursuant to which, among others, the final completion date under the 2017 Share Disposal Agreement shall be further extended from 10 November 2018 to 15 February 2019 (or such other date as agreed by the parties thereto in writing);

(j) the subscription for an unlisted financial/wealth management product, namely, 招商銀行朝招金(多元穩健型)理財計劃 issued by China Merchants Bank by Massnet Microcredit in the principal amount of RMB100,000,000 on 26 September 2018, followed by the redemption of the same in parts on 7 December 2018, 21 December 2018 and 27 December 2018, respectively (for which no written contract was entered into between the parties thereto);

(k) the deed of confirmation dated 31 December 2018 entered into among Firm Idea Limited, a wholly-owned subsidiary of the Company, as purchaser, and Mr. Zhang Junzhen, Mr. Ru Tianshu, Mr. Shan Wei Dong, Mr. Li Dong Hai and Mr. Fan Peng Kun, as vendors, confirming and ratifying the contents of their previous oral agreement in relation to, among others, waiver by those vendors of the right, to elect payment from the purchaser of the shortfall in cash which may arise as a result of the share settlement of the second tranche consideration in the sum of HK$54 million (subject to downward adjustments) and third tranche consideration in the sum of HK$71 million (subject to downward adjustments), as contemplated under the conditional sale and purchase agreement dated 20 April 2015 entered into among the aforesaid parties in respect of acquisition of the entire issued share capital of AE Investment Consulting Limited, in the event that the price of each Share as quoted on the Stock Exchange on the business day prior to the date of issue of the relevant tranche of the consideration shares was less than the issue price of HK$2.15 per Share;

(l) the termination deed dated 14 February 2019 entered into between Joy Grand and Mr. Wu, pursuant to which Joy Grand and Mr. Wu have, conditional upon and subject to the execution and completion of the 2019 Share Disposal Agreement (as defined in sub-paragraph (m) below) in the manner to Joy Grand's absolute satisfaction, undertaken to each other, among others, that the 2017 Share Disposal Agreement shall be terminated;

(m) the sale and purchase agreement dated 14 February 2019 (the "**2019 Share Disposal Agreement**") entered into among Joy Grand as vendor, Mr. Wu and the Company as guarantors, and Dadi International Holding Co., Ltd. ("**Dadi International**") as purchaser, pursuant to which, among others, Joy Grand agreed to sell, and Dadi International agreed to purchase, 508,000,000 shares of Zhi Cheng for a total consideration of HK$90,424,000;

(n) the side letter dated 18 February 2019 to the 2019 Share Disposal Agreement entered into among Joy Grand, Mr. Wu, the Company and Dadi International in relation to the extension of the closing date under the 2019 Share Disposal Agreement to 19 February 2019 (or such other date as the parties thereto may agree in writing);

(o) the letters of consent dated 21 March 2019 from each of the existing subscribers (the "**Subscribers**") to the 4% senior secured convertible bonds issued by the Company in August 2016 (the "**Convertible Bonds**"), namely (i) Haitong Global Investment SPC III acting on behalf of and for the account of Haitong Dynamic Investment Fund II S.P. (formerly known as Haitong Dynamic Multi-Tranche Investment Fund II S.P.) (as subsequently transferred from Haitong International Investment Fund SPC acting on behalf of and for the account of Haitong International Investment Fund SPC — Fund I SP) ("**HGI SPC**"), (ii) Haitong International Asset Management (HK) Limited (formerly known as Hai Tong Asset Management (HK) Limited) ("**HTAM**"), (iii) Honour Grace Investments Limited ("**Honour Grace**") and (iv) Sun Create Richly Holdings (Asia) Limited ("**Sun Create**") for the early redemption of the Convertible Bonds in the aggregate outstanding principal amount of US$12,000,000 on 22 March 2019;

(p) the letters of consent dated 6 August 2019 from each of the Subscribers, namely (i) HGI SPC, (ii) HTAM, (iii) Honour Grace and (iv) Sun Create to extend the maturity date of the Bonds from 1 August 2019 to 1 February 2020;

(q) the share purchase agreements (the "**Share Purchase Agreements**") both dated 29 October 2019 entered into among OPG as purchaser and each of Ms. Jiang Zhengyan ("**Ms. Jiang**") and Mr. Tham Kar Wai Derrick (Tan Jiawei Derrick) ("**Mr. Tham**") as vendor in relation to the acquisition of an aggregate of 33% of the entire issued share capital of Alldebit Pte. Ltd. for a total consideration of HK$2,200,000;

(r) the side letters dated 31 December 2019 to the Share Purchase Agreements entered into among OPG and each of Ms. Jiang and Mr. Tham in relation to the extension of the respective long stop date under the Share Purchase Agreements to 15 February 2020 or such other date as the parties thereto may mutually agree in writing;

(s) the side letters dated 14 February 2020 to the Share Purchase Agreements entered into among OPG and each of Ms. Jiang and Mr. Tham in relation to the further extension of the respective long stop date under the Share Purchase Agreements to 28 February 2020 or such other date as the parties thereto may mutually agree in writing and variation of certain terms of the Share Purchase Agreements;

(t) the sale and purchase agreements all dated 17 December 2019 entered into between Open Union and Mr. Zhen Lianhai (甄連海先生) ("**Mr. Zhen**"), pursuant to which Open Union agreed to sell, and Mr. Zhen agreed to acquire, three office apartments all located at Beijing, the PRC, for a total consideration of RMB20,500,000;

(u) the placing agreement (the "**Placing Agreement**") dated 13 January 2020 entered into between Charm Act and Gayang Securities Limited (the "**Placing Agent**"), pursuant to which Charm Act agreed to place through the Placing Agent up to 200,000,000 OPG Shares ("**Placing Share(s)**") to not less than six placees at the revised placing price of HK$0.07 per Placing Share on a best effort basis;

(v) the side letter dated 23 January 2020 to the Placing Agreement entered into between Charm Act and the Placing Agent in relation to amendment to the placing price under the Placing Agreement from HK$0.086 per Placing Share to HK$0.07 per Placing Share;

(w) the letters of consent dated 26 February 2020 from each of the relevant Subscribers, namely, (i) AI Global Investment SPC acting on behalf of and for the account of AI Investment Fund S.P. (formerly known as HGI SPC), (ii) Honour Grace and (iii) Sun Create to, among others, further extend the maturity date of the Bonds from 1 February 2020 to 1 August 2020;

(x) the SPA; and

(y) the Supplemental Agreement.

9. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of the text of its letter and references to its name and logo, in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any interest, direct or indirect, in any assets which had been, since 31 March 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is located at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

(c) The Company's Hong Kong share registrar and transfer office is Union Registrars Limited, which is located at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(d) The company secretary of the Company is Mr. Tang Wai Leung. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

(e) The compliance officer to the Company is Mr. Lin Xiaofeng.

(f) The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 and corporate governance code C.3.3 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Dr. Yuan Shumin (Committee Chairman), Mr. Wang Yiming and Mr. Lu Dongcheng, who are independent non-executive Directors. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges:

Dr. Yuan Shumin ("**Dr. Yuan**"), aged 69, 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 of the School of Adult Education in Shanghai University of Finance and Economics from 2000 to 2005, Dr. Yuan has joined the School of Accountancy in Shanghai Finance University since September 2005 and had been the president of that School of Accountancy until 2013. Since April 2014 to present, he acts as chief accountant of Sanda University. From June 2007, he acts as an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited (8205.HK).

Mr. Wang Yiming ("**Mr. Wang**"), aged 53, 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 appointed as an executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on GEM, in September 2004. Mr. Wang had resigned as the chief executive officer and the executive director of Shanghai Jiaoda Withub Information Industrial Company Limited in June 2014. He is currently the general manager of 上海申廣科技發展有限公司 (Shanghai Shenguang Technology Development Ltd.*).

Mr. Lu Dongcheng ("**Mr. Lu**"), aged 53, 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, nomination 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. In May 2015, Mr. Lu was appointed as the managing partner of 北京重山遠志醫療健康基金 (Beijing Zhongshan Medical Health Fund*).

(g) In case of any inconsistency, the English text of this circular, together with the notice of EGM and the enclosed form of proxy, shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. at the head office and principal place of business of the Company in Hong Kong at Office No. 01, 31st 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 three financial years ended 31 March 2017, 2018 and 2019;

(c) the interim report of the Company for the six months ended 30 September 2019;

(d) the material contracts referred to in the section headed "8. Material Contracts" in this Appendix (other than the material contract (j) as referred to therein);

(e) the memorandum setting out full particulars of the transaction contemplated under the material contract (j) as mentioned above;

(f) the letter from the Board, the text of which is set out on pages 7 to 22 to this circular;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular;

(h) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 45 of this circular;

(i) the letter of consent of expert referred to in the section headed "9. Expert and Consent" in this Appendix; and

(j) 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 an extraordinary general meeting (the "**EGM**") of China Smartpay Group Holdings Limited (the "**Company**") will be held at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong on Friday, 12 June 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing and approving (with or without amendments) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT:**

(a) the conditional sale and purchase agreement dated 13 March 2020 (the "**SPA**") entered into among the Company as vendor and each of Geerong (HK) Limited and Oak Bay International Limited (the "**Purchasers**") as purchasers (as amended by the supplemental agreement dated 8 May 2020 to the SPA entered into among the same parties (the "**Supplemental Agreement**")) in relation to the disposal of an aggregate of 75 ordinary shares of Keen Best Investments Limited (the "**Target Company**") for the total consideration of HK225,000,000 upon and subject to the terms and conditions as set out therein (a copy of which has been produced to the EGM marked "A" and initialled by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder (the "**Disposal**") be and are hereby approved, confirmed and/or ratified (as the case may be);

(b) the entering into of the shareholders' agreement (the "**Shareholders' Agreement**") among the Company, the Target Company and the Purchasers in relation to their respective rights and obligations in the Target Company upon completion of the Disposal and the transactions contemplated thereunder be and are hereby approved, confirmed and/or ratified (as the case may be); and

(c) any one director of the Company ("**Director(s)**") (if execution under the common seal of the Company is required, any two Directors) be and is (are) hereby authorised for and on behalf of the Company to sign and execute, and when required, to affix the common seal of the Company, to deliver any documents, instruments or agreements and to do all such acts and things and to take all such steps which, in the opinion of such Director, may be necessary, desirable or expedient to implement and/or give effect to the SPA (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the entering into of the Shareholders' Agreement) and to agree to such variations, amendments, additions or waivers of matters relating thereto as such Director deems appropriate."

By Order of the Board
China Smartpay Group Holdings Limited
Song Qian
Chairlady

Hong Kong, 22 May 2020

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. 01, 31st Floor
Hong Kong Plaza
188 Connaught Road West
Hong Kong

Notes:

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy(ies) (if he/she/it is the holder of two or more shares of the Company) to attend and to vote on a poll instead of him/her/it at the EGM and the appointment shall specify the number of shares in respect of which such proxy is so appointed. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the EGM personally or by proxy, the vote of the person so present whose name stands first on the register of members of the Company in respect of the joint holding shall be accepted to the exclusion of the votes of the other joint registered holders.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged with the Company's Hong Kong share registrar and transfer office (the "**Share Registrar**"), Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be).

4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if such shareholder of the Company so wishes and, in such event, the form of proxy shall be deemed to be revoked.

5. The resolution set out in this notice of EGM will be put to shareholders of the Company to vote taken by way of a poll (except where the chairman decides to allow a resolution relating to a purely procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules (the "**GEM Listing Rules**") Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

6. If Typhoon Signal No.8 or above, or a "black" rainstorm warning or extreme conditions caused by super typhoons is in effect in Hong Kong at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at www.chinasmartpay.com and on the GEM website at www.hkgem.com to notify its shareholders of the date, time and venue of the rescheduled meeting.

7. For determining the entitlement to attend and vote at the EGM, the record date will be Monday, 8 June 2020. In order to be eligible to attend and vote at the EGM, all unregistered holders of shares of the Company shall ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 8 June 2020.

As at the date of this notice, the board of Directors comprises (i) five executive Directors, namely, Mr. Yan Dinggui, Ms. Song Qian, Mr. Song Xiangping, Mr. Lin Xiaofeng and Mr. Liu Liang; and (ii) three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

This notice, for which all 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 notice is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.

This notice will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.chinasmartpay.com.

PRECAUTIONARY MEASURES AT THE EGM

In view of the recent developments of the Novel Coronavirus (COVID-19) pandemic, and taking into consideration of the guidelines issued by the Government of Hong Kong, the Company will implement the following preventive measures at the EGM to protect attending shareholders of the Company ("**Shareholder(s)**") from the risk of infection:

- Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue.
- Every Shareholder or proxy is required to wear medical face mask throughout the EGM.
- No refreshment will be served. Any person who does not comply with the precautionary measures may be denied entry into the EGM venue.

The Company wishes to remind all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights.

Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.