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China Smartpay Group Holdings Limited

中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8325)

(1) TERMINATION OF 2017 SALE AND PURCHASE AGREEMENT AND (2) DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE SALE SHARES

TERMINATION OF THE 2017 SALE AND PURCHASE AGREEMENT

The Board hereby announces that after trading hours on 14 February 2019, Joy Grand and Mr. Wu have entered into the Termination Deed, pursuant to which the parties have, conditional upon and subject to the execution and completion of the 2019 Sale and Purchase Agreement in the manner to Joy Grand's absolute satisfaction, undertaken to each other, among others, that the 2017 Sale and Purchase Agreement shall be terminated.

THE 2019 TRANSACTION

The Board is pleased to announce that after trading hours on 14 February 2019, Joy Grand as vendor, Mr. Wu and the Company as guarantors, and Dadi International as purchaser have entered into the 2019 Sale and Purchase Agreement, pursuant to which Joy Grand has agreed to sell, and Dadi International has agreed to purchase, the Sale Shares, representing approximately 14.25% of the entire issued share capital of Zhi Cheng as at the date of this announcement, at a consideration of HK\$90,424,000 in aggregate, representing a price of HK\$0.178 per Sale Share.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the 2019 Transaction is more than 5% but less than 25%, the 2019 Transaction constitutes a discloseable transaction on the part of the Company under 19.06 of the GEM Listing Rules and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Reference is made to the Announcements in relation to the entering into of the 2017 Sale and Purchase Agreement between Joy Grand as vendor, and Mr. Wu as purchaser.

(1) TERMINATION OF THE 2017 SALE AND PURCHASE AGREEMENT

As at the date of this announcement, Mr. Wu has not completed the 2017 Transaction in accordance with the terms and conditions of the 2017 Sale and Purchase Agreement. Meanwhile, Mr. Wu has introduced and referred Dadi International to Joy Grand in respect of sale and purchase of the Sale Shares.

The Board hereby announces that after trading hours on 14 February 2019, Joy Grand and Mr. Wu have entered into the Termination Deed.

Pursuant to the Termination Deed, it has been agreed that:

1. notwithstanding the subsistence of and any provision in the 2017 Sale and Purchase Agreement, Mr. Wu has confirmed (a) his acknowledgement of and consent to the entering into of the 2019 Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) his agreement to be one of the guarantors guaranteeing performance of Joy Grand's obligations and to give certain warranties relating to Zhi Cheng under the 2019 Sale and Purchase Agreement.
2. conditional upon and subject to the execution and completion of the 2019 Sale and Purchase Agreement in the manner to Joy Grand's absolute satisfaction and in consideration of the mutual release hereinafter contained, with effect from the date of the Termination Deed, Joy Grand and Mr. Wu have undertaken to each other as follows:
 - (a) that the 2017 Sale and Purchase Agreement shall be terminated and shall cease to be binding upon the parties thereto;
 - (b) that neither of the parties to the 2017 Sale and Purchase Agreement shall have any claims against each other for breach of any provision or otherwise howsoever in connection with the 2017 Sale and Purchase Agreement; and
 - (c) that the parties thereto mutually release and discharge each other from all obligations, duties, responsibilities, claims and liabilities whatsoever of whatever nature owed to any other party (if any) arising out of or in connection with the 2017 Sale and Purchase Agreement.

For the avoidance of doubt, if Closing takes place in the manner to the absolute satisfaction of Joy Grand, in consideration of Mr. Wu's introduction and referral of Dadi International to Joy Grand for sale and purchase of the Sale Shares, Joy Grand will return the deposits (as defined in the 2017 Sale and Purchase Agreement) to Mr. Wu in full without interest.

3. In the event that the 2019 Transaction does not complete for whatsoever reason (other than the default of Joy Grand), the terms and conditions of the 2017 Sale and Purchase Agreement shall remain valid and binding upon the parties to the Termination Deed.

The Directors consider that termination of the 2017 Sale and Purchase Agreement would not have any material adverse effects on the business operation and financial position of the Group.

(2) THE 2019 TRANSACTION

The Board is pleased to announce that after trading hours on 14 February 2019, Joy Grand as vendor, Mr. Wu and the Company as guarantors, and Dadi International as purchaser, have entered into the 2019 Sale and Purchase Agreement.

THE 2019 SALE AND PURCHASE AGREEMENT

The major terms of the 2019 Sale and Purchase Agreement are as follows:

Date: 14 February 2019

Parties:

- (1) Joy Grand, as vendor
- (2) Dadi International, as purchaser
- (3) The Company, as guarantor
- (4) Mr. Wu, as guarantor, together with the Company, collectively referred to as the "**Guarantors**"

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Wu, Dadi International and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

Subject matter

Pursuant to the terms of the 2019 Sale and Purchase Agreement, Joy Grand has agreed to sell and Dadi International has agreed to purchase the Sale Shares, being 508,000,000 Zhi Cheng Shares, representing approximately 14.25% of the entire issued share capital of Zhi Cheng as at the date of this announcement.

Consideration

The Consideration of the Sale Shares payable by Dadi International to Joy Grand shall be HK\$90,424,000 in aggregate, representing a price of HK\$0.178 per Sale Share. At Closing, Dadi International shall pay the Consideration to Joy Grand in immediately available funds by way of electronic transfer for the same day value in Hong Kong Dollars to Joy Grand's designated bank account or other account(s) as Joy Grand shall otherwise specify pursuant to the terms of the 2019 Sale and Purchase Agreement.

The consideration was arrived at after arm's length negotiation between Dadi International and Joy Grand and is determined with reference to (i) the historical and the prevailing market price of the Zhi Cheng Shares; (ii) the consideration payable by Mr. Wu to Joy Grand pursuant to the 2017 Sale and Purchase Agreement; and (iii) the subscription price payable by Dadi International for subscription of the Zhi Cheng Shares as disclosed in the announcement of Zhi Cheng dated 31 January 2019.

Conditions Precedent

Closing shall be subject to and conditional upon satisfaction of the following Conditions Precedent:

- (i) all consents from government or regulatory authorities (including but not limited to the Stock Exchange and the Securities and Futures Commission of Hong Kong (if applicable)) or third parties which are necessary or desirable in connection with the execution and performance of the 2019 Sale and Purchase Agreement and any transaction contemplated thereunder having been obtained (if applicable);
- (ii) Joy Grand's warranties remaining true and accurate in all respects; and
- (iii) Mr. Wu's warranties remaining true and accurate in all respects.

If any of the Conditions Precedent is not satisfied on or prior to 14 February, 2019, Joy Grand and Dadi International shall be released and discharged from their respective obligations under the 2019 Sale and Purchase Agreement (except for any liability of Joy Grand and Dadi International in respect of any antecedent breaches of the terms of the 2019 Sale and Purchase Agreement).

Closing

Closing shall take place on or before 5:00 p.m. (Hong Kong time) on 15 February, 2019, or such other time, date and/or place as the parties to the 2019 Sale and Purchase Agreement may agree in writing.

Upon Closing in full, the Group will no longer hold any Zhi Cheng Shares.

Guarantee and indemnity

In consideration of Dadi International entering into the 2019 Sale and Purchase Agreement, the Guarantors have, among others:

- (i) guaranteed to Dadi International the due and punctual performance and observance by Joy Grand of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the 2019 Sale and Purchase Agreement;
- (ii) agreed to indemnify Dadi International against all losses, damages, costs and expenses (including legal costs and expenses) which Dadi International may suffer or incur through or arising from any breach by Joy Grand of such obligations, commitments, warranties, undertakings, indemnities or covenants; and
- (iii) agreed, as a separate and independent stipulation, that any obligation expressed to be undertaken by Joy Grand under the 2019 Sale and Purchase Agreement (including, without limitation, any monies expressed to be payable under the 2019 Sale and Purchase Agreement) which may not be enforceable against or recoverable from Joy Grand by reason of any legal limitation, disability or incapacity or any other fact or circumstance will nevertheless be enforceable against or recoverable from the Guarantors as though the same has been incurred by the Guarantors and the Guarantors were sole or principal obligor in respect of such obligation and will be performed or paid by the Guarantors on demand.

Further undertakings

In the event that Closing has not taken place on the Closing Date due to the default of Dadi International in the sole opinion of Joy Grand or Dadi International fails to pay the Consideration or any part thereof on or before the Closing Date for whatsoever reason, Dadi International shall pay Joy Grand an amount equivalent to 10% of the Consideration as compensation for Joy Grand forthwith on demand.

In the event that Closing has not taken place on the Closing Date due to the default of Joy Grand in the sole opinion of Dadi International or Joy Grand fails to deliver (or cause to deliver) any documents to Dadi International in accordance with the provision of the 2019 Sale and Purchase Agreement, Joy Grand shall pay Dadi International an amount equivalent to 10% of the Consideration as compensation for Dadi International forthwith on demand.

REASONS FOR AND BENEFIT OF THE 2019 TRANSACTION

Reference is made to the Announcements in relation to the 2017 Transaction. The Zhi Cheng Shares acquired by the Company are classified as financial assets at fair value through profit or loss. The investments were made from surplus cash of the Company. The gross proceeds (before deducting other expenses in relation thereto) arising from the 2017 Transaction, if proceed, would amount to approximately HK\$81,280,000. Based on the acquisition costs of approximately HK\$68,580,000 for the Sale Shares held by the Company, the Directors expected to record a gain on disposal of approximately HK\$12,700,000 under the 2017 Transaction.

As disclosed under section “(1) Termination of the 2017 Sale and Purchase Agreement” of this announcement, Mr. Wu has not completed the 2017 Transaction in accordance with the terms and conditions of the 2017 Sale and Purchase Agreement, and has, however, introduced and referred Dadi International to Joy Grand in respect of sale and purchase of the Sale Shares under the 2019 transaction. The 2019 Transaction offers an opportunity for the Group to dispose its interests in the Sale Shares at a satisfactory consideration.

As benefited from the higher Consideration payable by Dadi International under the 2019 Transaction, the Directors expect to record a gain on disposal of approximately HK\$21,844,000 under the 2019 Transaction, taking into account of the gross proceeds (before deducting other expenses in relation thereto) of HK\$90,424,000 arising from the 2019 Transaction, which leads to a further unaudited gain of approximately HK\$9,144,000 recognised, being the difference between the consideration as set out in the 2017 Sale and Purchase Agreement and the Consideration. In any event, the actual gain or loss as a result of the 2019 Transaction to be recorded by the Group is subject to audit and/or review by the auditor and will be determined as at the Closing Date.

The Directors expect that the net proceeds from the 2019 Transaction will be used for early redemption of the convertible bonds issued by the Company on 12 August 2016, in an aggregate principal amount of USD12 million, particulars of which were disclosed in the announcements of the Company dated 31 July 2016, 2 August 2016 and 12 August 2016, respectively. The Directors are of the view that the 2019 Transaction would generate immediate cash inflow, which would enable the Group to make immediate repayment of its debts under the aforesaid issue of convertible bonds, thereby optimising the corporate capital structure and enhancing overall liquidity of the Group.

The Board considers that the terms of the 2019 Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION OF ZHI CHENG

Zhi Cheng is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and its issued shares are listed on GEM. The Zhi Cheng Group is principally engaged in provision of financial leasing and other financial services, advertising, cultural media and related services.

Set out below is the financial information of Zhi Cheng for the two years ended 31 March 2017 and 2018 as extracted from the 2017 annual report and 2018 annual report of Zhi Cheng:

	For the year ended	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
Revenue	69,218	47,648
(Loss) before taxation	(52,389)	(113,861)
(Loss) for the year	(52,727)	(115,842)

The unaudited net assets value of Zhi Cheng as at 30 September 2018 is HK\$469,551,000.

INFORMATION OF THE GROUP AND DADI INTERNATIONAL

The Group is principally engaged in prepaid cards and internet payment business, prestige benefits business and internet micro-credit business in the PRC. In particular, the Group is mainly offering 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 and it has always been the Group's intention to provide its users with a one-stop solution combining payment, benefits and credit services.

Dadi International is an investment holding company and is an indirect non wholly-owned subsidiary of Shanxidadi. Shanxidadi is a state-owned enterprise in the PRC and is principally engaged in land rectification, disposal of solid waste, restoration of mines.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the 2019 Transaction is more than 5% but less than 25%, the 2019 Transaction constitutes a discloseable transaction on the part of the Company under 19.06 of the GEM Listing Rules and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“2017 Transaction”	the then proposed disposal of the Sale Shares by Joy Grand to Mr. Wu pursuant to the 2017 Sale and Purchase Agreement
“2017 Sale and Purchase Agreement”	the sale and purchase agreement dated 28 September 2017 entered into between Joy Grand and Mr. Wu in relation to the 2017 Transaction (as supplemented and amended by the supplemental agreement dated 8 February 2018, the second supplemental agreement dated 8 May 2018, the third supplemental agreement dated 26 June 2018, the fourth supplemental agreement dated 10 September 2018 and the fifth supplemental agreement dated 9 November 2018 between the parties thereto)
“2019 Transaction”	the proposed disposal of the Sale Shares by Joy Grand to Dadi International pursuant to the 2019 Sale and Purchase Agreement
“2019 Sale and Purchase Agreement”	the sale and purchase agreement dated 14 February 2019 entered into among Joy Grand, the Company, Mr. Wu and Dadi International in relation to the 2019 Transaction
“Announcement(s)”	the announcements of the Company respectively dated 28 September 2017, 8 February 2018, 8 May 2018, 27 June 2018, 10 September 2018 and 9 November 2018 in relation to the entering into of the 2017 Sale and Purchase Agreement
“Board”	board of Directors
“Business Day(s)”	any day(s) on which commercial banks are open for business in Hong Kong (excluding Saturday(s), Sunday(s), public holiday(s) and any weekday on which Typhoon Signal No.8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.

“Closing”	completion of the 2019 Transaction pursuant to the 2019 Sale and Purchase Agreement
“Closing Date”	the date of Closing which shall take place on 15 February 2019, or such other date as Joy Grand and Dadi International may agree in writing.
“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
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Condition(s) Precedent”	the condition(s) for Closing pursuant to the 2019 Sale and Purchase Agreement
“Consideration”	the consideration payable by Dadi International to Joy Grand at Closing pursuant to 2019 Sale and Purchase Agreement
“Dadi International”	Dadi International Holding Co., Ltd, a company incorporated in the British Virgin Islands with limited liability, an indirect non wholly-owned subsidiary of Shanxidadi
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Joy Grand”	Joy Grand Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Mr. Wu”	Mr. Wu Xiaoming (吳筱明), an executive director, the executive vice chairman, and the chief executive officer of Zhi Cheng
“PRC”	the People’s Republic of China
“Sale Shares”	508,000,000 Zhi Cheng Shares
“Shanxidadi”	山西大地環境投資控股有限公司 (Shanxidadi Environment Investment Holdings Co., Ltd.*), a state-owned enterprise established by the government of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Deed”	the deed of termination and undertaking dated 14 February 2019 entered into by Joy Grand and Mr. Wu
“USD”	United States dollar, the lawful currency of the United States of America
“Zhi Cheng”	Zhi Cheng Holdings Limited (stock code: 8130), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on GEM
“Zhi Cheng Group”	Zhi Cheng and its subsidiaries
“Zhi Cheng Share(s)”	ordinary share(s) of HK\$0.01 each in the entire issued share capital of Zhi Cheng
“%”	per cent.

By order of the Board
China Smartpay Group Holdings Limited
Mr. Yan Dinggui
Executive Deputy Chairman

Hong Kong, 14 February 2019

As at the date of this announcement, the Board comprises (i) three executive Directors, namely, Mr. Yan Dinggui, Dr. Cao Guoqi and Mr. Song Xiangping; (ii) one non-executive Director, namely, Mr. Zhang Huaqiao; and (iii) four independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at <http://www.chinasmartpay.com>

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