
THIS DOCUMENT 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.

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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) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE
(3) PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND
(4) NOTICE OF EGM

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



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 6 to 22 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Refreshment of General Mandate is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate is set out on pages 25 to 38 of this circular. A summary of the principal terms of the New Share Option Scheme is set out on pages 39 to 57 of this circular.

A notice convening the EGM to be held on Thursday, 13 May 2021 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-6 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, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority 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 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) should 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 April 2021

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

| | <i>Pages</i> |
|---|--------------|
| Definitions | 1 |
| Letter from the Board | 6 |
| Letter from the Independent Board Committee | 23 |
| Letter from the Independent Financial Adviser | 25 |
| Appendix — Summary of the Principal Terms of the New Share Option Scheme | 39 |
| Notice of EGM | EGM-1 |

DEFINITIONS

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

| | |
|-------------------------|--|
| “AGM” | the annual general meeting of the Company held on 3 September 2020 at which the Shareholders had approved, among other matters, the Existing General Mandate |
| “associate(s)” | has the meaning as ascribed to it under the GEM Listing Rules |
| “Auditors” | the auditors of the Company for the time being |
| “Board” | the board of Director(s) |
| “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\$209 million as at the Latest Practicable Date |
| “Business Associate(s)” | (a) any advisor or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group; or (b) any provider of goods and/or services to the Group |
| “business day(s)” | any day(s) (excluding a Saturday, Sunday and public holiday) on which banks in Hong Kong are generally open for business and the Stock Exchange is open for the business of dealing in securities |
| “close associate(s)” | has the meaning as ascribed to it under the GEM Listing Rules |
| “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 and the Shares of which are listed on GEM (stock code: 8325) |
| “connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules |

DEFINITIONS

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|------------------------------|---|
| “controlling shareholder(s)” | has the meaning as ascribed to it under the GEM Listing Rules |
| “core connected person(s)” | has the meaning as ascribed to it under the GEM Listing Rules |
| “Director(s)” | director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held on Thursday, 13 May 2021 at 11:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving, among other matters, the Increase in Authorised Share Capital, the Refreshment of General Mandate and the proposed adoption of the New Share Option Scheme |
| “Employee(s)” | (a) any full-time employee and director (including executive director, non-executive director and independent non-executive director) of the Group; and (b) any part-time employee with weekly working hours of 10 hours or above of the Group |
| “Existing General Mandate” | the general mandate granted at the AGM to the Directors to allot, issue and otherwise deal with up to 328,837,738 new Shares, being approximately 20.00% of the total number of the issued Shares as at the date of passing of the relevant resolution(s) at the AGM |
| “GEM” | GEM of the Stock Exchange |
| “GEM Listing Committee” | has the meaning as ascribed to it under the GEM Listing Rules |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Grantee” | any Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme, or (where the context so permits) the legal personal representative(s) who is (are) entitled to any Option in consequence of the death of the original Grantee |

DEFINITIONS

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| “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 |
| “Increase in Authorised Share Capital” | the proposed increase in the Company’s authorised share capital from HK\$20,000,000 divided into 2,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 8,000,000,000 shares of HK\$0.01 each in the capital of the Company |
| “Independent Board Committee” | the independent board committee of the Company, comprising all the independent non-executive Directors, to advise the Independent Shareholders on the Refreshment of General Mandate |
| “Independent Financial Adviser” or “ECL” | Elstone Capital Limited, a licensed corporation to carry out Type 6 (Advising on corporate finance) regulated activity under the SFO and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate |
| “Independent Shareholder(s)” | Shareholder(s) other than any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates |
| “Latest Practicable Date” | 19 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “New General Mandate” | the general mandate proposed to be granted to the Directors at the EGM to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant resolution(s) at the EGM |

DEFINITIONS

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| “New Share Option Scheme” | the new share option scheme proposed to be adopted by the Company upon approval by the Shareholders at the EGM |
| “Old Share Option Scheme” | the share option scheme which was adopted by the Company on 14 August 2009 and expired on 13 August 2019 |
| “Offer” | the offer of the grant of an Option made in accordance with the New Share Option Scheme |
| “Offer Date” | the date on which an Offer is made to a Participant |
| “Option(s)” | the options to be granted under the New Share Option Scheme to subscribe for the Shares in accordance with the terms and conditions thereof |
| “Participant(s)” | any Employee(s), Business Associate(s) and Trustee(s) |
| “Placing” | the placing of 328,830,000 Shares under the Existing General Mandate pursuant to the placing agreement dated 15 December 2020 entered into between the Company and Venus Sky Investment Limited as the placing agent, completion of which took place on 6 January 2021 |
| “PRC” | the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC |
| “Refreshment of General Mandate” | the proposed refreshment of the Existing General Mandate by way of granting the New General Mandate |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time |
| “Share(s)” | ordinary share(s) of a nominal or par value of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |

DEFINITIONS

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|---------------------------|--|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option as described in the New Share Option Scheme |
| “subsidiary” | has the meaning as ascribed to it under the GEM Listing Rules |
| “substantial shareholder” | has the meaning as ascribed to it under the GEM Listing Rules |
| “Third Party Loan” | the loan in the amount of RMB67 million (equivalent to approximately HK\$73,769,000) advanced by an independent third party to the Group as secured by 25% equity interest in its associate, Keen Best Investments Limited and the personal guarantee provided by a substantial shareholder of the Company, as disclosed in the interim report of the Company for the six months ended 30 September 2020 |
| “Trust(s)” | any trust(s) (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate |
| “Trustee(s)” | the trustee(s) of any Trust(s) |
| “US\$” | the United States dollars, the lawful currency of the United States of America |
| “%” | per cent. |

LETTER FROM THE BOARD



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. Zhang Xi (*Chairman*)

Mr. Wu Hao

Mr. Lin Xiaofeng

Mr. Song Xiangping

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 April 2021

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE
(3) PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND
(4) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 11 February 2021 in relation to the Refreshment of General Mandate and the proposed adoption of the New Share Option Scheme.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Increase in Authorised Share Capital; (ii) further details of the Refreshment of General Mandate; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders on the Refreshment of General Mandate; (iv) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation on the Refreshment of General Mandate; (v) further details of the proposed adoption of the New Share Option Scheme; (vi) a summary of the principal terms of the New Share Option Scheme; (vii) other information as required to be contained in the circular under the GEM Listing Rules; and (viii) a notice of the EGM and an enclosed form of proxy.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares of a nominal or par value of HK\$0.01 each, of which 1,973,018,693 Shares are in issue and 26,981,307 Shares are authorised but unissued as at the Latest Practicable Date. As at the Latest Practicable Date, 21,000,000 share options granted by the Company under the Old Share Option Scheme remained outstanding.

With view to accommodating future issue of new Shares (including but not limited to the possible issue of new Shares under the New General Mandate and upon exercise of any Options that may be granted under the New Share Option Scheme, respectively, where appropriate) and providing the Company with greater flexibility to raise fund by allotting and issuing Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Shares of a nominal or par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of a nominal or par value of HK\$0.01 each by the creation of an additional 8,000,000,000 new Shares of HK\$0.01 each in the capital of the Company. The Board believes that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

Upon the Increase in Authorised Share Capital becoming effective and assuming that there is no change in the total issued share capital of the Company from the Latest Practicable Date up to the date of the EGM, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, with 1,973,018,693 Shares in issue and 8,026,981,307 Shares authorised but unissued. The new Shares authorised to be allotted and issued by the Company shall rank *pari passu* with the existing Shares upon issue.

The Increase in Authorised Share Capital is subject to the approval by the Shareholders by way of an ordinary resolution at the EGM.

LETTER FROM THE BOARD

Save as disclosed in this circular, as at the Latest Practicable Date, the Board has no present intention to issue any part of the increased authorised share capital of the Company with regard to the proposed increase in the authorised share capital of the Company.

PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board proposes to refresh the general mandate for the Directors to allot, issue and otherwise deal with new Shares up to 20% of the total number of the issued Shares as at the date of passing of the relevant resolution(s) at the EGM.

Existing General Mandate

On 3 September 2020, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot, issue and otherwise deal with not exceeding 328,837,738 Shares, being approximately 20.00% of the total number of the issued Shares as at the date of passing of the relevant resolution at the AGM.

During the period from the date of grant of the Existing General Mandate up to the Latest Practicable Date, 328,830,000 Shares (representing approximately 20.00% of the total issued share capital of the Company immediately prior to completion of the Placing) were allotted and issued following completion of the Placing which took place on 6 January 2021, whereupon almost all of the Existing General Mandate has been utilised as a result of completion of the Placing. Please refer to the announcements of the Company respectively dated 15 December 2020 and 6 January 2021 for details of the Placing and its completion.

Proposed grant of the New General Mandate

In light that almost all of the Existing General Mandate has been utilised as at the Latest Practicable Date, the Board proposes to convene the EGM at which ordinary resolution(s) will be proposed to the Independent Shareholders for approving the Refreshment of General Mandate that:

- (i) the Directors be authorised to allot, issue and otherwise deal with new Shares not exceeding 20% of the total number of the issued Shares as at the date of passing of the relevant ordinary resolution(s) at the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

LETTER FROM THE BOARD

The Company has not refreshed the Existing General Mandate since the AGM. The proposed New General Mandate, if granted, will continue in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by its memorandum and articles of association or any other applicable laws to be held; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority granted to the Directors under the New General Mandate.

As at the Latest Practicable Date, the Company has an aggregate of 1,973,018,693 Shares in issue. Assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the date of the EGM, the Directors are authorised to allot, issue and otherwise deal with up to 394,603,738 new Shares under the New General Mandate, representing approximately 20.00% of the total number of the issued Shares as at the Latest Practicable Date.

In any event, any allotment and issue of new Shares under the New General Mandate is subject to and conditional upon the passing of resolution approving the Increase in Authorised Share Capital at the EGM. There is no assurance that whether or not such resolution will be passed at the EGM. As such, the Refreshment of General Mandate may or may not proceed.

Reasons for the Refreshment of General Mandate

The Group is principally engaged in operating prepaid cards and internet payment business and prestige benefits business in the PRC and merchant acquiring business in Thailand.

As disclosed in the interim report of the Group for the six months ended 30 September 2020 (the “**2020 Interim Report**”), the Group recorded net current liabilities of approximately HK\$42.6 million and approximately HK\$113.6 million as at 31 March 2020 and 30 September 2020, respectively, while the cash and bank balances of the Group amounted to approximately HK\$65.5 million and HK\$190.9 million as at 31 March 2020 and 30 September 2020, respectively.

Further, as disclosed in the third quarterly report of the Group for the nine months ended 31 December 2020 (the “**2020 Third Quarterly Report**”), the Group recorded a total revenue of approximately HK\$59.0 million for the nine months ended 31 December 2020, representing a decrease of approximately 68.8% as compared to that of the corresponding period in 2019, which was mainly due to the outbreak of the COVID-19 pandemic. The unaudited loss of approximately HK\$65.0 million for the nine months

LETTER FROM THE BOARD

ended 31 December 2020 was mainly attributable to the decrease in revenue contributed by the adverse effect on the business operation caused by the outbreak of the COVID-19 pandemic. The Board considers that the uncertainty arising from and the impact of the COVID-19 pandemic may continuously affect the Group's operation.

As at the Latest Practicable Date, (i) the Third Party Loan in the amount of RMB67 million (equivalent to approximately HK\$73,769,000) which is repayable on or before 28 September 2021 remained outstanding; and (ii) the outstanding principal amount of the Bonds amounted to approximately HK\$209 million, where the Company has been communicating and negotiating with the subscribers of the Bonds for the repayment proposal of the outstanding principal amount of the Bonds, together with the interest accrued thereon, with view to improving its financial position.

Despite the fact that the Company raised net proceeds of approximately HK\$51.88 million from the Placing, such net proceeds were all utilised in the manner as particularised in the section headed "Fund Raising Activities of the Company in the Past Twelve Months" of this circular hereinbelow. Taking into account the financial position of the Group and the outstanding indebtedness of the Group, the Group does not have sufficient funds to repay its current debts (including the Bonds and the Third Party Loan) and to support the business operation of the Group in long run.

As respectively disclosed in the 2020 Interim Report and the 2020 Third Quarterly Report, the Group will stay alert to the development and situation of the COVID-19 pandemic, continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to maintain the stability of the businesses on one hand; and will keep proactive to seek business opportunities that will contribute and sustain the Group's future development on generating better return to the Shareholders on the other hand.

It is expected that the next annual general meeting of the Company will only be held on or before 30 September 2021 (the "2021 AGM"), which is about five months from the Latest Practicable Date. Under such circumstances, the Board proposes to seek the approval of the Independent Shareholders at the EGM on the Refreshment of General Mandate such that if any funding needs arise or suitable business opportunities become available, the Board will be able to respond to its operation need, the market and such business opportunities promptly, particularly where the current market condition being impacted by the business risks and uncertainties amid the Sino-US trade war and the COVID-19 pandemic as well as the turbulence faced in the recent stock market is volatile.

LETTER FROM THE BOARD

The Directors have confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief. The Board has considered other financing alternatives such as equity financing by way of specific mandate, debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into account the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

As compared with the issue of Shares under general mandate, the issue of Shares under specific mandate upon the relevant terms of the fund raising plan having been finalised will involve extra time and cost, arising from, among others, the preparation, printing and despatch of the relevant circular and notice of extraordinary general meeting as well as the holding and convening of extraordinary general meeting for each occasion. The Board considers that if the Company is able to identify any suitable fund raising opportunities with attractive terms prior to the 2021 AGM, the Refreshment of General Mandate will enable the Company to respond to the market promptly. As compared with the obtaining of specific mandate from an extraordinary general meeting, the process of issuing Shares under general mandate for fund raising is simpler and less time-consuming which would allow the Company to avoid the uncertainties arising from such circumstances where approval for specific mandate may not be obtained from the Shareholders in a timely manner. The Board considers that fund raising exercise pursuant to a general mandate is a more efficient process than fund raising exercise pursuant to a specific mandate which provides the Company with more flexibility.

The Board is of the view that debt financing may be subject to lengthy due diligence and negotiations as compared with the equity financing available to the Directors if the New General Mandate is granted to the Directors. Further debt financing may be subject to prior consent and/or right of first refusal from the holder(s) of the Bonds. Taking into account the time required to negotiate with the banks or other potential lenders and also to seek consent(s) from the holder(s) of the Bonds as well as the ensuing additional interest burden to be imposed on the Group as a result of further debt financing, the Board considers debt financing to be comparatively costly, uncertain and time-consuming as compared with equity financing, such as placing of new Shares under general mandate, for the Group to obtain additional funding.

As regards rights issue or open offer, the Board considers that it may involve substantial time and cost to complete as compared with equity financing by issue of new Shares under general mandate. Although both rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, the discount to market price needed to be offered may be higher for a rights issue or an open offer in order to enhance its attractiveness to the Shareholders, as compared with a placing of new Shares under general mandate. In addition, substantial underwriting costs may be involved and there is a lack of certainty in the successful implementation of a rights issue or an open offer with relatively longer timetable.

LETTER FROM THE BOARD

In light that (i) the Refreshment of General Mandate is a financing alternative which provides the Company with flexibility and discretion in deciding the financing methods for its operation and business development; and (ii) should the Refreshment of General Mandate be approved, raising funds through issue of new Shares under the New General Mandate can better control the completion risk and is more cost-effective and time-efficient. Accordingly, the Board considers that the Refreshment of General Mandate outweighs other financing alternatives in terms of the time and costs involved as well as the flexibility.

Having considered that (i) almost all the Existing General Mandate has been utilised by the Company following completion of the Placing; (ii) the New General Mandate, if granted, will allow the Directors to allot, issue and otherwise deal with new Shares under the refreshed limit and provide the Company with the flexibility and ability to capture any appropriate capital raising or business opportunities in a timely manner, which may arise; (iii) equity financing does not create any interest payment obligations on the Group; and (iv) the Refreshment of General Mandate outweighs other financing alternatives in terms of the time and costs involved as well as the flexibility, the Board considers that the terms of the Refreshment of General Mandate are fair and reasonable and the Refreshment of General Mandate is in the best interests of the Group and the Shareholders as a whole.

The Company has no concrete plan, and has not entered, or does not propose to enter, into any agreement, arrangement, understanding or undertaking and negotiation (whether concluded or not) in respect of new business opportunities and/or issue of new Shares utilising the New General Mandate as at the Latest Practicable Date.

GEM Listing Rules Implication

Pursuant to Rule 17.42A of the GEM Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders' approval at a general meeting of the Company. Any controlling shareholders and their respective associates, or where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) to approve the Refreshment of General Mandate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, (i) the Company had no controlling shareholder; and (ii) neither the Directors and the chief executive of the Company nor their respective associates held any Shares. Accordingly, no Shareholder is required to abstain from voting on the relevant resolution(s) in respect of the Refreshment of General Mandate at the EGM.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The following table summarises the fund raising activities by the Company in the past twelve months immediately prior to the Latest Practicable Date:

| Date(s) of announcements | Fund raising activity | Net proceeds (approximately) | Intended use of net proceeds | Actual use of net proceeds |
|-------------------------------------|-----------------------|------------------------------|---|---|
| 15 December 2020 and 6 January 2021 | Placing | HK\$51,888,000 | <p>(i) Approximately HK\$15.56 million of the net proceeds was intended to repay part of the current debts (including but not limited to the partial repayment of the Bonds, together with the interest accrued thereon) of the Group.</p> <p>(ii) The remaining amount of approximately HK\$36.32 million of the net proceeds was intended to be used as general working capital of the Group, where to the extent that any part of the net proceeds was not applied for such purpose, such proceeds were intended to be applied for repaying the Group's current debts as referred to in (i) above.</p> | <p>(i) All of these net proceeds was applied for repayment of the Group's current debts.</p> <p>(ii) Approximately HK\$28.82 million out of these net proceeds was used for repayment of the Company's current debts while the remaining amount of approximately HK\$7.5 million was used as general working capital of the Group (such as the Bonds related interest payment, salary payment, professional fees and rental expenses, etc).</p> |

Save as disclosed above, as at the Latest Practicable Date, the Company had not conducted any other fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

POTENTIAL DILUTION ON SHAREHOLDINGS

The table below sets out the shareholding structure of the Company (i) immediately prior to completion of Placing, (ii) as at the Latest Practicable Date; and (iii) immediately upon the allotment and issue of new Shares by the Company upon full utilisation of the New General Mandate (assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the date on which new Shares are to be allotted and issued upon full utilisation of the New General Mandate), which is for illustrative purpose only:

| | (i) Immediately prior to completion of Placing | | (ii) As at the Latest Practicable Date | | (iii) Allotment and issue of new Shares upon full utilisation of the New General Mandate | |
|--|--|---------------------------|--|---------------------------|--|---------------------------|
| | Number of Shares | Approximate % (Note 3) | Number of Shares | Approximate % (Note 3) | Number of Shares | Approximate % (Note 3) |
| Mr. Zhang Chang (“Mr. Zhang”) (Note 1) | 263,090,000 | 16.00 | 263,090,000 | 13.33 | 263,090,000 | 11.11 |
| Mr. Yan Dinggui (“Mr. Yan”) (Note 2) | 14,369,430 | 0.87 | 14,369,430 | 0.73 | 14,369,430 | 0.61 |
| Number of Shares allotted and issued to placees upon completion of Placing | — | — | 328,830,000 | 16.67 | 328,830,000 | 13.89 |
| Maximum number of new Shares to be allotted and issued under the New General Mandate | — | — | — | — | 394,603,738 | 16.67 |
| Public Shareholders | 1,366,729,263 | 83.13 | 1,366,729,263 | 69.27 | 1,366,729,263 | 57.72 |
| | <u>1,644,188,693</u> | <u>100.00</u> | <u>1,973,018,693</u> | <u>100.00</u> | <u>2,367,622,431</u> | <u>100.00</u> |

Notes:

- (1) As at the Latest Practicable Date, out of these 263,090,000 Shares, 93,090,000 Shares were directly held by Mr. Zhang, whereas the remaining 170,000,000 Shares were held by Sino Starlet Limited (“Sino Starlet”), which was in turn wholly owned by Mr. Zhang, as disclosed in the disclosure of interests notice filed by Mr. Zhang on 7 January 2021. As such, Mr. Zhang was deemed to be interested in these 263,090,000 Shares, respectively, held by Sino Starlet and himself pursuant to Part XV under the SFO. In addition, as disclosed in the disclosure of interest notices both filed by Vered Capital Limited (“Vered Capital”) on 29 August 2018, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang, respectively, on 27 July 2018.

LETTER FROM THE BOARD

- (2) As at the Latest Practicable Date, these 14,369,430 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**”), which was in turn wholly owned by 上海嘉銀金融服務有限公司 (“**Shanghai Jiayin**”). Shanghai Jiayin was held by Mr. Yan, who resigned as an executive Director on 24 September 2020, as to 75%. Accordingly, Mr. Yan, Shanghai Jiayin, Shanghai Jiaying, Jiayin and BNV were deemed to be interested in such 14,369,430 Shares held by Invech pursuant to Part XV of the SFO.
- (3) Percentages may not add up to 100% due to rounding.

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The Old Share Option Scheme, which was adopted by the Company on 14 August 2009 for a term of ten years commencing on the date of its adoption, expired on 13 August 2019. In light of the expiration of the Old Share Option Scheme, the Board proposes to adopt the New Share Option Scheme.

The Board hereby announces that the Board has resolved to propose the adoption of the New Share Option Scheme to be approved by the Shareholders at the EGM. At the EGM, an ordinary resolution will be proposed for the Company to approve, among others, the proposed adoption of the New Share Option Scheme.

The New Share Option Scheme constitutes a share option scheme under Chapter 23 of the GEM Listing Rules and its provisions comply with the relevant requirements as set out therein. Accordingly, the adoption of the New Share Option Scheme is subject to the Shareholders’ approval at a general meeting in accordance with Rule 23.02(1) of the GEM Listing Rules.

The purpose of the New Share Option Scheme is for the Group to attract, retain and motivate Participants to strive for future developments and expansion of the Group, to recognise and reward the Participants for their past contributions and to maintain on-going relationship with the Participants. The New Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

LETTER FROM THE BOARD

Pursuant to the terms of the New Share Option Scheme, the scope of eligible Participants comprises the following persons:

- (i) Employee(s), being (a) any full-time employee and director (including executive director, non-executive director and independent non-executive director) of the Group; and (b) any part-time employee with weekly working hours of 10 hours or above of the Group (the assessment criterion of which are (i) length of employment or service; (ii) work performance, commitment and achievement; and (iii) contribution to the Group's business development);
- (ii) Business Associate(s), being (a) any advisor or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group; or (b) any provider of goods and/or services to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group); and
- (iii) Trustee(s), being the trustee of any trust(s) (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate (the assessment criterion of which are set out in paragraphs (i) and (ii) above, respectively).

In this connection, the Employees will be provided with an opportunity to have a personal stake in the Company under the New Share Option Scheme, thereby optimising their performance efficiency for the benefit of the Group, and retaining those Employees whose contributions are or will be beneficial to the Group's long-term growth. Apart from the Employees, the Board considers that the success of the Group also relies on the contributions and cooperation from the Business Associates who play a part in the Group's business operation and development by offering advice or recommendation to the Group, providing the Group with goods and/or services of excellent quality or introducing valuable business opportunities or referrals to the Group. As such, grant of Option to such Business Associates with potential or actual contribution to the Group will provide incentive for their continuing participation or involvement in promoting, and efforts to promote, the interests of the Group.

LETTER FROM THE BOARD

Under such circumstances, the Board trusts that it is appropriate and necessary to include the above described persons as eligible Participants in the interests of the Company and the Shareholders as a whole, which could serve with and achieve the foregoing purpose of the New Share Option Scheme. In any event, the basis of eligibility shall be determined by the Board from time to time on the basis of the Participants' contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he/she is qualified to be (or where applicable, continues to be qualified to be) a Participant, such person shall provide all such information as the Directors may request for the purpose of assessing his/her eligibility (or continuing eligibility).

As at the Latest Practicable Date, there were a total of 1,973,018,693 Shares in issue. Assuming that there is no change in the total issued share capital of the Company between the Latest Practicable Date and the date of the EGM at which the adoption of the New Share Option Scheme is to be approved, a maximum of 197,301,869 Shares may be issued upon exercise of all the options to be granted under the New Share Option Scheme and any other share option schemes of the Company, representing approximately 10.00% of the total number of Shares in issue as at the date of the EGM.

In any event, any grant of Options under the New Share Option Scheme is subject to and conditional upon the passing of resolution approving the Increase in Authorised Share Capital at the EGM. There is no assurance that whether or not such resolution will be passed at the EGM. As such, the proposed adoption of New Share Option Scheme may or may not proceed.

As at the Latest Practicable Date, the Company did not have any plan to grant any Options and had not identified any Participant to whom it would make an offer to take up the Option.

Principal terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in the Appendix on pages 39 to 57 of this circular.

The New Share Option Scheme provides that, unless otherwise determined by the Board and provided in the letter containing the Offer, there is no minimum period for which an Option must be held before it can be exercised and no performance target which needs to be achieved by the Grantee before an Option can be exercised. The Board may in its absolute discretion impose on a Participant any conditions, restrictions and/or limitations (as the case may be) in relation to, among others, the grant and/or exercise (as the case may be) of an Option (which shall be stated in the letter containing the Offer) and determine the Subscription Price, on the basis, and subject to any adjustments, as indicated

LETTER FROM THE BOARD

therein. It is believed that the aforesaid provisions will provide the Company with more flexibility to determine whether and when to impose any conditions, restrictions and/or limitations (as the case may be) on the grant and/or exercise (as the case may be) of an Option, as and when appropriate, by setting out, among others, the terms and conditions in relation to exercise of the Option under the particular circumstances of each grant, particularly where there is a need for the Company to offer meaningful incentive and motivation to attract and retain quality personnel that are valuable to the development and expansion of the Group's business for the benefit of the Company and the Shareholders as a whole. This can help facilitate the achievement of the purpose of the New Share Option Scheme, which is primarily to provide incentives, motivations and rewards to the selected Participants for their contribution to the Group.

No trustee has been appointed under the New Share Option Scheme. None of the Director is and will be a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee.

Conditions precedent of the New Share Option Scheme

The New Share Option Scheme shall take effect subject to and conditional upon:

- (a) the passing of ordinary resolution(s) by the Shareholders to approve and adopt the New Share Option Scheme, and to authorise the Directors to grant Options to subscribe for the Shares thereunder and to allot, issue and otherwise deal with the Shares which may be issued pursuant to the exercise of any Options to be granted under the New Share Option Scheme; and
- (b) the GEM Listing Committee granting approval (whether subject to conditions or not) for the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of any Options to be granted under the New Share Option Scheme.

As at the Latest Practicable Date, none of the aforesaid conditions of the New Share Option Scheme had been fulfilled. An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of the Options under the New Share Option Scheme.

The total number of the Shares which may be issued upon exercise of all the options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the EGM at which the adoption of the New Share Option Scheme is to be approved.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price shall, subject to any adjustments made referred to in paragraph 21 of the Appendix to this circular, be determined by the Board in its absolute discretion at the time of the grant of the relevant Option and notified to a Participant and shall be no less than the higher of:

- (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date which must be a business day;
- (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

Value of the Options

The Board considers that it is not appropriate to state the value of the Options that may be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date, since (i) any valuation of the fair value of all the Options would have to base on the circumstances as at the Latest Practicable Date, where Options would be granted until the adoption of the New Share Option Scheme has been approved at the EGM (i.e. after the Latest Practicable Date); and (ii) a number of variables which are crucial to the calculation of the value of all the Options are yet to be determined by the Company. Such variables include the Subscription Price, exercise period, vesting period (if any) and any other relevant factors to be determined by the Company. The Board believes that any calculation of the value of all the Options as at the Latest Practicable Date based on a large number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

However, Shareholders should note that estimated value of Options granted during any financial period based on the Black-Scholes option pricing model, the binomial model or any comparable generally accepted methodology, and the accounting policy adopted for the Option, will be provided in the Company's annual report and interim report, in compliance with the GEM Listing Rules.

LETTER FROM THE BOARD

Document available for inspection

A copy of the New Share Option Scheme will be available for inspection during normal business hours 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 during the 14-day period immediately preceding the EGM and at the EGM.

EGM

The EGM will be convened and held at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong on Thursday, 13 May 2021 at 11:00 a.m. to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Refreshment of General Mandate and the proposed adoption of the New Share Option Scheme.

Pursuant to Rule 17.42A of the GEM Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders' approval at a general meeting of the Company. Any controlling shareholders and their respective associates, or where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) to approve the Refreshment of General Mandate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, (i) the Company had no controlling shareholder; and (ii) neither the Directors and the chief executive of the Company nor their respective associates held any Shares, thus no Shareholder is required to abstain from voting on the ordinary resolution(s) in respect of the Refreshment of General Mandate at the EGM. If any Director or the chief executive of the Company holds any Shares on the date of the EGM, such Director or the chief executive of the Company, together with their respective associates, are required to abstain from voting on the ordinary resolution(s) in respect of the Refreshment of General Mandate at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders had any direct or indirect material interest in the proposed adoption of the New Share Option Scheme, and therefore no Shareholder is required to abstain from voting on the ordinary resolution(s) in respect of the proposed adoption of the New Share Option Scheme at the EGM.

LETTER FROM THE BOARD

Pursuant to the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except for purely procedural or administrative matters. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

A notice convening the EGM is set out on pages EGM-1 to EGM-6 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the GEM website (www.hkgem.com) and the Company's website (www.chinasmartpay.com), respectively. Whether or not you are able to attend the EGM, please read the notice and complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority 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 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) should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 Refreshment of General Mandate.

ECL has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, considers that the terms of the Refreshment of General Mandate are fair and reasonable and the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) for approving the Refreshment of General Mandate at the EGM.

LETTER FROM THE BOARD

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 in respect of the Refreshment of General Mandate; and (ii) the letter from the Independent Financial Adviser set out on pages 25 to 38 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, together with the principal factors and reasons taken into consideration by the Independent Financial Adviser in arriving at such advice and recommendation, for further details of the Refreshment of General Mandate. Meanwhile, your attention is also drawn to the Appendix to this circular “Summary of the Principal Terms of the New Share Option Scheme” for further details of the proposed adoption of the New Share Option Scheme.

Having noted and considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Increase in Authorised Share Capital, the Refreshment of General Mandate and the New Share Option Scheme are fair and reasonable, and the Increase in Authorised Share Capital, the Refreshment of General Mandate and the proposed adoption of the New Share Option Scheme are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders (or the Independent Shareholders, as the case may be) to vote in favour of the resolution(s) for approving the Increase in Authorised Share Capital, the Refreshment of General Mandate and the proposed adoption of the New Share Option Scheme, respectively.

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.

Yours faithfully,

By Order of the Board

China Smartpay Group Holdings Limited

Zhang Xi

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Refreshment of General Mandate, which has been prepared for the purpose of inclusion in 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)

22 April 2021

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to the circular (the “**Circular**”) dated 22 April 2021 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 terms of the Refreshment of General Mandate and to advise you as to whether or not, in our opinion, the terms of the Refreshment of General Mandate as described on pages 8 to 15 of the Circular are fair and reasonable, and the Refreshment of General Mandate is 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(s) to be proposed at the EGM for approving the Refreshment of General Mandate.

The Independent Financial Adviser, namely, ECL has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Refreshment of General Mandate. Details of the advice and recommendation of the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice and recommendation, are set out in its letter on pages 25 to 38 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

We wish to draw your attention to the letter from the Board as set out on pages 6 to 22 of the Circular which contains details of the Refreshment of General Mandate; and the letter from the Independent Financial Adviser as set out on pages 25 to 38 of the Circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.

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 Refreshment of General Mandate are fair and reasonable, and the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole, so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM for approving the Refreshment of General Mandate.

Yours faithfully,

Mr. Wang Yiming

Mr. Lu Dongcheng

Dr. Yuan Shumin

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Elstone Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, which has been prepared for the purpose of incorporation in this circular.



22 April 2021

*To the Independent Board Committee and the Independent Shareholders of
China Smartpay Group Holdings Limited*

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, 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 April 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Existing General Mandate was granted to the Directors to allot, issue and otherwise deal with not more than 328,837,738 new Shares, being approximately 20% of the total number of issued Shares as at the date of passing of the relevant resolution at the AGM. As at the Latest Practicable Date, the Existing General Mandate was almost fully utilised, where a total of 328,830,000 Shares, representing approximately 99.99% of the Shares which can be allotted and issued under the Existing General Mandate, were issued following the completion of the Placing. Therefore, the Board proposes to refresh the general mandate for the Directors to allot, issue and otherwise deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant ordinary resolution(s) at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 17.42A of the GEM Listing Rules, as the Refreshment of General Mandate is proposed to be made before the next annual general meeting of the Company, it will be subject to Independent Shareholders' approval at the EGM. Any controlling shareholders and their respective associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) to approve the Refreshment of General Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, (i) the Company had no controlling shareholder; and (ii) neither the Directors and the chief executive of the Company nor their respective associates held any Shares, thus no Shareholder is required to abstain from voting on the proposed resolution(s) in respect of the Refreshment of General Mandate at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin, has been established to advise the Independent Shareholders on whether the Refreshment of General Mandate is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Elstone Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

We are not associated with the Company, its directors, subsidiaries, associates or substantial shareholders or their respective associates. In the past two years, there was no engagement between the Group and us. As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as hindrance to our independence. 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 had received any fees or benefits from the Group. Accordingly, we are considered to be eligible to give independent advice in respect of the Refreshment of General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and 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 or contained or referred to in the Circular were true, accurate and complete in all material 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 Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and 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 such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided, opinion expressed, representations made to us or referred to in the Circular and that all information provided, opinion expressed or representations made, to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the Circular.

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 so as 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 Directors and 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 any member of the Group or any of their respective subsidiaries and associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in respect of the Refreshment of General Mandate, we have taken into account the principal factors and reasons set out below:

1. Background of the Refreshment of General Mandate

The Group is principally engaged in operating prepaid cards and internet payment business and prestige benefits business in the PRC and merchant acquiring business in Thailand.

In September 2020, the Group completed the disposal of 75% of the entire issued share capital of Keen Best Investments Limited (“**Keen Best**”) at a total consideration of HK\$225 million (the “**Disposal**”). As disclosed in the circular of the Company dated 22 May 2020 (the “**Disposal Circular**”), Keen Best indirectly wholly-owns 重慶市眾網小額貸款有限公司 (Massnet Microcredit Company (Chongqing) Limited*) (“**Massnet Microcredit**”). Keen Best, together with its subsidiaries (including but not limited to Massnet Microcredit) (collectively, the “**Disposal Group**”), is principally engaged in internet microcredit business in the PRC. The Disposal Group has become an associate of the Group after completion of the Disposal.

As stated in the Letter from the Board, the Directors are authorised to, among other things, allot, issue and otherwise deal with not more than 328,837,738 new Shares, being approximately 20% of the total number of issued Shares as at the date of passing of the relevant resolution at the AGM. In December 2020, the Company underwent Placing of 328,830,000 new Shares to not less than six placees, whereby completion of the Placing took place on 6 January 2021. As a result of the completion of the Placing, the Existing General Mandate has almost been fully utilised.

As at the Latest Practicable Date, the Company had an aggregate of 1,973,018,693 Shares in issue. Assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the date of the EGM, the grant of the New General Mandate could allow the Directors to allot, issue and otherwise deal with up to 394,603,738 new Shares, representing approximately 20% of the aggregate number of issued Shares as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The New General Mandate, if granted, will continue in force until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

In any event, any allotment and issue of new Shares under the New General Mandate is subject to and conditional upon the passing of resolution approving the Increase in Authorised Share Capital at the EGM, details of which has been set out in the Letter from the Board of the Circular.

2. Reasons for the Refreshment of General Mandate

As disclosed in the Letter from Board, the Existing General Mandate has almost been fully utilised and it is expected that the next annual general meeting of the Company will be held on or before 30 September 2021 (the “**2021 AGM**”), which is about five months from the Latest Practicable Date. The Board proposes to seek the approval of the Independent Shareholders at the EGM on the Refreshment of General Mandate to provide the Company with the flexibility and ability to capture any appropriate capital raising or business opportunities in a timely manner, which the Board will be able to respond to its operation needs, the market and such business opportunities promptly.

We have reviewed the annual report of the Group for the year ended 31 March 2020 (“**2020 Annual Report**”) and the third quarterly report of the Group for the nine months ended 31 December 2020 (“**2020 3Q Report**”). The outbreak of the COVID-19 pandemic has a material adverse effect on the business operation of the Group and overall economy in the global business environment.

According to the 2020 Annual Report, for the year ended 31 March 2020, the Group recorded total revenue of approximately HK\$242 million, representing a decrease of approximately 61.5% as compared to that of the previous financial year. Such significant decrease in revenue was mainly due to (i) the investigation carried out by the operation office of the People’s Bank of China (the “**PBOC**”) for the non-compliance incidents, which led to the temporary suspension of access to new business by 開聯通支付服務有限

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

公司 (Open Union Payment Services Limited*) (“**Open Union**”), an indirect wholly-owned subsidiary of the Company, and (ii) the adverse impact on the Group’s overall business performance and financial results caused by the outbreak of the COVID-19 pandemic.

Furthermore, the Group recorded an audited loss of approximately HK\$717.1 million for the year ended 31 March 2020. Such a substantial loss was incurred mainly due to (i) the impairment loss recognised on goodwill of approximately HK\$491.9 million; (ii) the loss allowance and write-off of trade, loan and other receivables in an aggregate amount of approximately HK\$77.0 million; (iii) the administrative penalty in an aggregate amount of approximately of HK\$26.64 million imposed by the operation office of PBOC on Open Union; (iv) interest expenses related to the Bonds of approximately HK\$31.1 million; (v) the aforesaid temporary suspension of access to new business by Open Union; and (vi) the aforesaid adverse impact on the Group’s overall business performance and financial results caused by the outbreak of the COVID-19 pandemic.

According to the 2020 3Q Report, the Group recorded total revenue of approximately HK\$59.0 million for the nine months ended 31 December 2020, representing a decrease of approximately 68.8% as compared to that of the corresponding period in 2019, which was mainly due to the outbreak of the COVID-19 pandemic. The unaudited loss of approximately HK\$65.0 million for the nine months ended 31 December 2020 was mainly attributable to the decrease in revenue contributed by the adverse effect on the business operation caused by the outbreak of the COVID-19 pandemic. In view of the uncertainty arising from the impact of the COVID-19 pandemic, the Directors consider that these negative factors may continuously affect the Company’s operation.

As set out in the interim report of the Group for the six months ended 30 September 2020 (“**2020 Interim Report**”), the cash and bank balances of the Group amounted to approximately HK\$65.5 million and HK\$190.9 million with net current liabilities of approximately HK\$42.6 million and approximately HK\$113.6 million as at 31 March 2020 and 30 September 2020, respectively. As advised by the Company, the increase in cash and bank balances of the Group from approximately HK\$65.5 million as at 31 March 2020 to approximately HK\$190.9 million as at 30 September 2020 was mainly due to the net proceeds of approximately HK\$223.7 million from the Disposal which was completed on 29 September 2020. As disclosed in the Disposal Circular, the Group intended 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. As at the Latest Practicable Date, the Company advised that approximately HK\$190.1 million out of these net proceeds was used as repayment of its current debts and approximately HK\$26.3 million out of these net proceeds was used as general working capital, with the remaining amount of approximately HK\$7.3 million of the net proceeds being unutilised.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, the Company has raised net proceeds of approximately HK\$51.9 million from the Placing which was completed on 6 January 2021. As at the Latest Practicable Date, such net proceeds were all utilised, of which approximately HK\$44.4 million net proceeds was used for repayment of the Company's current debts while the remaining amount of approximately HK\$7.5 million was used as general working capital of the Group (such as the Bonds related interest payment, salary payment, professional fees and rental expenses, etc), respectively.

As noted from the Letter from the Board, the Third Party Loan in the amount of HK\$73.8 million which is payable on or before 28 September 2021 remained outstanding and the Bonds in an aggregate outstanding principal amount of approximately HK\$209 million, together with 9% fixed rate interest accrued thereon, remained outstanding as at the Latest Practicable Date. We understood from the Company that it has been communicating and negotiating with the subscribers of the Bonds for the repayment proposal of the outstanding principal amount of the Bonds, together with the interest accrued thereon. We consider that the Group's liquidity position has been under pressure and that almost all the Existing General Mandate has been utilised by the Company following completion of the Placing, hence, the grant of Refreshment of General Mandate would provide the Company with an additional financing option to raise further capital to ease such liquidity pressure and help the Group respond to the repayment proposal of the Bonds in a timely manner. Taking into account the financial position of the Group, the outstanding indebtedness of the Group and the remaining balance of the net proceeds from the Disposal, we concur with the Directors that the Group may not have sufficient funds to repay its current debts (including the Bonds and the Third Party Loan) and to support the business operation of the Group in long run.

As disclosed in the 2020 Interim Report and the 2020 Third Quarterly Report, the Group will stay alert to the development and situation of the COVID-19 pandemic, and will keep proactive to seek business opportunities that will contribute and sustain the Group's future development on generating better return to the Shareholders. Although, as advised by the Board, the Company had no concrete fund raising plan, and had not entered or did not propose to enter, into any agreements, arrangement, understanding or undertaking and negotiation (whether concluded or not) in respect of new business opportunities and/or issue of new shares utilising the New General Mandate as at the Latest Practicable Date, a decision to harness any fund raising opportunities is often required to be made within a very short period of time. As such, we concur with the Directors that the Refreshment of General Mandate will allow the Company to capture any suitable fund raising or business opportunities in a timely manner that may arise before the 2021 AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account (i) substantial utilisation of the Existing General Mandate as at the Latest Practicable Date; (ii) the financial performance and existing financial resources of the Group; and (iii) the forthcoming repayment obligations of current debts of the Group (including the Bonds and the Third Party Loan), we consider that the Refreshment of General Mandate would provide the Company with more financial flexibility and options to raise further capital for the operation of the Group prior to the 2021 AGM without seeking further approval from the Shareholders in an extraordinary general meeting when such funding needs arise, which is in the interests of the Company and the Shareholders as a whole.

3. Fund raising activities of the Company during the past twelve months

Set out below is the summary of equity fund raising activity of the Group during the past twelve months immediately preceding the Latest Practicable Date:

| Date of announcement | Fund raising activity | Net proceeds (approximately) | Intended use of net proceeds | Actual use of net proceeds |
|-------------------------------------|---|------------------------------|--|---|
| 15 December 2020 and 6 January 2021 | Placing of new shares under general mandate | HK\$51.9 million | (i) Approximately HK\$15.6 million to repay part of the current debts (including but not limited to the partial repayment of the Bonds, together with the interest accrued thereon) of the Group | (i) All of these net proceeds was applied for repayment of the Group's current debts. |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| Date of announcement | Fund raising activity | Net proceeds (approximately) | Intended use of net proceeds | Actual use of net proceeds |
|-------------------------|--------------------------|---------------------------------|---|--|
| | | | (ii) Approximately HK\$36.3 million as general working capital of the Group, where to the extent that any part of the net proceeds was not applied for such purpose, such proceeds were intended to be applied for repaying the Group's current debts as referred to in (i) above | (ii) Approximately HK\$28.8 million out of these net proceeds was used for repayment of the Company's current debts while the remaining amount of approximately HK\$7.5 million used as general working capital of the Group (such as the Bonds related interest payment, salary payment, professional fees and rental expenses, etc). |

Save for the abovementioned, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

4. Other financing alternatives

The Directors have considered other financing alternatives including but not limited to debt financing, rights issue, open offer, issue of shares under specific mandate or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into account the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors are of the view that debt financing may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors if the New General Mandate is granted to the Directors. As advised by the management of the Group, further debt financing may be subject to prior consent and right of first refusal from the holder(s) of the Bonds. Given the time to negotiate with the banks or other potential lenders as well as seeking consent from the holder(s) of the Bonds and that further debt financing will incur additional interest burden on the Group, we concur with the Directors' view that debt financing is comparatively costly, uncertain and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

As regards rights issue or open offer, the Directors consider that it may involve substantial time and cost to complete as compared to equity financing by issuance of new Shares under general mandate. Although both rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, the discount to market price needed to be offered may be higher for a rights issue or an open offer in order to enhance its attractiveness to shareholders, as compared to a placing of new Shares. In addition, substantial underwriting costs may be involved and there is a lack of certainty in the successful implementation of a rights issue or an open offer with their longer timetable.

As compared to issuing Shares under general mandate, issuing Shares under specific mandate when the relevant terms regarding the fund raising plan is finalised will involve extra time and cost, arising from, among others, the preparation, printing and despatch of the relevant circular and notice of extraordinary general meeting as well as the holding and convening of extraordinary general meeting for each occasion. The Directors consider that if the Company is able to identify any suitable fund raising opportunities with attractive terms prior to the 2021 AGM, the Board will be able to respond to the market promptly with the New General Mandate. As compared to obtaining specific mandate from an extraordinary general meeting, the process of issuing Shares under general mandate for fund raising is simpler and less time-consuming which would allow the Company to avoid the uncertainties arising from such circumstances where specific mandate may not be obtained from the Shareholders in a timely manner.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief.

In addition, the Refreshment of General Mandate will provide the Company with an alternative and the Company will have flexibility and discretion in deciding the financing methods for its operation and business development. Therefore, we concur with the Directors that raising funds through issue of new Shares under the New General Mandate can better control the completion risk and is more cost-effective and time-efficient than debt financing and other alternative equity financing methods (as the case may be), given that the Refreshment of General Mandate (i) does not incur any interest paying obligation on the Group as compared to debt financing; (ii) is less time-consuming than other fund raising methods such as rights issues, open offer and issue of shares under specific mandate that may require lengthy discussion and negotiation with potential underwriters as well as longer lead time arising from preparation of circular and convening of shareholders meeting, which may otherwise result in failure of financing in business development and/or acquisition of investment opportunities in a timely manner; (iii) provides the Company with the flexibility to capture any capital raising or prospective investment opportunity in a timely manner as and when it arises; and (iv) allows the Board to respond to the market promptly by way of issuing new Shares as consideration, should the Group be able to identify suitable investment(s). Hence, we are of the view that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

5. Potential dilution effect to the existing public Shareholders

The utilisation of the New General Mandate would dilute shareholding of existing Shareholders. The table below sets out the shareholding structure of the Company (i) prior to completion of Placing; (ii) as at the Latest Practicable Date; and (iii) for illustrative purpose, immediately upon the allotment and issue of new Shares by the Company as a result of full utilisation of the New General Mandate, assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the date on which new Shares are to be allotted and issued as a result of full utilisation of the New General Mandate:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | (i) Immediately prior to completion of Placing | | (ii) As at the Latest Practicable Date | | (iii) Allotment and issue of new Shares upon full utilisation of the New General Mandate | |
|--|--|---------------------------|--|---------------------------|--|---------------------------|
| | Number of Shares | Approximate % (Note 3) | Number of Shares | Approximate % (Note 3) | Number of Shares | Approximate % (Note 3) |
| Mr. Zhang Chang (“Mr. Zhang”) (Note 1) | 263,090,000 | 16.00 | 263,090,000 | 13.33 | 263,090,000 | 11.11 |
| Mr. Yan Dinggui (“Mr. Yan”) (Note 2) | 14,369,430 | 0.87 | 14,369,430 | 0.73 | 14,369,430 | 0.61 |
| Number of Shares allotted and issued to placees upon completion of Placing (Note 3) | — | — | 328,830,000 | 16.67 | 328,830,000 | 13.89 |
| Maximum number of new Shares to be allotted and issued under the New General Mandate | — | — | — | — | 394,603,738 | 16.67 |
| Public Shareholders | 1,366,729,263 | 83.13 | 1,366,729,263 | 69.27 | 1,366,729,263 | 57.72 |
| | <u>1,644,188,693</u> | <u>100.00</u> | <u>1,973,018,693</u> | <u>100.00</u> | <u>2,367,622,431</u> | <u>100.00</u> |

Notes:

- As at the Latest Practicable Date, out of these 263,090,000 Shares, 93,090,000 Shares were directly held by Mr. Zhang, whereas the remaining 170,000,000 Shares were held by Sino Starlet Limited (“Sino Starlet”), which was in turn wholly owned by Mr. Zhang, as disclosed in the disclosure of interests notice filed by Mr. Zhang on 7 January 2021. As such, Mr. Zhang was deemed to be interested in these 263,090,000 Shares, respectively, held by Sino Starlet and himself pursuant to Part XV under the SFO. In addition, as disclosed in the disclosure of interest notices both filed by Vered Capital Limited (“Vered Capital”) on 29 August 2018, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang, respectively, on 27 July 2018.
- As at the Latest Practicable Date, these 14,369,430 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”), which was in turn wholly owned by 上海嘉銀金融服務有限公司 (“Shanghai Jiayin”). Shanghai Jiayin was held by Mr. Yan, who resigned as an executive Director on 24 September 2020, as to 75%. Accordingly, Mr. Yan, Shanghai Jiayin, Shanghai Jiaying, Jiayin and BNV were deemed to be interested in such 14,369,430 Shares held by Invech pursuant to Part XV of the SFO.
- Percentages may not add up to 100% due to rounding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the shareholding of the placees from the Placing would be diluted from approximately 16.67% to approximately 13.89% and the existing public Shareholders would be diluted from approximately 69.27% to approximately 57.72% upon full utilisation of the New General Mandate. In the last twelve months immediately prior to the Latest Practicable Date, the Company completed the Placing in January 2021 under general mandate with total net proceeds raised of approximately HK\$51.9 million, which was fully utilised, as at the Latest Practicable Date.

Despite the shareholding of the existing Shareholders will be diluted as a result of the allotment and issue of new Shares to be issued upon the utilisation of the New General Mandate while pre-emptive fund raisings such as rights issue and open offer allow the Shareholders to maintain their respective pro-rata shareholding interests in the Company (if they choose to subscribe for their entitlements), taking into account that (i) the Refreshment of General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions in a timely manner; (ii) the Refreshment of General Mandate would provide the Company with the necessary flexibility to strengthen the capital base of the Company; (iii) the obtaining of shareholders' approval on specific mandate or other pro-rata equity fund raising will require relatively longer lead time; and (iv) the fact that the shareholdings of all existing Shareholders will be diluted proportionally to their respective shareholdings upon any utilisation of the New General Mandate on the condition that no new Shares under the New General Mandate are issued to existing Shareholders (including the public Shareholders) and (v) the new Shares cannot be allotted and issued at more than 20% discount to the benchmarked market price under the New General Mandate while the subscription price of a rights issue or an open offer may also involve a discount to the market price, we are of the view that the said financial flexibility outweigh the dilution effect of the existing Shareholders and that such potential dilution impact to the shareholding of the existing Shareholders is considered to be acceptable as compared to other fund raising alternatives.

In conducting any placing of new Shares pursuant to the New General Mandate, the Directors would have a fiduciary duty to the Company to negotiate fair terms that are in the interests of the Company and the Shareholders as a whole. In deciding whether to use and how to use the New General Mandate, the Directors would take into account, among other things, the immediate funding need of the Group, the repayment proposal of the Bonds, the time and cost involved, and the potential dilution of shareholding of the existing Shareholders that may be brought by any placing of new Shares. In considering any proposal for issuing new Shares, the Directors would also consider the pricing and availability of opportunities for other financing alternatives such as debt financing or internal resources, with the aim to achieve an efficient capital structure of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above and given the volatility of the capital market (where the Refreshment of General Mandate would provide flexibility and option for the Group to capture suitable fund raising opportunity in a timely manner), we consider that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

Having taken into account that (i) the Existing General Mandate has almost been fully utilised and can only be renewed (if not refreshed) until the next annual general meeting of the Company to be held on or before September 2021 which is about five months from the Latest Practicable Date; (ii) the net current liabilities of the Group (iii) the Group may not have sufficient fund to repay the current debts of the Group (including the Third Party Loan and the Bonds); and (iv) the Group may be lack of sufficient funds to capture any business opportunity which may arise prior to the next annual general meeting based on the Group's current cash resources available to it, we consider that the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,

For and on behalf of
ELSTONE CAPITAL LIMITED

Ringo Kwan **Fanny Lee**
Managing Director *Managing Director*

Mr. Ringo Kwan and Ms. Fanny Lee have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the SFO since 2005 and 2006, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong

The following is a summary of the principal terms of the New Share Option Scheme which has been prepared for the purpose of inclusion in this circular but does not form part of, nor is it intended to be, part of the New Share Option Scheme, nor should it be taken as affecting the interpretation of the terms of the New Share Option Scheme.

1. Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is for the Group to attract, retain and motivate Participants to strive for future developments and expansion of the Group, to recognise and reward the Participants for their past contributions and to maintain on-going relationships with the Participants. The New Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

2. Participants of the New Share Option Scheme and eligibility

Pursuant to the terms of the New Share Option Scheme, the scope of eligible Participants comprises the following persons:

- (i) Employee(s), being (a) any full-time employee and director (including executive director, non-executive director and independent non-executive director) of the Group; and (b) any part-time employee with weekly working hours of 10 hours or above of the Group (the assessment criterion of which are (i) length of employment or service; (ii) work performance, commitment and achievement; and (iii) contribution to the Group's business development);
- (ii) Business Associate(s), being (a) any advisor or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group; or (b) any provider of goods and/or services to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group); and
- (iii) Trustee(s), being the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate (the assessment criterion of which are set out in paragraphs (i) and (ii) above, respectively).

The basis of eligibility shall be determined by the Board from time to time on the basis of the Participants' contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he/she is qualified to be (or where applicable, continues to be qualified to be) a Participant, such person shall provide all such information as the Directors may request for the purpose of assessing his/her eligibility (or continuing eligibility).

3. Conditions

The New Share Option Scheme shall take effect subject to and conditional upon:

- (i) the passing of ordinary resolution(s) by the Shareholders to approve and adopt the New Share Option Scheme, and to authorise the Directors to grant Options to subscribe for the Shares thereunder and to allot, issue and otherwise deal with the Shares which may be issued pursuant to the exercise of any Options to be granted under the New Share Option Scheme; and
- (ii) the GEM Listing Committee granting approval (whether subject to conditions or not) for the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of any Options to be granted under the New Share Option Scheme.

4. Duration

Subject to the fulfilment of the conditions set out in paragraph 3 above and the termination provisions set out in paragraph 23 below, the New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the New Share Option Scheme is adopted by the Shareholders in general meeting (the "**Adoption Date**"), after which no further Options will be granted but the provisions of the New Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the New Share Option Scheme and not then exercised shall continue to be exercisable in accordance with their terms of issue.

5. Administration

The New Share Option Scheme shall be subject to the administration of the Board or a committee of the Board and the decision of the Board or such committee shall be final and binding on all parties who may be affected thereby. The Board (or such committee) shall have the right (i) to interpret and construe the provisions of the New Share Option Scheme, (ii) to determine the persons who will be awarded Options under the New Share Option Scheme, and the number and Subscription Price of Options awarded thereto, (iii) to make such appropriate and equitable adjustments to the terms of Options granted under the New Share Option Scheme as it deems necessary, and shall notify the relevant Grantee of such adjustments by written notice, and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the New Share Option Scheme, provided that the same are not inconsistent with the provisions of the New Share Option Scheme and the GEM Listing Rules.

6. Offer and grant of Option

- (i) On and subject to the provisions of the GEM Listing Rules and the terms of the New Share Option Scheme, the Board shall be entitled at any time during the life of the New Share Option Scheme to make an Offer to any Participant as the Board may in its absolute discretion impose any conditions, restrictions and/or limitations (as the case may be) in relation to the grant and/or exercise (as the case may be) of Options (which shall be stated in the letter containing the Offer) and determine and select to take up Options in respect of such number of Shares as the Board may think fit at the Subscription Price. Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g. by linking their exercise to the attainment or performance of milestones by the Company, any subsidiary, the Grantee or any group of Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the New Share Option Scheme.
- (ii) An Offer shall be made to a Participant by letter (and unless so made shall be invalid) in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Participant to whom an Offer is made for a period of 28 days from the Offer Date, provided that no such Offer

shall be open for acceptance after the tenth anniversary of the Adoption Date or after the New Share Option Scheme has been terminated in accordance with the provisions thereof.

- (iii) An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the Offer Date as referred to in sub-paragraph (ii) above. Such remittance shall in no circumstances be refundable.
- (iv) Any Offer may be accepted in respect of less than the number of Shares to which the offered Options relates provided that it is accepted in respect of a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof and such number is stated in the duplicate letter comprising acceptance of the Offer in the manner as referred to in sub-paragraph (iii) above. To the extent that the Offer is not accepted within 28 days from the Offer Date in the manner indicated in sub-paragraph (iii) above, it will be deemed to have been irrevocably declined and will automatically lapse.
- (v) An Offer must not be made after inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately before the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (b) the deadline for the Company to publish announcement of its results for any year, half-year or quarterly period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the Company's publication of its results announcement, no Option may be granted. Such period will cover any period of delay in publishing any results announcement.
- (vi) Any Offer to a connected person of the Company, or any of his/her associates, must be made in accordance with the requirements of the GEM Listing Rules.

- (vii) The Board may not make an Offer to a Participant who is a Director during the periods or times in which such Director is prohibited from dealing in Shares pursuant to Rule 5.56 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company from time to time.

- (viii) A Grantee shall ensure that the acceptance of an Offer, the holding and exercise of his/her Option in accordance with the New Share Option Scheme, the allotment and issue of any Shares to him/her upon the exercise of any Option granted to him/her and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he/she is subject. The Board may, as a condition precedent of making an Offer and allotting and issuing any Shares upon an exercise of an Option, require a Participant to produce such evidence as it may reasonably require for such purpose.

7. Subscription Price

The Subscription Price shall, subject to any adjustments made pursuant to paragraph 21 below, be determined by the Board in its absolute discretion at the time of the grant of the relevant Option and notified to a Participant and shall be no less than the higher of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date which must be a business day; (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. Subject to the aforesaid provisions, the Board may grant Options in respect of which the Subscription Price is fixed at different prices for certain periods during the Option Period (as defined in paragraph 19 below).

8. Exercise of Options

An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option Period (as defined in paragraph 19 below) by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which is so exercised. Each notice exercising an Option must be accompanied by a remittance for the aggregate amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 28 days after receipt of the notice and remittance and, where appropriate, receipt of the Auditors' certificate or the independent financial adviser's certificate

pursuant to paragraph 21 below, the Company shall allot, and shall instruct the share registrar of the Company to issue, the relevant Shares to the Grantee (or his/her personal representatives) credited as fully paid and issued to the Grantee (or his/ her personal representatives) a share certificate in respect of the Shares so allotted.

9. Lapse of Option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (as defined in paragraph 19 below) (subject to paragraph 4 above);
- (ii) the expiry of the periods referred to in paragraphs 14, 15(i) or 17 below;
- (iii) subject to any compromise, arrangement or scheme for reconstruction or amalgamation becoming effective, the expiry of the period referred to in paragraph 15(ii) below;
- (iv) the date on which:
 - (a) the Grantee being an Employee, ceases to be an employee or director of the Group by reason of the termination of his/her employment or directorship on the grounds that he/she has been guilty of misconduct, or appears either to be unable to pay or has no reasonable prospect to be able to pay debts, or has become insolvent, or has made any compromises, arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty; or on any other grounds on which the Group would be entitled to summarily terminate his/her office or employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Group;
 - (b) the Grantee being a Business Associate who is an advisor or consultant to the Group, and the Business Associate is under any contract with the Group, such contract is terminated by reason of breach of contract on the part of the Business Associate; or

- (c) the Grantee being a Business Associate, appears either to be unable to pay or has no reasonable prospect to be able to pay debts, or has become insolvent, or has made any compromises, arrangements or composition with his/her/its creditors generally, or ceases or is threatened to cease to carry on its business, or is wound up, or has an administrator or liquidator being appointed for the whole or any part of its undertaking or assets, or has been convicted of any criminal offence involving integrity or honesty; or
- (d) the Grantee being a Trustee, the relevant beneficiary being an Employee or a Business Associate, any one of the events referred to in subparagraphs (a) to (c) above occurs to such beneficiary,

provided that whether any one or more of the events specified in the above occur in relation to a Grantee shall be solely and conclusively determined by the Board;

- (v) the close of two business days prior to the Shareholders' meeting of the Company held for the purpose of approving the voluntary winding-up of the Company, subject to the resolution approving the voluntary winding-up of the Company being duly passed as referred to in paragraph 16 below;
- (vi) the date of the commencement of the winding-up of the Company; and
- (vii) the date on which the Option is cancelled by the Board as provided in paragraph 22 below.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its absolute discretion to pay any such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

10. Maximum number of Shares available for subscription

- (i) The maximum number of Shares in respect of which all outstanding options are granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time. No options may be granted under the New Share Option Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

- (ii) Subject to sub-paragraph (i) above, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme by the Shareholders in general meeting unless the Company obtains an approval from the Shareholders pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

- (iii) Subject to sub-paragraph (i) above and without prejudice to sub-paragraph (iv) below, the Company may seek approval of the Shareholders in general meeting to refresh the 10% limit set out in sub-paragraph (ii) above. However, the total number of Shares which may be issued upon exercise of all options to be granted by the Board under the New Share Option Scheme and any other share option schemes of the Company under the refreshed limit shall not exceed 10% of the total number of Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised options) will not be counted for the purpose of calculating such 10% refreshed limit. The Company must send a circular to the Shareholders containing the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

- (iv) Subject to sub-paragraph (i) above and without prejudice to sub-paragraph (iii) above, the Company may seek separate approval from the Shareholders in general meeting for granting Options to specified Participant(s) beyond the 10% limit set out in sub-paragraph (ii) above provided that the Options granted in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to the Shareholders containing, amongst other terms, a generic description of the specified Participant(s) to whom such Options are to be granted, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participant(s) and an explanation as to how the terms of these Options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

11. Maximum entitlement of each participant

- (i) Subject to sub-paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding sub-paragraph (i) above, any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted (and Options previously granted to such Participant), the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price.
- (iii) In addition to sub-paragraphs (i) and (ii) above, any grant of Options to a Participant who is a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Grantee).
- (iv) Where the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive Director or any of their respective associates and such grant would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the proposed Offer Date of such grant (the "**Relevant Date**"):

- (a) representing in aggregate more than 0.1% of the total number of Shares in issue on the Relevant Date; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting and the Company must send a circular to the Shareholders containing all those terms as required under Rule 23.04(3) of the GEM Listing Rules. The Participant concerned, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll. Approval from the Shareholders is required for any change in the terms of Options granted to a Participant who is a substantial shareholder or an independent non-executive Director or any of their respective associates.

12. Minimum period of holding an Option and performance target

The Board may at its absolute discretion specify in the letter containing the Offer at the grant of of any Option which must be satisfied before an Option may be exercised. Unless otherwise determined by the Board and provided in the letter containing the Offer, there is no minimum period for which an Option must be held before it can be exercised and no performance target needs to be achieved by the Grantee before the Options can be exercised.

13. Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so, except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any Option granted to such Grantee to the extent not yet exercised.

14. Rights on ceasing employment, expiry of contract or death

- (i) In the case where the Grantee is an Employee, if the Employee ceases to be an Employee by reason of his/her resignation or retirement from employment or the expiry of his/her employment contract or the termination of his/her employment on the grounds other than on his/her death or on one or more of the grounds specified in sub-paragraph 9(iv)(a) above, the Grantee may exercise the Options up to his/her entitlement at the date of cessation (to the extent he/she is entitled to exercise at the date of cessation or termination but not already exercised) within the period of 1 month (or such longer period as the Board may determine) following the date of such cessation or termination, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not or the last date of appointment as director of the relevant company in the Group, as the case may be, failing which it will lapse.
- (ii) In the case where the Grantee is an Employee, if the Employee ceases to be an Employee by reason of the termination of his/her employment on one or more of the grounds specified in sub-paragraph 9(iv)(a) above, the Options (to the extent he/she/it is entitled to exercise at the date of cessation or termination but not already exercised) shall lapse on the date of such cessation or termination and not be exercisable unless the Board otherwise determines, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not or the last date of appointment as director of the relevant company in the Group, as the case may be.
- (iii) In the case where (1) the Grantee is a Business Associate who is an advisor or consultant to the Group under a fixed term contract, if the Grantee ceases to be a Business Associate by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the Group for reasons other than (i) on one or more of the grounds specified in sub-paragraphs 9(iv)(b) and (c) above, or (ii) on his/her death if the Business Associate is a natural person, or (2) where the Grantee is a Business Associate who is an advisor or consultant to the Group not under any fixed term contract, if the Grantee ceases to be a Business Associate by reason of the Grantee ceasing to provide any further advisory or consultancy services to the Group as may be determined by the Board and notified to such Business Associate in writing within one year after the provision of its last services to

the Group for reasons other than (i) on one or more of the grounds specified in sub-paragraphs 9(iv)(b) and (c) above, or (ii) on his/her death if the Business Associate is a natural person, the Grantee may exercise the Option up to his/her/its entitlement at the date of cessation (to the extent he/she/it is entitled to exercise at the date of cessation or termination but not already exercised) within the period of 1 month (or such longer period as the Board may determine) following the date of such cessation or termination, which date shall be, in the case of (1) above, the date of expiry or termination of the relevant fixed term contract; and in the case of (2) above, the date of the aforesaid written notification to the Business Associate, failing which it will lapse.

- (iv) In the case where (1) the Grantee is a Business Associate who is an advisor or consultant to the Group under a fixed term contract, if the Grantee ceases to be a Business Associate by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the Group for reasons due to one or more of the grounds specified in sub-paragraphs 9(iv)(b) and (c) above, or (2) where the Grantee is a Business Associate who is an advisor or consultant to the Group not under any fixed term contract, if the Grantee ceases to be a Business Associate by reason of the Grantee ceasing to provide any further advisory or consultancy services to the Group as may be determined by the Board and notified to such Business Associate in writing within one year after the provision of its last services to the Group for reasons due to (i) one or more of the grounds specified in sub-paragraph 9(iv)(b) and (c) above, the Options (to the extent he/she/it is entitled to exercise at the date of cessation or termination but not already exercised) shall lapse on the date of such cessation or termination and not be exercisable unless the Board otherwise determines, which date shall be, in the case of (1) above, the date of expiry or termination of the relevant fixed term contract; and in the case of (2) above, the date of the aforesaid written notification to the Business Associate.
- (v) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is an Employee, and such Employee ceases to be an Employee in the manner as referred to in sub-paragraph (i) above (other than on the grounds specified in sub-paragraph 9(iv)(d) above), the Grantee shall be entitled to exercise the Option in accordance with the provisions of sub-paragraph (i) above, failing which it will lapse.

- (vi) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is an Employee, and such Employee ceases to be an Employee in the manner as referred to in sub-paragraph (ii) above, the Options (to the extent he/she/it is entitled to exercise as at the date of cessation or termination but not already exercised) shall lapse in the manner as described under sub-paragraph (ii) above.
- (vii) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is a Business Associate, such Business Associate ceases to be a Business Associate in the manner as referred to in sub-paragraph (iii) above (other than on the grounds specified in sub-paragraph 9(iv)(d) above), the Grantee shall be entitled to exercise the Option in accordance with the provisions of sub-paragraph (iii) above, failing which it will lapse.
- (viii) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is a Business Associate, such Business Associate ceases to be a Business Associate in the manner as referred to in sub-paragraph (iv) above, the Options (to the extent he/she/it is entitled to exercise as at the date of cessation or termination but not already exercised) shall lapse in the manner as described under sub-paragraph (iv) above.
- (ix) In the case where the Grantee is an Employee or a Business Associate (in each case, being an individual) dies before exercising the Option in full and none of the events specified in paragraph 9(iv) above arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of death to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent which has become exercisable and not already exercised), failing which it will lapse.
- (x) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is an Employee or a Business Associate, and such Employee or Business Associate (in each case, being an individual) dies, the Grantee shall be entitled to exercise the Option in accordance with the provisions of sub-paragraph (ix) above, failing which it will lapse.

15. Rights on a general offer, a compromise or arrangement

- (i) If a general or partial offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees (or his/her personal representative(s)) on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Options granted to them, as Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his/her personal representative(s)) shall, notwithstanding any other terms on which his/her Options were granted, be entitled to exercise his/her Option (to the extent not already exercised) either to its full extent or to the extent specified in the Grantee's notice to the Company in accordance with the provisions of paragraph 8 above at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.
- (ii) If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his/her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the court, provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his/her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the New Share Option Scheme. The Company may require the Grantee (or his/her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same

position as nearly as would have been the case had such Shares been subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the right of the Grantee (or his/her personal representative(s)) to exercise his/her Options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the New Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and in any event no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

16. Rights on winding up

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his/her legal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than two business days prior to the proposed Shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

17. Rights on listing of shares of a subsidiary or an associated company

In the event that the Grantee (a) being an Employee, is an employee or a director of a subsidiary or an associated company; or (b) being a Business Associate who is an advisor or consultant, provides advisory or consultancy services to a subsidiary or an associated company; or (c) being a Business Associate who has contributed to the Group, the contribution is to a subsidiary or an associated company; or (d) being the Trustee and the relevant beneficiary of the Trust is any of (a), (b) or (c) above; and the shares in such subsidiary (or in any other subsidiary which is a holding company of such subsidiary) or shares in such associated company (or in any other associated company which is a holding company of such associated company) shall be listed on, or become publicly traded on any recognised stock exchange, the Company may, if the Board considers it appropriate, give notice to the Grantee requiring the Grantee to exercise the Option (to the extent not already exercised) to its full extent specified in such notice and on such other terms as to exercise period, etc. as the Board shall decide.

18. Ranking of Shares

The Shares to be allotted and issued upon the exercise of any Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the date of allotment and will entitle the holders thereof to participate in voting, dividend, transfer and other rights including those arising on liquidation of the Company, in particular all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof. For the avoidance of doubt, no voting, dividend, transfer and other rights are attaching to the Options.

19. Option Period

In respect of an Option, a period to be determined and notified by the Board to each Grantee (provided that the period within which an Option must be exercised shall not be more than ten (10) years commencing on the date upon which any particular Option is granted in accordance with the New Share Option Scheme) subject to any restrictions as may be imposed by the Board on the exercise of such Option during the period in which an Option may be exercised (the “**Option Period**”).

20. Alteration of the New Share Option Scheme

- (i) The New Share Option Scheme may be altered in any respect by resolution(s) of the Board save that the provisions of the New Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of person eligible for the grant of Options or to the advantage of Grantees or prospective Grantees, except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall adversely affect the terms of issue of any Option granted but not exercised or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the articles of association of the Company for the time being of the Company for a variation of the rights attached to the Shares.

- (ii) Any alteration to the terms and conditions of the New Share Option Scheme, which is of a material nature or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (iii) Any amendment or alteration to the terms and conditions of the New Share Option Schemes shall comply with Chapter 23 of the GEM Listing Rules.
- (iv) Any change to the authority of the Board or the administrators of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

21. Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, arising from capitalisation issue, rights issue, open offer, consolidation, sub-division, or reduction of the share capital of the Company in accordance with the legal requirements and requirements of the Stock Exchange, other than any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to the Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to the Shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the New Share Option Scheme or the Option so far as unexercised; or
- (ii) the Subscription Price of any unexercised Options, or
- (iii) the maximum number of Shares to be issued for which the Options have been or are to be granted under the New Share Option Scheme,

or any combination thereof, as the Auditors or the independent financial adviser shall (save and except for any adjustments made for capitalisation issue) certify in writing, either generally or as regard any particular Grantee, to be in their opinion fair and reasonable, and to have, in their opinion, fairly and reasonably satisfied the requirement that (a) any such adjustment shall be in compliance with the relevant provisions of the GEM Listing Rules or such other guidelines or supplementary guidance as may be from time to time issued by the Stock Exchange from time to time (including, without limitation to, the “Supplemental Guidance on GEM Listing Rule 23.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option scheme); (b) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same (but shall not be greater than) as it was before such event; (c) no such adjustments be made to the extent that a Share would be issued at less than its nominal value; (d) any such adjustments be made to the extent that a Grantee shall be granted the same proportion of the equity capital as that to which such Participant was previously entitled prior to such adjustment; and (e) no such adjustment shall be made in respect of an issue of securities by the Company as consideration in a transaction. The capacity of the Auditors or the independent financial adviser in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the independent financial adviser shall be borne by the Company.

22. Cancellation of Options

The Board may at any time in its absolute discretion cancel any Options previously granted to, but not yet exercised by, such Grantee. Where the Company cancels Options and offers Options to the same Grantee, the offer of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph 10 above.

23. Termination of the New Share Option Scheme

The Company may by ordinary resolution in general meeting terminate or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but the provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any outstanding Option granted prior thereto in all other respects. All Options

granted prior to such termination but not yet exercised at the time of the termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme. Details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination must be disclosed in the circular to the Shareholders seeking approval of the first new scheme to be established after such termination.

24. Governing Law and Dispute

The New Share Option Scheme and all Options granted thereunder shall be governed by and construed in accordance with the laws of Hong Kong. Any dispute arising out of or in connection with the New Share Option Scheme (whether as to the number of Shares, the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors or the independent financial adviser to the Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and binding on all persons who may be affected thereby.

25. Status of the GEM Listing Rules

The New Share Option Scheme and all Options granted thereunder shall be subject to the requirements of all applicable laws and the GEM Listing Rules. In the event that there are differences between the terms of the New Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

NOTICE OF EGM



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 (中國支付通集團控股有限公司) (the “Company”) will be held at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong on 13 May 2021, Thursday at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the authorised share capital of the Company be and is hereby increased from HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each (“Shares”) to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 8,000,000,000 new Shares of HK\$0.01 each in the capital of the Company (the “**Increase in Authorised Share Capital**”), each ranking *pari passu* in all respects with the existing shares of HK\$0.01 each in the share capital of the Company; and that any one or more of the directors or the company secretary of the Company be and are hereby authorised to do all such acts and things and execute all such documents which he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”
2. A. “**THAT conditional upon the passing of resolution no. 1 above:**
 - (a) to the extent not already exercised, the general mandate granted to the directors (the “**Director(s)**”) of the Company to allot, issue and otherwise deal with the Shares pursuant to an ordinary resolution passed at the annual general meeting (the “**AGM**”) of the Company held on 3 September 2020 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);

NOTICE OF EGM

- (b) subject to paragraph (d) below, pursuant to the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined in paragraph (e) below) of all the powers of the Company to allot, issue and otherwise deal with additional Shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period (as defined in paragraph (e) below), which might require the exercise of such power after the end of the Relevant Period (as defined in paragraph (e) below);
- (d) the total number of issued Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (b) above, otherwise than pursuant to a Rights Issue (as defined in paragraph (e) below); or any scrip dividend scheme or similar arrangement of the Company providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time (the “**Articles**”); or the exercise of any options under the share option scheme of the Company shall not exceed:
 - (i) 20 per cent. (“%”) of the total number of issued Shares as at the date of passing of this resolution; and
 - (ii) the number of Shares repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the number of issued Shares as at the date of the AGM pursuant to the resolution passed thereat) shall be added to the total number of Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to subparagraph (i) above,

and the authority pursuant to paragraph (b) of this resolution shall be limited accordingly; and

NOTICE OF EGM

(e) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; and
- (iii) the revocation or variation of the authority under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

- B. “**THAT conditional upon the passing of resolution no. 2A above**, the mandate granted to the Directors at the AGM to extend the general mandate to allot and issue Shares to those Shares repurchased by the Company be and is hereby revoked and replaced by the mandate THAT the Directors be and are hereby authorised to exercise the authority referred to in paragraph (b) of resolution no. 2A above in respect of the number of Shares not exceeding 20% of the total number of issued Shares as at the date of passing of this resolution and the number of Shares repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the number of issued Shares as at the date of the AGM pursuant to the resolution passed thereat).”

NOTICE OF EGM

3. **“THAT conditional upon the passing of resolution no. 1 above:**
- (a) subject to and conditional upon the GEM Listing Committee of the Stock Exchange granting approval (whether subject to conditions to not) for the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of options to be granted under the new share option scheme of the Company (a copy of which will be produced to the EGM marked “A” and will be initialled by the chairman of the EGM for the purpose of identification) (the **“New Share Option Scheme”**), the New Share Option Scheme be and is hereby approved and adopted; and
 - (b) the Directors be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as they may in their absolute discretion consider necessary, desirable or expedient in order to implement and to give full effect to the New Share Option Scheme including but without limitation:
 - 1. to administer the New Share Option Scheme under which options will be granted to the Participants (as defined in the New Share Option Scheme) under the New Share Option Scheme to subscribe for Shares, including but not limited to, to grant options to the Participants (as defined in the New Share Option Scheme) in accordance with the New Share Option Scheme and to handle all matters necessary in relation to, expedient or incidental to the grant of options under the New Share Option Scheme;
 - 2. to allot, issue and otherwise deal with any Shares pursuant to the exercise of the subscription rights under any options which may be granted from time to time in accordance with the terms of the New Share Option Scheme; and
 - 3. to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment and the requirements of the GEM Listing Rules.”

By Order of the Board
China Smartpay Group Holdings Limited
Zhang Xi
Chairman

Hong Kong, 22 April 2021

NOTICE OF EGM

Head Office and Principal Place of Business in Hong Kong:

Office No. 01, 31st Floor
Hong Kong Plaza
188 Connaught Road West
Hong Kong

Registered Office:

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

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) 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, 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 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 resolutions 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 GEM Listing Rules.
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.

NOTICE OF EGM

7. The register of members of the Company will be closed from Monday, 10 May 2021 to Thursday, 13 May 2021, both days inclusive, during which period no share transfers will be effected. In order to be eligible to attend and vote at the EGM, all unregistered holders of Shares shall ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar 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 Friday, 7 May 2021.

As at the date of this notice, the board of Directors comprises four executive Directors, namely, Mr. Zhang Xi, Mr. Wu Hao, Mr. Lin Xiaofeng and Mr. Song Xiangping; and 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 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(s) at the EGM as an alternative to attending the EGM in person.