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## **Manfield Chemical Holdings Limited**

**萬輝化工控股有限公司**

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

**(Stock Code: 1561)**

### **MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN MAO HONG INFORMATION TECHNOLOGY HOLDING LIMITED**

#### **THE ACQUISITION**

On 2 March 2019, the Purchaser, the Vendor and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which, subject to and upon the terms and conditions of the Sale and Purchase Agreement, the Vendor shall as beneficial owner sell and the Purchaser shall purchase the Sale Shares free from all Encumbrances with effect from the Completion Date.

Upon Completion, the Company will hold 51% of the issued share capital of Target Company.

The Target Company is an investment holding company which holds all issued shares in HK Maohong, which in turn will be the beneficial owner of the entire equity interest in Maohong WFOE. Maohong WFOE will enter into the Structured Contracts with PRC Equity Owners, OPCO and Days Holding through which, Maohong WFOE will have effective control over the OPCO Group, and will enjoy the economic benefits generated by the OPCO Group.

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Company is permitted to, and will endeavor to, obtain written Shareholders' approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from Timenew Limited, which is a controlling shareholder of the Company beneficially interested in 450,000,000 Shares, representing 75% of the issued share capital of the Company as at the date of this announcement, in lieu of holding a general meeting for approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Sale and Purchase Agreement and the transaction contemplated thereunder, the Structured Contracts, and other information as required to be disclosed under the Listing Rules will be despatched to the Shareholders. The circular is expected to be despatched by the Company to the Shareholders on or before 25 March 2019.

**As Completion is subject to fulfillment or waiver (as the case may be) of the Conditions, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **THE SALE AND PURCHASE AGREEMENT**

On 2 March 2019, the Purchaser, the Vendor and the Guarantors entered into the Sale and Purchase Agreement, the principal terms of which are set out as follows:

### **Date**

2 March 2019

### **Parties**

- (1) the Purchaser;
- (2) the Vendor; and
- (3) the Guarantors

### **Assets to be acquired**

The Target Company is the beneficial owner of 100% of the issued shares of HK Maohong. HK Maohong, after the completion of the Reorganisation, will in turn be the beneficial owner of the entire equity interest in Maohong WFOE.

OPCO is the sole shareholder of Days Holding which in turn owns 56.82% of the equity interest in Days Services.

Maohong Group will undergo the Reorganisation by, *inter alia*, entering into the Structured Contracts with the PRC Equity Owners, OPCO and Days Holding. Upon the completion of the Reorganisation, Maohong Group shall have indirect control over the management and operation of OPCO Group through the Structured Contracts.

Subject to and upon the terms and conditions of the Sale and Purchase Agreement, the Vendor shall as beneficial owner sell and the Purchaser shall purchase the Sale Shares at Completion free from all Encumbrances together with all rights attaching thereto including but not limited to all dividends and distribution paid, declared or made in respect thereof on or after the date of the Sale and Purchase Agreement.

### **Consideration**

Subject to the Adjustment (if any), the Consideration shall be HK\$790 million and shall be paid in the following manner:

- (a) the Deposit shall be paid by the Purchaser to the Vendor by way of cash within three Business Days after the signing of the Sale and Purchase Agreement;
- (b) HK\$540 million shall be paid by the Purchaser to the Vendor by way of the issue of the First Promissory Note upon Completion or by such other way as may be agreed between the Vendor and the Purchaser; and
- (c) the Remaining Consideration shall be paid within 20 Business Days after the receipt of the audited consolidated accounts of the Target Group for the financial year ending 31 December 2019 and in such manner as set out under the section headed “Consideration Adjustment” below.

The Consideration shall in any event not exceed HK\$790 million.

### **Consideration Adjustment**

In respect of financial year ending 31 December 2019 of the Target Group, the Purchaser shall pay the Remaining Consideration in accordance with the formula as follows:

$$2019 \text{ Actual Profit} \times 24 \times 56.82\% \times 51\% - \text{HK\$560 million}$$

The Remaining Consideration shall be paid by way of the issue of the Second Promissory Note by the Purchaser to the Vendor within 20 Business Days after the receipt of the audited consolidated accounts of the Target Group for the financial year ending 31 December 2019.

In all circumstances and no matter whether the 2019 Actual Profit exceeds the Reference Profit or not, the Remaining Consideration shall not exceed HK\$230 million.

***Promissory Notes:***

The principal terms of the Promissory Notes are set out as follows:

- Issuer: the Purchaser
- Principal Amount: the First Promissory Note shall be in a principal amount of HK\$540 million  
the Second Promissory Note shall be in a principal amount of not more than HK\$230 million
- Noteholder: the Vendor or its nominee(s)
- Maturity Date: the day falling 24 months after the respective issue dates of the Promissory Notes (if such date is not Business Day, the Business Day immediately after such date)
- Interest: the interest to be incurred by the principal amount of the Promissory Notes will be calculated as follows:
- (i) if the repayment takes place within three (3) months from the respective issue dates of the Promissory Notes, the interest rate shall be charged at 0.25% on the respective principal amounts per annum;
  - (ii) if the repayment takes place within three (3) months to six (6) months from the respective issue dates of the Promissory Notes, the interest rate shall be charged at 0.5% on the respective principal amounts per annum;
  - (iii) if the repayment takes place within six (6) months to twelve (12) months from the respective issue dates of the Promissory Notes, the interest rate shall be charged at 0.75% on the respective principal amounts per annum;
  - (iv) if the repayment takes place within twelve (12) months to eighteen (18) months from the respective issue dates of the Promissory Notes, the interest rate shall be charged at 1.00% on the respective principal amounts per annum; and
  - (v) if the repayment takes place within eighteen (18) months to twenty four (24) months from the respective issue dates of the Promissory Notes, the interest rate shall be charged at 1.25% on the respective principal amounts per annum.
- Repayment: the principal amount will be due and payable on the maturity date. The Company has the discretion to repay all or part of the principle amount at any time prior to the maturity date by giving three (3) Business Days' prior written notice to the holder(s) of the Promissory Notes.

## **Basis for determination of the Consideration**

The Consideration was primarily determined based on arm's length negotiations between the Purchaser and the Vendor with reference to, among others, (i) the historical transaction prices for trading of the shares of Days Services on the NEEQ; and (ii) a preliminary valuation report on Days Services Group prepared under market approach by an independent valuer.

## **Conditions**

Completion is conditional upon the satisfaction (or, as the case may be, waived by the Purchaser) of the following:

- (i) completion of the Reorganisation conducted in such manner which is in compliance with the relevant laws and regulations governing the Reorganisation and to the satisfaction of the Purchaser;
- (ii) the issue and delivery of the PRC Legal Opinion to the Purchaser in the form to the satisfaction of the Purchaser;
- (iii) the Purchaser being satisfied with the results of the due diligence review on the Target Group;
- (iv) the Warranties remaining true and accurate in all respects;
- (v) the approval having been obtained from the Shareholders in accordance with the Listing Rules approving the transactions contemplated by the Sale and Purchase Agreement;
- (vi) compliance with all applicable notification, announcement and other requirements under the Listing Rules relating to the Sale and Purchase Agreement and the transactions by the Company (where applicable);
- (vii) all necessary approvals, consents, authorisations and licences required to be obtained in relation to the transactions contemplated under the Sale and Purchase Agreement having been granted by third party (including, governmental or official or regulatory authorities) and all other necessary consents and approval required pursuant to any legal or regulatory requirements being obtained; and
- (viii) the shares of Days Service having been delisted from NEEQ.

The Vendor shall use its best endeavours to assist the Purchaser in connection with the due diligence review to be conducted on the Target Group under the Sale and Purchase Agreement and procure the fulfillment of the Conditions set out in the Sale and Purchase Agreement.

The Purchaser may waive any of the Conditions (other than Conditions (i), (v), (vi) and (vii) as set out above). If the Conditions have not been satisfied (or as the case may be, waived by the Purchaser) on or before 12:00 noon on the Long Stop Date, (i) the Sale and Purchase Agreement shall cease and terminate (save and except clauses in relation to confidentiality, notices, costs and stamp duty and governing law and jurisdictions which shall continue to

have full force and effect) and neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms hereof; and (ii) the Vendor shall refund in cash to the Purchaser the Deposit without interest.

As at the date of this announcement, none of the Conditions have been fulfilled.

### **Guarantee by the Guarantors**

The Guarantors have unconditionally and irrevocably undertaken to the Purchaser to procure the due and punctual performance by the Vendor of all the obligations expressed to be imposed on or assumed by it under the Sale and Purchase Agreement and undertakes to indemnify and keep effectively indemnified the Purchaser (if necessary by the payment of cash on first demand) against all liabilities, losses, damages, costs and expenses stipulated under the Sale and Purchase Agreement or otherwise which the Purchaser may suffer or incur in connection with any default or delay on the part of the Vendor in the performance of any such obligations.

### **Restrictive Covenants and Undertakings by the Vendor and/or Guarantors**

Pursuant to the Sale and Purchase Agreement, each of the Vendor and the Guarantors has undertaken with the Purchaser, among others, that until Completion the Target Group shall carry on its business in a manner consistent with past practice.

For the purposes of assuring to the Purchaser the full benefit of the business and the goodwill of the Target Group, Mr Chen Liang has undertaken that he will not and shall procure Ms Jiang Rong and Mr Zhou Jian, who are the senior management of Days Services Group, and their respective associates not to, among others, in any Relevant Capacity at any time during the Restricted Period directly or indirectly carry on or be engaged or concerned or interested in any business in Hong Kong and the PRC which is competing with the current business of the Target Group.

Mr Chen Liang has unconditionally and irrevocably undertaken that he shall remain in the management of Days Services Group for not less than two years after the Completion Date.

### **Undertaking from the Purchaser**

The Purchaser has undertaken to the Vendor that after Completion and during the time when the Promissory Notes are outstanding. It shall procure the Target Company not to (i) incur any material liability (ii) dispose of the Sale Shares, any shares of HK Maohong and equity interest in Maohong WFOE and (iii) acquire any material assets.

### **Completion**

Upon compliance with or fulfillment or waiver of all the Conditions set out in the Sale and Purchase Agreement, Completion shall take place on the Completion Date when all the acts and requirements set out in the Sale and Purchase Agreement shall be complied with.

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

In recent years, the fintech services industry has experienced rapid growth in the PRC. The growth is expected to continue in the coming years driven by, among others, the rapid development of digital applications. By utilising the experiences of the Group's management in new economy which include financial services, digital application for retail and fintech etc., it is expected that, through the Acquisition, there will be a positive impact on the Group's profitability should the Group be able to diversify its business successfully to enhance the long-term growth potential and to capture the Target Group's continuing advancements in digital services and applications.

In view of the above, the Board considers that the terms of the Acquisition and the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in the manufacturing and sale of industrial coatings in the forms of customized liquids and powders.

## **INFORMATION OF THE VENDOR AND THE GUARANTORS**

The Vendor is an investment holding company. Mr Chen Liang and Ms Chen Zi Jun are indirectly interested in 83.97% and 16.03% equity interest of both the Target Company and OPCO respectively. Ms Chen Zi Jun is the sister-in-law of Mr Chen Liang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, its ultimate beneficial owner and the Guarantors are Independent Third Parties of the Company and not connected persons of the Company.

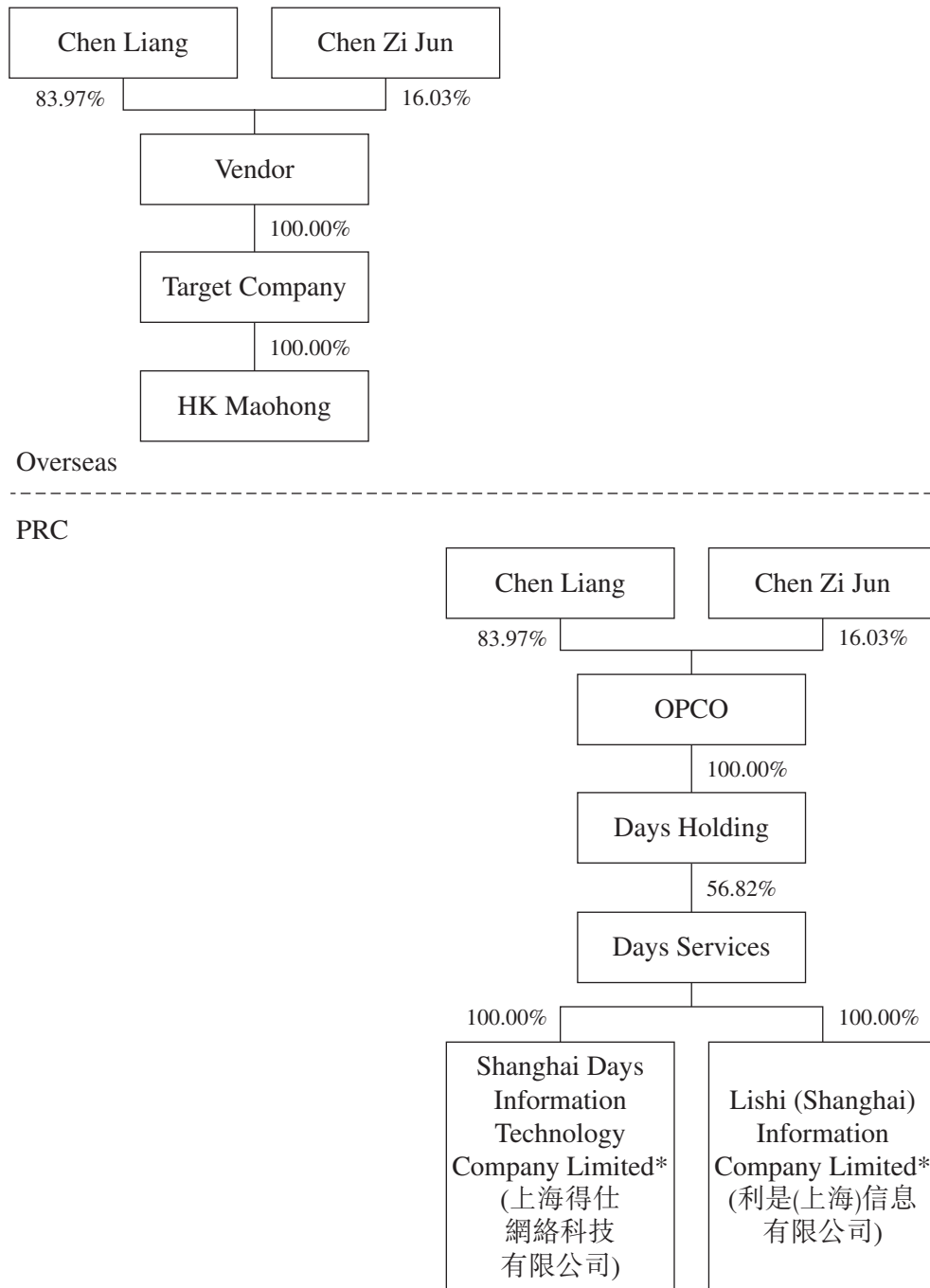
## **INFORMATION OF THE TARGET GROUP AND THE OPCO GROUP**

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The Target Company is the sole shareholder of HK Maohong which in turn will own the entire equity interest in Maohong WFOE upon its establishment. The Target Company and HK Maohong are investment holding companies. Maohong WFOE will be engaged in provision of consultancy services to OPCO and Days Holding. Maohong WFOE will enter into the Contractual Arrangement for the purpose of controlling over the businesses and operations of the OPCO Group.

OPCO is a holder of ICP Licence. OPCO owns the entire equity interest in Days Holding which in turn holds 56.82% equity interest in Days Services. Days Services, holder of Payment Licence, is principally engaged in the business of the issue and management of prepaid cards, the provision of online payment services and such other related business activities.

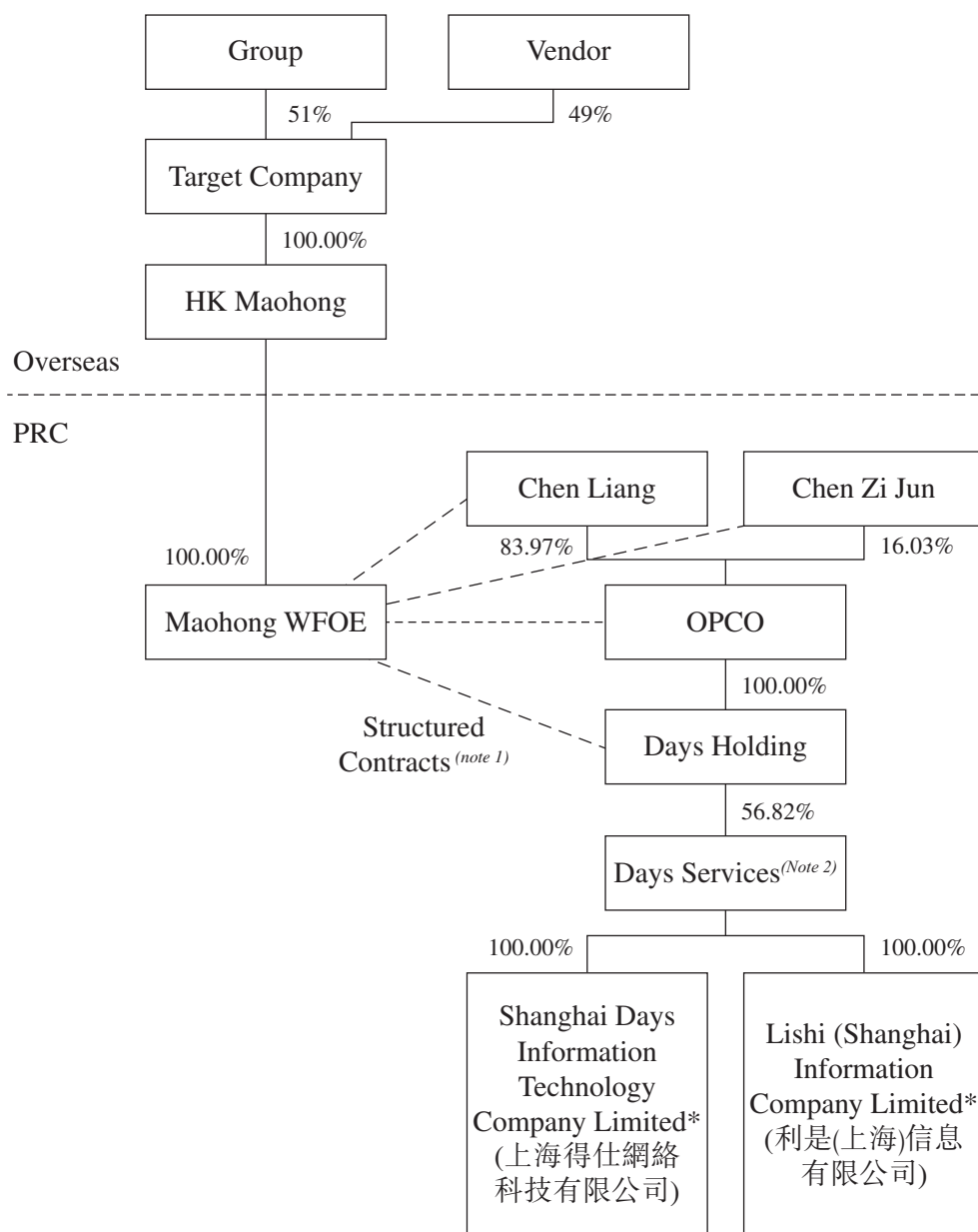
## Shareholding structure chart of the Target Group and the OPCO Group

### (i) before completion of the Reorganisation





**(ii) after completion of the Reorganisation and the Completion**



*Note 1:* Maohong WFOE will enter into the Structured Contracts with OPCO, Days Holding and the PRC Equity Owners for the purpose of control over the businesses and operations of the OPCO Group.

*Note 2:* Days Services is owned as to 56.82% by Days Holding 6.26% by 上海勵騰投資管理合夥企業(有限合夥), 0.83% by 杭州廣豐啓沃股權投資合夥企業(有限合夥), 0.62% by 北京百瑞文化傳媒有限公司 and 35.5% by 41 PRC nationals.

“—” denotes shareholding relationship

“- -” denotes contractual relationship

## Financial information of the Days Services Group

Set out below is the financial information of the Days Services Group based on the audited consolidated financial statements for the two years ended 31 December 2016 and 2017 under China Accounting Standards for Business Enterprises:

	For the year ended	
	31 December	
	2017	2016
	(audited)	(audited)
	RMB'000	RMB'000
	(approximately)	(approximately)
Revenue	40,371	36,405
Net loss before taxation	55,930	37,852
Net loss after taxation	55,930	36,199

The unaudited consolidated net asset value of the Days Services Group as at 30 June 2018 was approximately RMB165,545,000.

Upon Completion, the Group will be interested in 51% issued shares of the Target Company and the Target Group will become subsidiaries of the Company and the Company shall have indirect control over the management and operation of the OPCO Group. The Directors have discussed with the auditors of the Company and it has confirmed that the financial results of the Target Group will be consolidated into the accounts of the Group.

Pursuant to the Structured Contracts, Maohong WFOE will be able to control the management and operation of the OPCO Group so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership. The Directors have discussed with the auditors of the Company and it has confirmed that under the prevailing accounting principles of the Company, the Target Company has the right to consolidate the financial results of the OPCO Group in its consolidated accounts as if it were a subsidiary of the Target Group.

## INFORMATION OF THE STRUCTURED CONTRACTS

The OPCO Group is a third-party payment business provider in the PRC. It holds the Payment Licence and the ICP Licence and is principally engaged in the business of the issue and management of prepaid cards, the provision of online payment services and such other related business activities (the “**Relevant Businesses**”). Under the relevant PRC laws and regulations, the OPCO Group is required to hold several licences for conducting the Relevant Businesses that is subject to foreign ownership restriction, particularly the ICP Licence and the Payment Licence.

The granting of ICP Licence and operating of value-added telecommunication services in the PRC are subject to the Guidance Catalog of Industries for Foreign Investment (the “**Catalog**”), the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (the “**Negative List**”), the Telecommunications Regulations of the People’s Republic of China (the “**Telecommunications Regulations**”) and the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the

“**FITE Regulations**”). According to these PRC laws and regulations, a foreign investor who invests in a value-added telecommunications services business in the PRC is subject to ownership percentage restrictions and prior experience in and a proven track record of operating value-added telecommunications businesses overseas. The OPCO Group is required to hold the ICP Licence in order to conduct the value-added telecommunication services as an essential element integrated in the operation of the third-party payment business. From the perspective of operating the OPCO Group’s existing business in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC government authorities and as advised by our PRC Legal Adviser, neither the Company (a foreign investor) nor the Maohong WFOE (a foreign-owned company) is currently able to hold any equity interests in the OPCO Group, which holds the licence and permit required for the value-added telecommunication services.

Furthermore, the granting of Payment Licence and operating of third-party payment businesses in the PRC are subject to, among other PRC laws and regulations, the Administration Measures for the Payment Services of Non-financial Institutions (the “**Measures**”), “Announcement No.7 of the People’s Bank of China (2018)” (the “**No.7 Announcement**”) and the “PBOC’s Replies to Journalists’ Questions relating to Entry and Regulatory Policies on Foreign-invested Payment Institutions”, pursuant to which, foreign institutions may be granted the Payment Licence, subject to the conditions and procedures stipulated under the Measures. As confirmed by our PRC Legal Adviser, the No. 7 Announcement only sets out the general requirements for newly application of Payment Licences by foreign institutions, but has not promulgated any detailed requirements and measures for the implementation of the change of domestic institutions which have obtained Payment Licences into foreign-invested payment institutions. From the perspective of operating the OPCO Group’s existing business in a manner that is in compliance with applicable PRC laws and regulations, given the current policy of the relevant PRC government authorities and as advised by our PRC Legal Adviser, neither the Company (a foreign investor) nor the Maohong WFOE, (a foreign-owned company) is currently able to hold any equity interest in the OPCO Group, which holds the licence and permit required for its payment service business.

In order to maintain the OPCO Group’s business operations while complying with the PRC laws and regulations mentioned above, the Maohong WFOE, PRC Equity Owners, OPCO and Days Holding shall, as part of the Reorganisation, enter into the Structured Contracts to enable the economic benefits of the businesses of the OPCO Group to flow into the Maohong WFOE, to enable the consolidation of the financial results of the OPCO Group in the Group’s consolidated accounts after the Completion, and to enable the Maohong WFOE to gain effective control over the OPCO Group.

## THE STRUCTURED CONTRACTS

### (i) Exclusive Business Consultancy and Services Agreement

Parties: (i) Maohong WFOE;  
(ii) OPCO; and  
(iii) Days Holding

Subject matter: OPCO agrees to engage Maohong WFOE as the exclusive services provider to provide OPCO with business consultancy and services, including but not limited to, market research, market planning, management, development of website, technical services, public relations services, sales agent services, employment, administrative management, internal control, asset management (the “**Services**”).

During the term of the Exclusive Business Consultancy and Services Agreement, without the prior written consent of Maohong WFOE, OPCO and Days Holding are not allowed to and OPCO and Days Holding will procure their respective subsidiaries not to engage or co-operate with any third party for the provision of the same or similar Services.

OPCO and Days Holding agree to pay 100% of their consolidated before income-tax profit after deducting the necessary costs, expenses, taxes and prior years losses as required by the PRC laws, subject to adjustment, to Maohong WFOE as a fee for the Services on a quarterly basis.

Term: The Exclusive Business Consultancy and Services Agreement shall take effect from the date of its execution, until any of the following circumstances occurs:

- (i) Maohong WFOE provides OPCO and Days Holding a 30-day prior notice to terminate the Exclusive Business Consultancy and Services Agreement;
- (ii) the winding-up, liquidation, termination or dissolution of OPCO and Days Holding;
- (iii) under applicable PRC laws and regulations permissible, Maohong WFOE exercises its call option under the Exclusive Call Option Agreements, pursuant to which it acquires all the equity interests or all assets of OPCO and Days Holding; or

- (iv) under applicable PRC laws and regulations, Maohong WFOE is allowed to register itself as the shareholder of OPCO and Days Holding and operate the businesses of OPCO and Days Holding.

**(ii) Exclusive Call Option Agreement with OPCO**

- Parties:
- (i) Maohong WFOE;
  - (ii) OPCO; and
  - (iii) PRC Equity Owners

Subject matter: OPCO and the PRC Equity Owners irrevocably agree to grant exclusive call option to Maohong WFOE, pursuant to which Maohong WFOE may, to the extent permitted under applicable PRC laws and regulations, require:

- (i) the PRC Equity Owners to transfer entirely or partially their or their nominees' equity interests in OPCO to Maohong WFOE or its nominee insofar at the consideration of the amount which is the minimum as permitted under applicable PRC laws, or, unless the PRC laws require valuation of the equity interests at the time of transfer, the consideration shall be adjusted in compliance with the PRC laws; and
- (ii) OPCO to transfer entirely or partially its or its nominees' assets to Maohong WFOE or its nominee insofar at the consideration of the amount which is the minimum as permitted under applicable PRC laws, or, unless the PRC laws require valuation of the assets at the time of transfer, the consideration shall be adjusted in compliance with the PRC laws.

In addition, without the prior written consent of Maohong WFOE, OPCO, among other things:

- (i) shall not alter the articles of association and registered capital of OPCO;
- (ii) shall not sell, transfer or mortgage any assets, businesses or incomes of OPCO Group;
- (iii) and its subsidiaries shall not enter into any merger, acquisition or investment;
- (iv) shall not distribute any profits, bonus or dividend in any manner; and

- (v) and its subsidiaries shall not enter into any material contracts, save as in the ordinary course of business of OPCO Group;

In addition, the PRC Equity Owners, among other things:

- (i) without the prior written consent of Maohong WFOE, shall not sell, transfer or charge the equity interests of Shanghai Maohong, save as pursuant to the Equity Pledge Agreement with PRC Equity owners;
- (ii) without the prior written consent of Maohong WFOE, shall procure Shanghai Maohong not to enter into any merger, acquisition or investment;
- (iii) shall transfer their equity interests of Shanghai Maohong to Maohong WFOE or a person designated by Maohong WFOE upon the request of Maohong WFOE;
- (iv) shall transfer any dividend and/or assets received from Shanghai Maohong to Maohong WFOE at nil consideration; and
- (v) shall comply with their obligation and any agreement jointly or severally entered into among Maohong WFOE, Shanghai Maohong and PRC Equity owners and shall not take any action which will affect the legality and enforceability of such agreement.

Term: The Exclusive Call Option Agreement with Shanghai Maohong shall take effect from the date of its execution until the assets of Shanghai Maohong and/or the equity interests in Shanghai Maohong held by the PRC Equity Owners are transferred to Maohong WFOE or its designated person.

**(iii) Exclusive Call Option Agreement with Days Holding** (together with the Exclusive Call Option Agreement with Shanghai Maohong as “**Exclusive Call Option Agreements**”)

Parties:

- (i) Maohong WFOE;
- (ii) Shanghai Maohong; and
- (iii) Days Holding

Subject matter: Shanghai Maohong and Days Holding irrevocably agree to grant exclusive call option to Maohong WFOE, pursuant to which Maohong WFOE may, to the extent permitted under applicable PRC laws and regulations, require:

- (i) Shanghai Maohong to transfer entirely or partially its or its nominees' equity interests in the Days Holding to Maohong WFOE or its nominee insofar at the consideration of the amount which is the minimum as permitted under applicable PRC laws, or, unless the PRC laws require valuation of the equity interests at the time of transfer, the consideration shall be adjusted in compliance with the PRC laws; and
- (ii) Days Holding to transfer entirely or partially its or its nominees' assets in Days Holding to Maohong WFOE or its nominee insofar at the consideration of the amount which is the minimum as permitted under applicable PRC laws, or, unless the PRC laws require valuation of the assets at the time of transfer, the consideration shall be adjusted in compliance with the PRC laws.

In addition, without the prior written consent of Maohong WFOE, Days Holding, among other things:

- (i) shall not alter the articles of association and registered capital of Days Holding and its subsidiaries;
- (ii) shall not sell, transfer or mortgage any assets, businesses or incomes of Days Holding and its subsidiaries;
- (iii) and its subsidiaries shall not enter into any merger, acquisition or investment;
- (iv) shall not distribute any profits, bonus or dividend in any manner; and
- (v) and its subsidiaries shall not enter into any material contracts, save as in the ordinary course of business of Days Holding and its subsidiaries.

In addition, Shanghai Maohong, among other things:

- (i) without the prior written consent of Maohong WFOE, shall not sell, transfer or charge the equity interests of the Days Holding save as pursuant to the Equity Pledge Agreement with Shanghai Maohong;



- (ii) without the prior written consent of Maohong WFOE, shall procure the Days Holding not to enter into any merger, acquisition or investment;
- (iii) shall transfer its equity interests in Days Holding to Maohong WFOE or a person designated by Maohong WFOE upon the request of Maohong WFOE;
- (iv) shall transfer dividend and/or assets received from the Days Holding to Maohong WFOE at nil consideration; and
- (v) shall comply with its obligations under any agreements jointly or severally entered into among Maohong WFOE, Shanghai Maohong and Days Holding and shall not take any action which will affect the legality and enforceability of such agreement.

Term: The Exclusive Call Option Agreement with Days Holding shall take effect from the date of its execution until the assets of Days Holdings and/or the equity interests in the Days Holding held by Shanghai Maohong are transferred to the person as designated by Maohong WFOE.

**(iv) Equity Pledge Agreement with the PRC Equity Owners**

- Parties:
- (i) Maohong WFOE;
  - (ii) Shanghai Maohong; and
  - (iii) PRC Equity Owners

Subject matter: The PRC Equity Owners agree to pledge all of their equity interests in Shanghai Maohong to Maohong WFOE to secure the performance of the obligations of Shanghai Maohong and Days Holding under the Exclusive Business and Consultancy and Services Agreement, including but not limited to the payment of the fee for the Services.

If there is any breach of the Equity Pledge Agreement by the PRC Equity Owners and/or Shanghai Maohong, including but not limited to breach of obligation under the Exclusive Business and Consultancy and Services Agreement by Shanghai Maohong or Days Holding, the PRC Equity Owners and Shanghai Maohong shall immediately issue a notice in writing to Maohong WFOE. In general, when there is a breach of the Equity Pledge Agreement with the PRC Equity Owners, unless such breach is ratified to the satisfaction of Maohong WFOE, Maohong WFOE shall have the rights to, among others, dispose the pledged equity interests in Shanghai Maohong.



In addition, pursuant to the Equity Pledge Agreement with the PRC Equity Owners, the PRC Equity Owners and Shanghai Maohong undertake to Maohong WFOE, among others, that the PRC Equity Owners, save as pursuant to the Exclusive Call Option Agreements and the Equity Pledge Agreement under the PRC Equity owners, shall not transfer their interests in Shanghai Maohong and not create or allow to create any Encumbrances thereon without prior written consent of Maohong WFOE.

The PRC Equity Owners and Shanghai Maohong shall register the equity pledge with the relevant authorities within 10 business days from the date of the Equity Pledge Agreement with the PRC Equity Owners.

Term: The Equity Pledge Agreement with PRC Equity Owners shall become effective upon registration of this equity pledge agreement and shall remain binding until:

- (i) the term of the Exclusive Business and Consultancy and Services Agreement ends or has an early termination and all the outstanding fees owed to Maohong WFOE by Shanghai Maohong and Days Holding under the Exclusive Business and Consultancy and Services Agreement were paid; or
- (ii) Maohong WFOE has exercised its rights in relation to the pledged equity interests under the respective equity pledge agreement.

**(v) Equity Pledge Agreement with Shanghai Maohong**

Parties: (i) Maohong WFOE;  
(ii) Days Holding; and  
(iii) Shanghai Maohong

Subject matter: Shanghai Maohong agrees to pledge all of its equity interests in the Days Holding to Maohong WFOE to secure the performance of the obligations of Shanghai Maohong and Days Holding under the Exclusive Business and Consultancy and Services Agreement, including but not limited to the payment of the fee for the Services.

If there is any breach of the Equity Pledge Agreement by Shanghai Maohong and Days Holding including but not limited to breach of obligation under the Exclusive Business and Consultancy and Services Agreement by Shanghai Maohong or Days Holding, Shanghai Maohong and Days Holding shall immediately issue a notice in writing to Maohong WFOE. In general, when there is a breach of the Equity Pledge Agreement with Shanghai Maohong, unless such breach is ratified to the satisfaction of Maohong WFOE, Maohong WFOE shall have the rights to, among others, dispose the pledged equity interests under the said agreement.

In addition, pursuant to the Equity Pledge Agreement with Shanghai Maohong, Shanghai Maohong and Days Holding undertake to Maohong WFOE, among others, that Shanghai Maohong, save as pursuant to the Exclusive Call Option Agreements and the Equity Pledge Agreement with Shanghai Maohong, shall not transfer its interests in the Days Holding and not create or allow to create any Encumbrances thereon without prior written consent of Maohong WFOE.

Shanghai Maohong and Days Holding shall register the equity pledge with the relevant authorities within 10 business days from the date of the Equity Pledge Agreement with Shanghai Maohong.

Term:

The Equity Pledge Agreement with Shanghai Maohong shall become effective upon registration of the equity pledge and shall remain binding until:

- (i) the term of the Exclusive Business and Consultancy and Services Agreement ends or has an early termination and all the outstanding fees owed to Maohong WFOE by Shanghai Maohong and Days Holding under the Exclusive Business and Consultancy and Services Agreement were paid; or
- (ii) Maohong WFOE has exercised its right in relation to the pledged equity interests under the respective equity pledge agreement.

**(vi) Equity Pledge Agreement with Days Holding** (together with Equity Pledge Agreement with the PRC Equity Owners and Equity Pledge Agreement with Shanghai Maohong as “**Equity Pledge Agreements**”)

Parties: (i) Maohong WFOE; and  
(ii) Days Holding

Subject matter: Days Holding agree to pledge all of their equity interests in the Days Services to Maohong WFOE to secure the performance of the obligations of Shanghai Maohong and Days Holding under the Exclusive Business and Consultancy and Services Agreement, including but not limited to the payment of the fee for the Services.

If there is any breach of the Equity Pledge Agreement by Days Holding, including but not limited to breach of obligation under the Exclusive Business and Consultancy and Services Agreement by Shanghai Maohong or Days Holding, Days Holding shall immediately issue a notice in writing to Maohong WFOE. In general, when there is a breach of the Equity Pledge Agreement with Days Holding, unless such breach is ratified to the satisfaction of Maohong WFOE, Maohong WFOE shall have the rights to, among others, dispose the pledged equity interests under the said agreement.

In addition, pursuant to the Equity Pledge Agreement with Days Holding, Days Holding undertakes to Maohong WFOE, among others, that, save as pursuant to the Equity Pledge Agreement with Days Holding, the Days Holding, shall not transfer its interests in the Days Services and not create or allow to create any Encumbrances thereon without prior written consent of Maohong WFOE.

Term: The Equity Pledge Agreement with Days Holding shall become effective upon registration of the equity pledge and shall remain binding until:

- (i) the term of the Exclusive Business and Consultancy and Services Agreement ends or has an early termination and all the outstanding fees owed to Maohong WFOE by Shanghai Maohong and Days Holding under the Exclusive Business and Consultancy and Services Agreement were paid; or
- (ii) Maohong WFOE has exercised its right in relation to the pledged equity interests under the respective equity pledge agreement.

(vii) **Power of Attorney**

*Power of attorney from Mr Chen Liang*

Mr Chen Liang unconditionally and irrevocably agrees to entrust director of a corporate shareholder of Maohong WFOE (either with direct or indirect interest) or persons designated by Maohong WFOE and their successors (including liquidator) (“**Designated Person**”) all his voting rights in Shanghai Maohong, including but not limited to:

- (i) as an exclusive agent of Mr Chen Liang, to attend the shareholders’ meetings and sign the minutes of Shanghai Maohong;
- (ii) exercise all rights as a shareholder of Shanghai Maohong pursuant to the PRC laws and the articles of association of Shanghai Maohong, including but not limited to the right to vote in shareholders’ meeting, sale, transfer, pledge or dispose the shares in Shanghai Maohong;
- (iii) as an authorised person of Mr Chen Liang to nominate and appoint the legal representative, chairman, director, supervisor, general manager and other senior management of Shanghai Maohong; and
- (iv) sign documents, minutes and file the documents with the relevant companies registry.

In addition, Mr Chen Liang represents and undertakes, among other things, that his authorisation pursuant to the power of attorney of Mr Chen Liang would not cause any actual or potential conflict of interest between Mr Chen Liang and the Designated Person. If there is any potential conflict of interest between Mr Chen Liang and Shanghai Maohong with Maohong WFOE or parent company outside the PRC of Maohong WFOE or the subsidiaries of Maohong WFOE, Mr Chen Liang shall protect the interest of Maohong WFOE or parent company outside the PRC of Maohong WFOE.

Mr Chen Liang represents and undertakes that in the event of, among others, death, bankruptcy or divorce of Mr Chen Liang or any event that would affect the shareholding of Mr Chen Liang in Shanghai Maohong, Mr Chen Liang would confirm that his successor in title or the then shareholder of Shanghai Maohong or the assignee to execute another power of attorney to grant the same rights and obligations under the power of attorney from Mr Chen Liang.

### ***Power of attorney from Ms Chen Zi Jun***

Ms Chen Zi Jun unconditionally and irrevocably agrees to entrust Designated Person all her voting rights in Shanghai Maohong, including but not limited to:

- (i) as an exclusive agent of Ms Chen Zi Jun, to attend the shareholders' meetings and sign the minutes of Shanghai Maohong;
- (ii) exercise all rights as a shareholder of Shanghai Maohong pursuant to the PRC laws and the articles of association of Shanghai Maohong, including but not limited to the right to vote in shareholders' meeting, sale, transfer, pledge or dispose the shares in Shanghai Maohong;
- (iii) as an authorised person of Ms Chen Zi Jun to nominate and appoint the legal representative, chairman, director, supervisor, general manager and other senior management of Shanghai Maohong; and
- (iv) sign documents, minutes and file the documents with the relevant companies registry.

In addition, Ms Chen Zi Jun represents and undertakes, among other things, that her authorisation pursuant to the power of attorney of Ms Chen Zi Jun would not cause any actual or potential conflict of interest between Ms Chen Zi Jun and the Designated Person. If there is any potential conflict of interest between Ms Chen Zi Jun and Shanghai Maohong with Maohong WFOE or parent company of Maohong WFOE or the subsidiaries of Maohong WFOE, Ms Chen Zi Jun shall protect the interest of Maohong WFOE or parent company of Maohong WFOE.

Ms Chen Zi Jun represents and undertakes that in the event of, among others, death, bankruptcy or divorce of Ms Chen Zi Jun or any event that would affect the shareholding of Ms Chen Zi Jun in Shanghai Maohong, Ms Chen Zi Jun would confirm that her successor in title or the then shareholder of Shanghai Maohong or the assignee to execute another power of attorney to grant the same rights and obligations under the power of attorney from Ms Chen Zi Jun.

### ***Power of attorney from Shanghai Maohong***

Shanghai Maohong unconditionally and irrevocably agrees to entrust Designated Person all its voting rights in Days Holding, including but not limited to:

- (i) as an exclusive agent of Shanghai Maohong, to attend the shareholders' meetings and sign the minutes of the Days Holding;
- (ii) exercise all rights as a shareholder of the Days Holding pursuant to the PRC laws and the articles of association of the Days Holding, including but not limited to the right to vote in shareholders' meeting, sale, transfer, pledge or dispose the shares in Days Holding;

- (iii) as an authorised person of Shanghai Maohong to nominate and appoint the legal representative, chairman, director, supervisor, general manager and other senior management of Days Holding; and
- (iv) sign documents, minutes and file the documents with the relevant companies registry.

In addition, Shanghai Maohong represents and undertakes, among other things, that its authorisation pursuant to the power of attorney of Shanghai Maohong would not cause any actual or potential conflict of interest between Shanghai Maohong and the Designated Person. If there is any potential conflict of interest between Shanghai Maohong and Days Holding with Maohong WFOE or parent company outside the PRC of Maohong WFOE or the subsidiaries of Maohong WFOE, Shanghai Maohong shall protect the interest of Maohong WFOE or parent company outside the PRC of Maohong WFOE.

Shanghai Maohong represents and undertakes that in the event of, among others, winding-up or any event that would affect the shareholding of Shanghai Maohong in Days Holding, Shanghai Maohong would confirm that its successor in title to execute another power of attorney to grant the same rights and obligations under the power of attorney from Shanghai Maohong.

***Power of attorney from Days Holding*** (together with power of attorney from Mr Chen Liang, power of attorney from Ms Chen Zi Jun and power of attorney from Shanghai Maohong as “**Power of Attorney**”)

Days Holding unconditionally and irrevocably agrees to entrust Designated Person all its voting rights in Days Services, including but not limited to:

- (i) as an exclusive agent of Days Holding, to attend the shareholders’ meetings and sign the minutes of the Days Services;
- (ii) exercise all rights as a shareholder of the Days Services pursuant to the PRC laws and the articles of association of the Days Services, including but not limited to the right to vote in shareholders’ meeting, sale, transfer, pledge or dispose the shares in Days Services;
- (iii) as an authorised person of Days Holding to nominate and appoint the legal representative, chairman, director, supervisor, general manager and other senior management of Days Services; and
- (iv) sign documents, minutes and file the documents with the relevant companies registry.

In addition, Days Holding represents and undertakes, among other things, that its authorisation pursuant to the power of attorney of Days Holding would not cause any actual or potential conflict of interest between Days Holding and the Designated Person. If there is any potential conflict of interest between Days Holding and Days Services with Maohong WFOE or parent company of Maohong WFOE or the subsidiaries of Maohong WFOE, Days Holding shall protect the interest of Maohong WFOE or parent company of Maohong WFOE.

Days Holding represents and undertakes that in the event of, among others, winding-up or any event that would affect the shareholding of Days Holding in Days Services, Days Holding would confirm that its successor in title to execute another power of attorney to grant the same rights and obligations under the power of attorney from Days Holding.

#### (viii) Spouse Consent Letters

Parties: The spouse of each of the PRC Equity Owners who is a married natural person

Subject matter: The spouse (if any) of each of the PRC Equity Owners who is a married natural person shall execute a spousal confirmation to Maohong WFOE to the effect that, among others:

- (i) each of the spouses unconditionally and irrevocably consents to execution of the Exclusive Business Consultancy and Service Agreement, Exclusive Call Option Agreements, the Equity Pledge Agreements, the Power of Attorney (collectively, the “**PRC Transaction Documents**”) and that the respective PRC Equity Owners’ shares in Shanghai Maohong shall be disposed of pursuant to the abovementioned agreements;
- (ii) each of the spouses undertakes not to make any claim for the shares in Shanghai Maohong held by the respective PRC Equity Owners; and
- (iii) the performance of the PRC Transaction Documents by the respective PRC Equity Owners and any further amendment or termination of the PRC Transaction Documents does not require the authorisation or consent of the spouse.

#### Dispute Resolutions

Each of the Exclusive Business Consultancy and Service Agreement, Exclusive Call Option Agreements and the Equity Pledge Agreements contains a dispute resolution clause to the effect that, amongst others, in the event any dispute arises under the relevant Structured Contracts cannot be resolved among the parties through negotiation, such dispute shall provide for arbitration by Arbitration Commission in accordance with the then arbitration rules. The place of arbitration shall be in Shanghai and the language of arbitration shall be Chinese. The decision of the arbitration shall be final, conclusive and binding on the parties.



Further, each of the Exclusive Business Consultancy and Service Agreement, Exclusive Call Option Agreements and the Equity Pledge Agreements contains provisions to the effect that (i) the arbitrators may award remedies over the shares and/or assets of OPCO and Days Holding, injunctive reliefs (such as mandatory transfer of assets) and/or winding up of any of the companies in the OPCO Group; and (ii) the courts in the PRC, Hong Kong, and Cayman Islands are empowered to grant interim remedies in supporting of the arbitration pending the formation of an arbitral tribunal.

### **Liquidation**

Pursuant to the Exclusive Call Option Agreements, in the event of liquidation or winding up of the members of the OPCO Group pursuant to the applicable PRC laws, the members of the OPCO Group shall sell all of their residual assets (to the extent permitted by the PRC laws) to Maohong WFOE or another qualifying entity designated by Maohong WFOE at the lowest price permitted by applicable PRC laws.

### **Conflict of interests**

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the PRC Equity Owners and the Group. In particular, each of the Power of Attorney provides that each of the PRC Equity Owners, OPCO and Days Holding represent and undertake respectively, among other things, that its authorisation pursuant to the respective power of attorney would not cause any actual or potential conflict of interest with Maohong WFOE and/or Designated Person. If there is any potential conflict of interest with Maohong WFOE or parent company of Maohong WFOE or its subsidiaries, the PRC Equity Owners, OPCO and Days Holding shall protect the interest of Maohong WFOE or parent company of Maohong WFOE.

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

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO Group.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, following the Completion, to implement, through Maohong WFOE, additional internal control measures against each of the OPCO Group Companies as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

### **Management controls**

- (i) The Group will appoint one or more board representative(s) (the “**Representative(s)**”) to the board of directors of each of the OPCO Group Companies. The Representative(s) is/are required to conduct monthly reviews on the operations of each of the OPCO Group Companies and shall submit the monthly reviews to the Board. The respective Representative(s) is/are also required to check the authenticity of the monthly management accounts of each of the OPCO Group Companies;



- (ii) The Representative(s) shall establish a team to be nominated by the Group who shall station at each of the OPCO Group Companies and shall be actively involved in various aspects of the daily managerial and operational activities of the respective OPCO Group Companies;
- (iii) Upon receiving notification of any material events of each of the OPCO Group Companies by the respective Representative, the registered shareholders of the OPCO Group Companies must report to the company secretary/board of directors of the Company, who must in turn report to the Board as soon as possible;
- (iv) The financial team of the Company/Representative(s) shall conduct regular site visits to each of the OPCO Group Companies and conduct personnel interviews every six months and submit reports to the Board; and
- (v) All seals, chops, incorporation documents and all other legal documents of each of the OPCO Group Companies must be kept at the office of Maohong WFOE.

### **Financial controls**

- (i) The financial team of the Company shall collect monthly management accounts, bank statements and cash balances and major operational data of each of the OPCO Group Companies for review. Upon discovery of any suspicious matters, the financial team of the Company must report to the Board;
- (ii) If the payment of the service fees from each of the OPCO Group Companies to Maohong WFOE is delayed, the financial team of the Company must meet with the registered shareholders of each of the OPCO Group Companies to investigate and should report any suspicious matters to the Board;
- (iii) Each of the OPCO Group Companies must submit copies of latest bank statements for every bank accounts of the respective OPCO Group Companies within 15 days after each month end; and
- (iv) Each of OPCO Group Companies must assist and facilitate the Company to conduct quarterly on-site internal audit on the respective OPCO Group Companies.

### **Legal review**

The Representative(s) will consult the Company's PRC legal adviser from time to time to check if there are any legal developments in the PRC affecting the Structured Contracts, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made.

## **EFFECT AND LEGALITY OF THE STRUCTURED CONTRACTS**

### **Compliance of Structured Contracts with PRC laws, rules and regulations**

As advised by the PRC Legal Adviser, upon the execution of the Structured Contracts, each of the Structured Contracts shall be legal, effective, binding among the parties thereto, enforceable pursuant to PRC laws (save for the dispute resolution clauses as contained in the Exclusive Business Consultancy and Service Agreement, Exclusive Call Option Agreements and the Equity Pledge Agreements, further details of which are set out in the paragraph headed “Certain terms of the Structured Contracts may not be enforceable under PRC laws” under the section headed “Risk factors in relation to the Structured Contracts” and the paragraph headed “Dispute resolutions in the Structured Contracts” in this announcement) and shall not contravene relevant PRC contract law and other applicable PRC laws, and regulations, including those applicable to the business of the Maohong WFOE and the OPCO Group. The Structured Contracts would not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC Contract Law. Our PRC Legal Advisor is of the view that the adoption of the Contractual Arrangement is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. As at the date of this announcement, pursuant to the confirmation of the OPCO and Days Holding and reasonable enquiry by the PRC Legal Adviser, there is no pending or potential litigation, arbitration or other regulatory penalty in relation to the effect and legality of the Structured Contracts.

### **Dispute resolutions in the Structured Contracts**

The Exclusive Business Consultancy and Service Agreement, Exclusive Call Option Agreements and the Equity Pledge Agreements are governed by and constructed in accordance with the PRC laws and contain a provision for resolving disputes by arbitration by Arbitration Commission in accordance with the then arbitration rules. Such provision provides that (i) the arbitrators may award remedies over the shares and/or assets of OPCO and Days Holding, injunctive reliefs (such as mandatory transfer of assets) and/or winding up of any of the companies in the OPCO Group; and (ii) the courts in the PRC, Hong Kong, and Cayman Islands are empowered to grant interim remedies in supporting of the arbitration pending the formation of an arbitral tribunal. However, the PRC Legal Adviser is of the view that pursuant to PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of any of the companies in the OPCO Group. In addition, even though the Structured Contracts provide that overseas courts (e.g. courts in Hong Kong and the Cayman Islands) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under PRC laws.

### **Board’s view on the Structured Contracts**

Based on the above, the Board is of the view that the Structured Contracts are narrowly tailored to achieve the Target Group’s business purpose and to manage any potential conflict with and are enforceable under the relevant PRC laws and regulations. The Structured Contracts enable Maohong WFOE to gain control over the financing and business operations of each of the OPCO Group Companies, and is entitled to the economic interest and benefits of each of the OPCO Group Companies. The Structured Contracts also provide that Maohong WFOE may unwind the Structured Contracts as soon as relevant PRC laws and

regulations governing foreign investment in the operation of the business of the issue and management of prepaid cards, the provision of online payment services and such other related business activities and provision of internet content pursuant to the ICP Licence are issued which allow Maohong WFOE to register itself as the shareholder of each of the OPCO Group Companies.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the announcement, Maohong WFOE and each of the OPCO Group Companies have not encountered any interference or encumbrance from any governing bodies in operating its business through the contractual arrangements under the Structured Contracts.

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

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

There can be no assurance that the Structured Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Structured Contracts will be deemed to be in compliance of the PRC laws and regulations.

On 19 January 2015, the MOFCOM circulated the Foreign Investment Law of the PRC (Draft for Comment) (《中華人民共和國外國投資法(草案徵求意見稿)》) and the Explanation on the draft PRC Foreign Investment Law (《關於〈中華人民共和國外國投資法(草案徵求意見稿)〉的說明》) (collectively, the “**Draft Foreign Investment Law**”), which proposed changes to the PRC foreign investment legal regime and the treatment of Structured Contracts structures, including contractual arrangement such as the Structured Contracts. The Draft Foreign Investment Law, if finally adopted, may have a material impact on the PRC foreign investment legal regime. However, the Standing Committee of the National People’s of Congress of the PRC (the “**Standing Committee**”) circulated the first and the second reviewed edition of the Draft Foreign Investment Law (the “**Reviewed Editions**”) on 26 December 2018 and 29 November 2019, respectively. The treatments of Structured Contracts structures as proposed in the Draft Foreign Investment Law have been removed in its entirety.

According to the Company’s PRC legal adviser, the Draft Foreign Investment Law and the Reviewed Editions are currently in consultation stage and has not yet been effective or legally binding. As there are uncertainties on the final content and interpretations of the Draft Foreign Investment Law, there is no assurance that the Structured Contracts will comply with the Draft Foreign Investment Law when it is adopted and becomes law.

The Board will monitor the development of the Draft Foreign Investment Law and discuss with the Company’s PRC legal adviser on a regular basis in order to assess its possible impact on the Structured Contracts and the business of the Company. In case there would be material impact on the Group or the OPCO Group’s business, the Company will timely publish announcements in relation to material developments of and arising from the Draft Foreign Investment Law.

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

The Group relies on contractual arrangements under the Structured Contracts with OPCO to operate the business of the issue and management of prepaid cards, the provision of online payment services and such other related business activities in the PRC. These contractual arrangements may not be as effective in providing the Group with control over the OPCO Group as direct ownership.

**The PRC Equity Owners may potentially have a conflict of interests with the Group**

The Group's control over the OPCO Group is based on the contractual arrangement under the Structured Contracts. Therefore, conflict of interests of the PRC Equity Owners will adversely affect the interests of the Company. Pursuant to the Power of Attorney, the PRC Equity Owners and Shanghai Maohong will irrevocably authorise Designated Person as their representatives to exercise their rights as a shareholders of the respective member of the OPCO Group. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the PRC Equity Owners. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the PRC Equity Owners.

**The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed**

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

**Certain terms of the Structured Contracts may not be enforceable under PRC laws**

The Structured Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. The Structured Contracts contain provisions to the effect that the arbitrators may award remedies over the shares and/or assets of the OPCO Group or provide mandatory remedies to the Maohong WFOE (such as mandatory transfer of asset). In addition, the parties to the Structured Contracts may also by itself/himself or through the Arbitration Commission to apply for interim remedies in the place of incorporation of Maohong WFOE in appropriate cases. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the OPCO Group in case of disputes. Therefore, such remedies may not be available, notwithstanding the relevant contractual provisions contained in the Structured Contracts.

### **A substantial amount of costs and time may be involved in transferring the ownership of OPCO to the Group under the Exclusive Call Option Agreements**

The Exclusive Call Option Agreements grant Maohong WFOE a right to acquire part or all of the equity interest in the registered capital or part or all of the assets of each of the OPCO Group Companies at the lowest price permitted by PRC law, under which Maohong WFOE or its designed is entitled to acquire all or part of the equity interest of the OPCO from the PRC Equity Owners and the assets of OPCO Group from of the OPCO Group.

Nevertheless, such rights can only be exercised by Maohong WFOE as and when permitted by the relevant PRC laws and regulations, in particular, when there are no limitations on foreign ownership in PRC companies that are engaged in the business of the issue and management of prepaid cards and the provision of online payment services.

In addition, a substantial amount of costs and time may be involved in transferring the ownership or assets of the OPCO Group to Maohong WFOE if it chooses to exercise the exclusive right to acquire all or part of the equity interest and assets in the OPCO Group under the Exclusive Call Option Agreements, which may have a material adverse impact on the Group's business, prospects and results of operation.

### **The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder**

The insurance of the Group does not cover the risks relating to the Structured Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of OPCO, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

### **Economic risks Maohong WFOE bears as the primary beneficiary of OPCO, financial support to OPCO and potential exposure of the Target Company to losses**

As the primary beneficiary of OPCO, Maohong WFOE will share both profit and loss of OPCO. Equally, Maohong WFOE bears economic risks which may arise from difficulties in the operation of the OPCO's business. Maohong WFOE may have to provide financial support in the event of financial difficulty of OPCO. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of OPCO and the need to provide financial support to OPCO.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## GENERAL

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Company is permitted to, and will endeavor to, obtain written Shareholders' approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from Timenew Limited, which is a controlling shareholder of the Company beneficially interested in 450,000,000 Shares, representing 75% of issued share capital of the Company, as at the date of this announcement, in lieu of holding a general meeting for approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Sale and Purchase Agreement and the transaction contemplated thereunder, the Structured Contracts, and other information as required to be disclosed under the Listing Rules will be despatched to the Shareholders. The circular is expected to be despatched by the Company to its Shareholders on or before 25 March 2019.

**As Completion is subject to fulfillment or waiver (as the case may be) of the Conditions, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2019 Actual Profit”	means, for financial year ending 31 December 2019, the audited consolidated net profits after tax but before any minority interests and extraordinary or exceptional items of the Target Group, which, in the event exceeding the Reference Profit, shall be taken as being RMB100 million;
“Acquisition”	the acquisition of the Sale Shares by the Company pursuant to the Sale and Purchase Agreement;
“Adjustment”	the adjustment to the Consideration (if any) in relation to the Reference Profit;
“Arbitration Commission”	the Shanghai International Economic and Trade Arbitration Commission;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;



“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licenced banks in Hong Kong are generally open for business throughout their normal business hours;
“Company”	Manfield Chemical Holdings Limited (萬輝化工控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1561);
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement;
“Completion Date”	the date of Completion, which shall take place on the fifteenth (15th) Business Day after all conditions set out in the Sale and Purchase Agreement having been fulfilled or waived or such other date as may be agreed between the Vendor and the Purchaser;
“Condition(s)”	the condition(s) precedent to the Completion as set out in the Sale and Purchase Agreement;
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares;
“Contractual Arrangement”	the contractual arrangement contemplated under the Structured Contracts through which the Company indirectly own and control any part of the business of the OPCO Group;
“Days Holding”	Shanghai Day’s Holding Company Limited* (上海得仕控股有限公司), a company incorporated in the PRC;
“Days Services”	Day’s Enterprise Company Limited* (得仕股份有限公司), a company incorporated in the PRC, the shares of which are listed on the NEEQ in the PRC (NEEQ stock code: 870829);
“Days Services Group”	Days Services together with its subsidiaries;
“Deposit”	a deposit in the amount of HK\$20,000,000 to be payable by the Purchaser to the Vendor as part of the Consideration;

“Director(s)”	the director(s) of the Company;
“Encumbrance”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same;
“First Promissory Note”	the promissory note in the principal amount of HK\$540 million to be issued by the Purchaser for settling part of the Consideration upon the Completion;
“Group”	the Company and its subsidiaries from time to time;
“Guarantors” or “PRC Equity Owners”	Mr Chen Liang and Ms Chen Zi Jun who are interested 83.97% and 16.03% of the equity interest in Shanghai Maohong respectively;
“HK Maohong”	Mao Hong Information Technology (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“ICP Licence”	licence issued to internet content providers in the PRC by Shanghai Communications Administration;
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are not connected with any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates and is/are independent of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2019 or such other date as the Parties may agree in writing;
“Maohong Group”	the Target Company and its subsidiaries (including HK Maohong and Maohong WFOE and their subsidiaries);
“Maohong Group Company”	any member of the Maohong Group;
“Maohong WFOE”	a wholly foreign owned enterprise to be established the sole registered shareholder of which will be HK Maohong;



“MOFCOM”	Ministry of Commerce of the PRC;
“NDRC”	National Development and Reform Commission of the PRC;
“NEEQ”	National Equities Exchange and Quotations System;
“OPCO”	Shanghai Maohong;
“OPCO Group”	OPCO and its subsidiaries (including Days Holding and Days Services and their subsidiaries);
“OPCO Group Company(ies)”	the member(s) of the OPCO Group;
“Power of Attorney”	Collectively, the power attorney of the PRC Equity Owners, Shanghai Maohong and Days Holding;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and the Republic of Taiwan;
“PRC Legal Opinion”	the legal opinion issued by PRC Legal Adviser;
“Payment Licence”	third-party payment business licence issued to non-financial institutions in the PRC by the People’s Bank of China;
“PRC Legal Adviser”	the legal adviser of the Company in relation to the laws of the PRC in relation to, among others, the Reorganisation and Contractual Arrangement;
“Promissory Notes”	the First Promissory Note and the Second Promissory Note;
“Purchaser”	Pan Asia Data (BVI) Inc., a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company;
“Reference Profit”	consolidated net profit after tax but before minority interest and extraordinary or exceptional items of the Target Group in the sum of RMB100 million for the financial year ending 31 December 2019;
“Relevant Capacity”	as far as a person is concerned, for his own account or for that of any person, firm or company other than the Purchaser or the Target Group and whether through the medium of any company which is his associate or as principal, partner, director, employee, consultant or agent;

“Remaining Consideration”	the remaining Consideration to be payable by the Purchaser to the Vendor, after the payment of the Deposit and the First Promissory Note, pursuant to the Sale and Purchase Agreement;
“Reorganisation”	(i) the reorganisation of the corporate structure of Maohong Group and (ii) the execution of the Structured Contracts to complete the Contractual Arrangement;
“Restricted Period”	two years from the Completion Date;
“RMB”	Renminbi, the lawful currency for the time being of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 2 March 2019 and entered into by the Purchaser, the Vendor and the Guarantors in relation to the Acquisition;
“Sale Shares”	51 shares of the Target Company registered in the name of, and beneficially owned by, the Vendor, representing 51% of the entire issued share capital of the Target Company;
“Second Promissory Note”	the promissory note in the principal amount of HK\$230 million to be issued by the Purchaser for settling part of the Consideration upon Completion;
“Shanghai Maohong”	上海懋宏信息科技有限公司, a company incorporated in Shanghai;
“Share(s)”	the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Structured Contracts”	collectively, (i) the Exclusive Business Consultancy and Services Agreement; (ii) the Exclusive Call Option Agreements; (iii) the Equity Pledge Agreements; (iv) the Power of Attorney; and (v) the Spouse Consent Letters proposed to be entered into among the Maohong WFOE, OPCO, PRC Equity Owners and/or Days Holding;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Mao Hong Information Technology Holding Limited, a company incorporated in the British Virgin Islands with limited liability;
“Target Group”	the Target Company and its subsidiaries and any other entities which are directly or indirectly controlled by the Company, including but not limited to OPCO Group;

“Trading Days”	a day on which the Stock Exchange is open for dealing business;
“US\$”	United States dollars, the lawful currency for the time being of the United States of America;
“Vendor”	Mao Hong Holding Limited, a company incorporated in the British Virgin Islands, which is beneficially owned as to 83.97% issued share capital by Mr Chen Liang and as to 16.03% of the issued share capital by Ms Chen Zi Jun;
“Warranties”	representations, warranties and undertakings made by or on behalf of the Vendor in the Sale and Purchase Agreement or which have become the terms of the Sale and Purchase Agreement; and
“%”	per cent.

By Order of the Board  
**Manfield Chemical Holdings Limited**  
**Dr Li Zhong Yuan**  
*Chairman*

Hong Kong, 4 March 2019

*As at the date of this announcement, the Board comprises:*

*Executive Director:*

Dr Li Zhong Yuan

*Non-executive Directors:*

Mr Kong Muk Yin

Ms Zuo Yi

*Independent non-executive Directors:*

Mr Li Gong

Mr Wang Jianping

Dr Shi Ping

\* *for identification purposes only*