THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Manfield Chemical Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

MANFIELD

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)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN MAO HONG INFORMATION TECHNOLOGY HOLDING LIMITED AND (2) POSSIBLE CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO THE STRUCTURED CONTRACTS

Financial Adviser to the Company

建银国际
CCB International

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

A letter from the Board is set out on pages 8 to 57 of this circular.

The Company has obtained written Shareholders' approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from the Controlling Shareholder which holds more than 50% of the issued share capital of the Company as at the date of this circular giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

18 April 2019

CONTENTS

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

"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 paid by the Purchaser to the Vendor in accordance with the Sale and Purchase Agreement;
"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;
"Enlarged Group"	the Group as enlarged by the Target Group following Completion
"Equity Pledge Agreement with Days Holding"	the agreement to be entered into between Maohong WFOE, Days Services and Days Holding in relation to, among others, Days Holding agree to pledge all of its equity interests in the Days Services to Maohong WFOE;
"Equity Pledge Agreement with Shanghai Maohong"	the agreement to be entered into between Maohong WFOE, Days Holding and Shanghai Maohong in relation to, among others, Shanghai Maohong agrees to pledge all of its equity interests in the Days Holding to Maohong WFOE;

"Equity Pledge Agreement with the PRC Equity Owners"	the agreement to be entered into between Maohong WFOE, Shanghai Maohong and PRC Equity Owners in relation to, among others, the PRC Equity Owners agree to pledge all of their equity interests in Shanghai Maohong to Maohong WFOE;
"Equity Pledge Agreements"	collectively, Equity Pledge Agreement with Days Holding, Equity Pledge Agreement with Shanghai Maohong and Equity Pledge Agreement with the PRC Equity Owners;
"Exclusive Business Consultancy Services Agreement"	the agreement to be entered into between Maohong WFOE, Shanghai Maohong, Days Holding and Days Services in relation to, among others, the provision of business consultancy and services by Maohong WFOE to Shanghai Maohong, Days Holding and Days Services;
"Exclusive Call Option Agreement with Days Holding"	the agreement to be entered into between Maohong WFOE, Shanghai Maohong and Days Holding in relation to, among others, the grant of exclusive call option to Maohong WFOE by Shanghai Maohong and Days Holding;
"Exclusive Call Option Agreement with Days Services"	the agreement to be entered into between Maohong WFOE, Days Holding and Days Services in relation to, among others, the grant of exclusive call option to Maohong WFOE by Days Holding and Days Services;
"Exclusive Call option Agreement with Shanghai Maohong"	the agreement to be entered into between Maohong WFOE, Shanghai Maohong and PRC Equity Owners in relation to, among others, the grant of exclusive call option to Maohong WFOE by Shanghai Maohong and the PRC Equity Owners;
"Exclusive Call Option Agreements"	collectively, Exclusive Call Option Agreement with Days Holding, Exclusive Call Option Agreement with Days Services and Exclusive Call option Agreement with Shanghai Maohong;
"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;
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
"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;
"Independent Valuer"	Valuelink Management Consultants Limited;
"Latest Practicable Date"	15 April 2019, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular;
"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(ies)"	any member of the Maohong Group;
"Maohong WFOE"	a wholly foreign owned enterprise to be established and the sole registered shareholder of which will be HK Maohong;
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部);
"NDRC"	the National Development and Reform Commission of the PRC;
"NEEQ"	the National Equities Exchange and Quotations;

"OPCO" or "Shanghai Maohong"	Shanghai Maohong Information Technology Company Limited* (上海懋宏信息科技有限公司), a company incorporated in Shanghai;
"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;
"Payment Licence"	third-party payment business licence issued to non-financial institutions in the PRC by the PBOC;
"PBOC"	The People's Bank of China;
"Power of Attorney"	collectively, the power of attorney from the PRC Equity Owners, Shanghai Maohong and Days Holding;
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
"PRC Legal Adviser"	Beijing Dacheng Law Offices, LLP (Shanghai), being the legal adviser of the Company in relation to the laws of the PRC in relation to, among others, the Reorganisation and Contractual Arrangement;
"PRC Legal Opinion"	the legal opinion to be issued by the PRC Legal Adviser;
"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 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 not more than HK$230 million to be issued by the Purchaser for settling part of the Consideration within 20 Business Days after the receipt of the audited consolidated accounts of the Target Group for the financial year ending 31 December 2019;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	the share(s) of the Company;
"Share Mortgage"	the deed of share mortgage executed by the Timenew Limited as the mortgagor in favour of the Guang Ming Holdings Limited as mortgagee over the 450,000,000 Shares at completion of the sale and purchase of such Shares in accordance with the terms and conditions of the conditional agreement dated 7 November 2018 entered into among the Guang Ming Holdings Limited, the Timenew Limited and Mr Li Xiao Ru;
"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, Days Holding and/or Days Services;
"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 upon Completion, including but not limited to the 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% of the 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.

* *For identification purposes only*

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)

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

Registered Office:
4th Floor, Harbour Place,
103 South Church Street
P.O. Box 10240, Grand Cayman
KY1-1002
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 2A, 2/F., Beverly House
93–107 Lockhart Road
Wanchai, Hong Kong

18 April 2019

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN MAO HONG INFORMATION TECHNOLOGY HOLDING LIMITED AND (2) POSSIBLE CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO THE STRUCTURED CONTRACTS

INTRODUCTION

Reference is made to the announcement of the Company dated 4 March 2019.

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, Days Holding and Days Services through which, Maohong WFOE will have effective control over the OPCO Group, and will enjoy the economic benefits generated by the OPCO Group.

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

Dr Li Zhong Yuan, an executive Director, became acquainted with the Vendor and the Guarantors through social occasions in Shanghai, as the parties shared common interests in digital economy. Dr Li Zhong Yuan initiated his discussion with the Vendor and the Guarantors. Mr Li Xiao Ru did not introduce the Vendor and the Guarantors to the Directors.

Ms Zuo Yi, the non-executive Director, was a director of Days Services during the period from October 2015 to April 2017. Mr Li Xiao Ru, being one of the shareholders of the controlling shareholder of the Company, acted as a guarantor for a bank loan borrowed by the OPCO in the amount of RMB50,000,000 in June 2017. Mr Li Xiao Ru was requested by the Guarantors to provide a credit enhancement to the bank loans of the OPCO Group. Mr Li Xiao Ru agreed to provide such guarantee (the "**Loan Guarantee**") on the basis that he had confidence in the prospect of OPCO in the fintech field and would like to support the Guarantors' endeavor. In his capacity as the Global COO of one of the leading international law firms in Asia with a global network and practice, Mr. Li Xiao Ru has witnessed the growth, competitiveness and vitality of the PRC fintech and data sectors in which he has been a strong believer. He also wanted to support the OPCO Group to vigorously explore other fintech and data related projects to create business opportunities although no new project at the relevant time when the Loan Guarantee was provided by Mr. Li Xiao Ru (i.e. in June 2017) was brought to fruition. Mr Li Xiao Ru requested to release his obligation as a guarantor to the Loan Guarantee in early 2018 due to his own financial needs. The bank had only agreed to the release the Loan Guarantee in February 2019. There is no relationship between the arrangement of the Loan Guarantee, including its termination, and the Acquisition. As at the Latest Practicable Date, the Loan Guarantee has been terminated. Besides, Mr Li Xiao Ru has invested in 32.4% issued share capital of a company incorporated in the Cayman Island which held indirectly the entire interest in Days Services in May 2015 and has subsequently disposed of the entire aforesaid share interest in June 2015. Save for the aforesaid, there is neither relationship nor any formal or informal arrangement between Mr Li Xiao Ru and the Guarantors in relation to the Target Company, Mr Li Xiao Ru had no other relationship, equity or otherwise, and historically or currently, with the OPCO Group up to the Latest Practicable Date.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for the above, each of the Vendor and the Guarantors does not have any relationship (business or otherwise) with the Company and its connected persons (including its controlling shareholder) and its former controlling shareholders (namely, Guang Ming Holdings Limited, Mr Li Seng Hui, Mr Yuen Shu Wah, Mr Ko Jack Lum, Mr Yuen Shi Ki, Mr Wong Chi Kong, Mr Kwok Wai Kit Victor and Ms Wong Shin Chun).

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, Days Holding and Days Services. Upon the completion of the Reorganisation, Maohong Group shall have indirect control over the management and operation of the 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 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.

The settlement method of the Consideration is determined on the basis of commercial negotiations and discussion between the Vendor and the Purchaser. The Board considers the use of the Promissory Notes for settlement of the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole, having considered that the issue of the Promissory Notes (i) will not have any immediate dilutive impact to the Company's shareholding and (ii) will not require any financial resource (save for the Deposit) for immediate settlement of the Consideration upon the Completion.

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 Actual Profit x 24 x 56.82% x 51% – 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.

The Second Promissory Note will not be issued in the event that the amount of the Remaining Consideration calculated based on the formula above is a negative figure.

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 after three (3) months and within 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 after six (6) months and within 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 after twelve (12) months and within 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 after eighteen (18) months and within 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. The step up interest rates of the Promissory Notes are determined on the basis of commercial negotiations and discussion between the Vendor and the Purchaser. The interest rates are lower than the prevailing borrowing rate of approximately 5.125% per annum offered by commercial banks in Hong Kong and the Board considers that the step up rates are in the interest of the Company and its shareholders as a whole.
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, (i) the historical transaction prices for trading of the shares of Days Services on the NEEQ; and (ii) a valuation report on Days Services Group prepared under market approach by the Independent Valuer.

From 21 February 2017 (i.e. the date of quotation of shares of Days Services in NEEQ) to the Latest Practicable Date, the maximum and the minimum closing prices of shares of Days Services as quoted in NEEQ are RMB16 per share and RMB15 per share, respectively, with an average closing price of RMB15.8 per share. The market value of Days Services is RMB2,325 million (representing approximately HK$2,735 million) determined based on the latest closing price of RMB15.5 per share time 150,000,000 issued shares of Days Services. The Consideration is determined based on the market capitalisation of Days Services of RMB2,325 million (representing approximately HK$2,735 million) x 56.82% minority interest x 51% equity interests of the Target Group to be acquired.

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.

With respect to condition (viii) above, Days Services and Guarantors have initiated a consultation with Industrial Securities Co. Ltd. (Days Services' designated securities firm) and NEEQ regarding the delisting process. The topics discussed were the steps of the delisting process and timing to initiate the delisting process. According to the relevant rules and regulations of NEEQ, one of the conditions precedent to delisting is to ensure dissident shareholders' rights are reasonably protected by way of share purchase, cash compensation, etc. In practice, such protective measures are usually offered by the controlling shareholder(s) or third parties designated by the controlling shareholder(s) of the proposed delisting company, or independent third party investors. Whether the minority shareholders of Days Services will remain in the proposed delisting company will depend upon the agreement among shareholders of Days Services prior to the completion of the delisting process. The Company has no plan to be involved in such delisting process, nor will it be responsible for compensating the minority shareholders of Days Services.

It is expected that the delisting process of Days Services shall commence after the publication of the circular in relation to the Acquisition. The board of directors of Days Services has formulated a delisting plan and the details are set out as follows:

(1) the board of directors of Days Services is required to pass a resolution to approve the proposed delisting of Days Services from the NEEQ;

(2) Days Services is required to publish on the NEEQ's website a report in relation to the proposed delisting and the related arrangement;

(3) Days Services will convene a general meeting to seek its shareholders' approval on the proposed delisting;

(4) Days Services is then required to submit to the NEEQ within one month after the general meeting in relation to the delisting all application materials, including the directors' resolutions, shareholders' resolutions, audit opinion from the designated securities firm, legal opinion, annual fee payment receipt and other documents as required by the NEEQ pursuant to the "Guide of the National Equities Exchange and Quotations Company Listed to Applications of NEEQ-listed Companies for Terminating Stock Listings and the Withdrawal of Applications for Terminating Stock Listings" (全國中小企業股份轉讓系統掛牌公司申請股票終止掛牌及撤回終止掛牌業務指南)); and

(5) NEEQ shall complete their review of the delisting application within one to two month(s) from the date of submission of the application materials. Days Services will then be delisted from the NEEQ.

Mr Chen Liang, being Days Services' controlling shareholder, is responsible for discussing with the minority shareholders of Days Services in respect of the delisting matters.

Mr. Chen Liang will ensure dissident shareholders' rights are reasonably protected by offering them share purchase or cash compensation based on mutually agreed terms. In the event that Mr Chen Liang acquires shares in Days Services during the delisting process, Mr Chen Liang will separately enter into a power of attorney in capacity of shareholder of Days Services to the effect that Mr Chen will authorise Maohong WFOE or its designated person to exercise all shareholder rights in respect of all shares in Days Services owned by him, which will grant the Company a higher degree of control over Days Services. For avoidance of doubt, the Company is not required to acquire any additional shares in Days Services as part of the delisting process and the Company's effective interests in Days Services to be acquired under the Acquisition will therefore remain the same both before and after the delisting.

Although the Company is incapable of being involved in the delisting process as NEEQ would only deal with Days Services and its shareholders on the delisting matters, the Board considers that the Company's interests in Days Services is properly protected by requiring (i) Days Services to become a party to the Structured Contracts and (ii) Mr Chen Liang to enter into a power of attorney in favour to Maohong WFOE or its designated person entitling them to exercise all shareholder rights in respect of Mr. Chen's shares in Days Services that may be acquired as part of the delisting process. Besides, the delisting of Days services is not expected to result in any material adverse impact to the business operations, financial performance and position of Days Services, and the delisting of Days services would not have any impact towards the Structured Contracts arrangement.

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 immediately once it is confirmed that any Condition(s) have/has not been waived or satisfied.

As at the Latest Practicable Date, save for Condition (v), none of the Conditions have been fulfilled and the Purchaser has no intention to waive any Conditions.

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. Ms Jiang Rong and Mr Zhou Jian will remain in the Target Group upon Completion.

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.

Ms Chen Zi Jun does not have any role or responsibility in the Target Group except for being the legal representative of OPCO and Days Holding.

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 not dispose of the Sales Shares and shall procure the Target Company not to (i) incur any material liability (ii) dispose of 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.

As at the Latest Practicable Date, the Company has no intention or has not entered in, or proposed to enter into any agreement, arrangement or undertaking (whether formal or informal; verbal or written; express or implied) to downsize, terminate, dispose of any of its existing business and/or major operating assets of the Group.

The Group and the Vendor will not enter into any shareholder agreement with respect into the governing of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In recent years, the fintech services industry has experienced rapid growth in the PRC. According to a report published by Mckinsey Global Institute in 2016, the growth is expected to continue in the coming years driven by, among others, the rapid development of digital applications. By utilising the expertise and knowledge of Dr Li Zhong Yuan and Ms. Zuo Yi, being the core members of the Group's management, in new economy which includes 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 growth prospects 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. The Company is of the view that the Acquisition is a positive step for the Group to engage in digital business. Digital sector has been one of the most important driving forces for the growth of the global economy for the past 20 years. The Target Group is in the sector of digital payment and an asset light growth business per se which enables the Group to interact with market players in digital economy and to further identify and capture possible growth opportunities.

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.

Mr. Chen Liang, age 48, the founder of Days Services and he has been the chairman and CEO of Days Services and its predecessor since December 2006. Mr Chen acted as a managing director of 上海中衛醫療有限公司 for the period from March 2005 to June 2006. Prior to that, he was a senior manager of the sales department of Shanghai Jin Hai-Jet International Transportation (上海錦海捷亞國際貨運有限公司) for the period from March 1995 to December 2001.

Ms. Chen Ji Zun, age 44, is the sister-in-law of Mr. Chen Liang. She studied hotel management at 上海旅遊管理學院 (Shanghai Travel Management Institute) from October 1992 to January 1994. She worked as a manager in Galderma Trading (Shanghai) Company Limited (高德美貿易(上海)有限公司) for the period from October 2015 to September 2017. Since September 2017, she has been working for Mundi (China) Pharmacy Company Limited (萌蒂(中國)製藥有限公司) as a project manager.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, its ultimate beneficial owners 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, Days Holding and Days Services. Maohong WFOE will enter into the Contractual Arrangement for the purpose of controlling 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 the 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.

The Vendor shall be responsible for paying the registered capital of Maohong WFOE upon its establishment.

On 29 August 2016, the OPCO Group obtained the renewed payment license from the PBOC, allowing it to issue prepaid cards in Shanghai and Beijing and offer internet payment services nationwide.

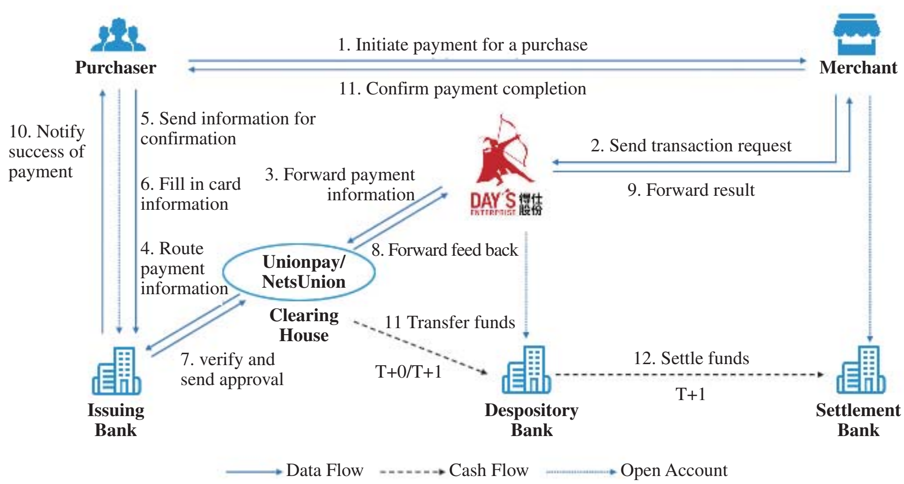
Since Days Services' establishment in 2006, there have been two penalties imposed by PBOC and the resulting fines imposed by PBOC in aggregate were RMB655,249.23. The first penalty occurred in 2015 which was mainly related to minor non-compliance in the management of clients' deposit accounts. The second penalty occurred in 2017 and it was mainly related to minor non-compliance in payment acceptance from sale of cards, procedures of changing directors and supervisors and exceeding the limit on payment account. The penalties were mainly related to minor non-compliance of the operation of the Days Services. The fines were paid in full in compliance with the regulations and the rectifying measures were taken to prevent their recurrence or similar occurrence. After the implementation of the rectifying measures by Days Services, no similar situation had occurred up to the Latest Practicable Date. The penalties did not cause interruption or other adverse impact on the operation of the payment business and prospects of Days Services. The OPCO Group will continue to provide payment services in compliance with the applicable laws and regulations and to fully follow the measures.

Types of products and services

The OPCO Group provides third-party payment services through the following services and products, namely, (1) internet payment services; and (2) prepaid card issue and management services.

(1) Internet payment services

The OPCO Group's internet payment services enable merchants to receive payments on the internet which are normally executed on a computer. A number of market participants are involved in payment processing. As an illustration, the payment process for internet payment services and the role of each participant involved are shown in this diagram below:



1. A purchaser initiates an internet payment.

2. The merchant sends the payment transaction to Days Services.

3. Days Services processes the payment request and forward the secured payment information to a clearing house.

4. The clearing house routes the payment information to the issuing bank for authorization.

5. The issuing bank sends payment information to the purchaser for confirmation.

6. The purchaser fills in the card information and confirms the payment.

7. The issuing bank verifies the security information and sends a notification of approval for the transaction (or rejection, in which case this payment process ends) to the clearing house.

8. The clearing house forwards the transaction feedback to Days Services.

9. Days Services forwards the result to the merchant.

10. The purchaser is notified of the success of the payment by the issuing bank.

11. The merchant confirms to the purchaser that the payment is complete.

12. After completing the clearing process with the issuing bank, the clearing bank transfers the funds to Days Services depository bank account.

13. Days Services settles the funds received net of its service fee to the merchant's account in the settlement bank.

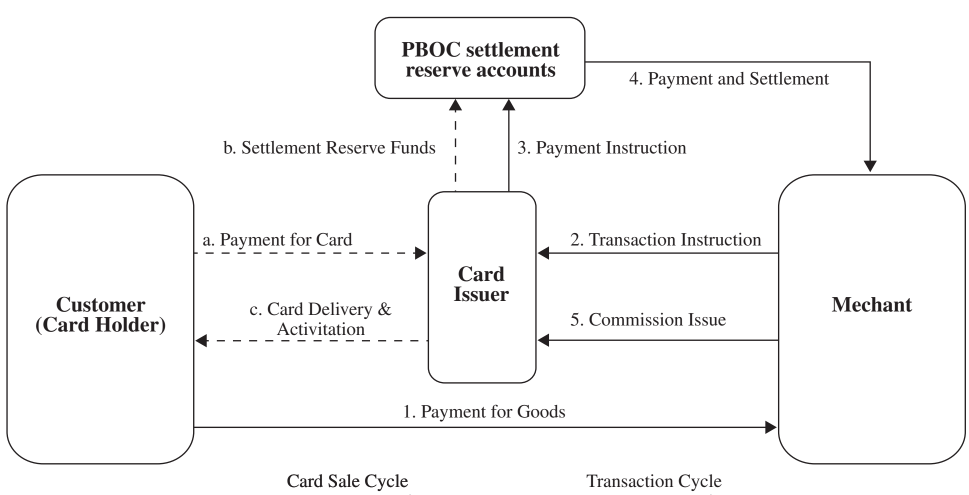
(2) Prepaid card issue and management services

Days Card (得仕卡), Days Pass (得仕通) and Days Wallet (得仕錢包)

Days Card (得仕卡) is a multiple usages prepaid card issued and operated by the OPCO Group. It is a magnetic stripe card that can be used by corporate or individual users for purchasing goods and services over 10,000 designated merchants stores and department stores mainly located in Shanghai and Beijing. The scope of services offered by the designed shops includes catering, entertainment, fitness, medical, appliance and 4S automobile, etc.

The prepaid cards issued by the OPCO Group can be under bearer basis or registered basis. The bearer prepaid card has a maximum stored value of RMB1,000 per card with an expiry date of three year and cannot be recharged for value, while the registered prepaid card has a maximum stored value of RMB5,000 per card without a maturity day and can be recharged for value.

The operational flows of the prepaid card business are illustrated in the chart below.



Pursuant to regulations imposed by the PBOC, the OPCO Group maintains separate custodian accounts for the sole purpose of depositing the prepayment made by the cardholders and effecting the settlement with merchants. The opening of custodian accounts must be reported to the PBOC for ongoing supervision. Certain prepayments from cardholders are deposited in fixed-term deposit account or other bank accounts that are permitted by the PBOC for earning bank interests.

It is a general market practice that a prepaid card issuer should place a deposit to merchant as a guarantee for settlement of purchases made by cardholders. The amount of the deposit that are required to be placed to merchants varies depending on the nature of business and size of the merchants as well as the expected transaction volume as negotiated between the OPCO Group and the respective merchants.

Days Pass (得仕通) is an online payment platform developed by the OPCO Group. Registered users can pay public utilities fees (including water, electricity, gas, etc.), settle the mobile bills and make online purchases on this platform. The payment instruction can be executed on this online platform using the Days Card or bank debit card. This platform provides a safe, convenient and fast payment method to individual users.

Days Wallet (得仕錢包) is a mobile application with Android and iOS versions. It is a mobile payment tool that integrates both the online (Days Pass) and offline (Days Card) capabilities in one platform. Days Wallet not only offers comprehensive online services such as utility payments, ticket purchase and money transfer, but also supports QR Code payment via mobile phone in merchant's stores. Days Wallet optimizes O2O experience, provides professional internet solutions and is a convenient choice of mobile payments.

In addition to providing third-party payment services, the OPCO Group also offers payment related software development and maintenance services. The OPCO Group possesses professional expertise and solutions in third party payment and its related technology, and provides technical services to merchants in relation to internet payment businesses offered by Days Services. Such technical services include technology development and related services such as payment access, interface development, joint debugging and data integration management. The OPCO Group and these merchants have entered into technical service agreements whereby the service fee will be charged to the merchants accordingly.

Nature of revenue

The principle sources of revenue of the OPCO Group are (i) interest income; (ii) commission income; (iii) Breakage Income; and (iv) revenue of software services. Firstly, the proceeds received from cardholders are deposited into the interest-earning custodian bank accounts for earning interests. Secondly, when a cardholder uses the prepaid card for payment at a designated merchant store, a commission fee will be charged from merchant at a predetermined rate and such fee will be settled daily or monthly in accordance with pre-agreed terms. Thirdly, the portion of the monetary value of prepaid cards that ultimately is not redeemed by cardholders for goods or services is referred to as breakage. The Target Group derecognises the amount related to the expected breakage in proportion to the pattern of rights expected to be exercised by the cardholders as revenue ("**Breakage Income**"). The Target

Group determines the breakage rate based upon historical redemption pattern. Lastly, the income of software development related to payment services includes (1) sales revenue of self-developed card issue system and sales management system to merchants; and (2) revenue of technical development and maintenance services of online payment businesses to existing merchant customers.

Marketing and distribution

The Days Card can be used for consumption in convenient stores, supermarket and major department stores located in Shanghai and Beijing, the PRC through the sales team and the sales network of Days Services in Shanghai and Beijing in the PRC. Days Pass is assessable via an official website and Days Wallet can be downloaded from mobile phone.

The OPCO Group promotes its products through its own website. It also places advertisement at its merchants and malls. In addition, the sales teams of the OPCO Group pay visits to its major customers from time to time to maintain business relationship with them and promote the purchase additional prepaid cards.

Major customers and suppliers

The major customers are corporates (which usually make bulk purchases of prepaid cards for rewarding their employees) and individual users. The major suppliers are point of sales machine service providers and prepaid card manufacturers.

The OPCO Group provides integrated online/offline payment services with respect of which, (i) Days Pass is an online payment platform and (ii) Days Wallet is a mobile payment tool. The services provided by Days Pass and Days Wallet are part of the total payment solutions under the online/offline payment services offered by the OPCO Group to the Days Card holders. The customers or suppliers of the OPCO Group, Days Pass and Days Wallet are therefore the same.

There are over 10,000 designated merchant stores accepting Days Card in Shanghai and Beijing. These merchants includes nationwide supermarket chain stores, department stores and retail merchants at various shopping malls.

Market position and competitors

According to website of blog.sina.com.cn, the OPCO Group ranked 36th in the third party payment business in the PRC during 2018. The major competitors includes Alipay (支付寶), Tenpay (財付通) and Chinabank Payment (網銀在線), which is operated by Alibaba, Tencent and JD Group respectively, ranking among the top three in the third party payment industry in the PRC. (source: http://blog.sina.com.cn/s/blog_181d2497b0102x1ky.html)

Laws and regulations

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

The OPCO Group obtained the Payment License and the ICP License allowing it to issue prepaid cards and provide internet payment services, which are subject to the following major laws and regulations:

(1) Administration Measures for the Payment Services of Non-financial Institutions (the "**Payment Service Measures**") stipulates that non-financial institutions must not engage in the provision of payment services (such as issue of prepaid card and online payments) without first obtaining approval and a payment license from the PBOC. Article 9 of the Payment Service Measures states that the business scope of the foreign-invested payment institutions, the qualification and capital contribution ratio of foreign investor shall be separately stipulated by the PBOC and reported to the State Council for approval;

(2) Guidance Catalog of Industries for Foreign Investment (the "**Catalog**") governs the foreign investment activities in the PRC. The internet payment service provided by the OPCO Group is a type of value-added telecommunications business in which foreign investment is restricted under the Catalog;

(3) Administrative Measures on Internet Information Services (the "**Internet Measures**") regulates the provision of internet information services in the PRC. Under the Internet Measures, profitable internet information service providers must obtain the ICP Licence from the relevant authorities before engaging in provision of relevant services in the PRC; and

(4) Administrative Provisions on Foreign-Invested Telecommunications Enterprises requiring that a foreign investor who invests in a value-added telecommunications services company shall have a good track record and experience in operating value-added telecommunications business overseas.

Ongoing capital requirements

Pursuant to the Payment Service Measures, registered capital of companies engaged in the nationwide payment business must not be less than RMB100 million and must be fully paid-up. If the accumulated losses of companies engaged in payment business exceed 50% of paid-up capital, the PBOC has right to order the suspension of the whole or part of their payment business.

Ongoing liquidity requirements

Pursuant to the Payment Service Measures, the ratio of the capital paid up in cash to the daily average balance of the settlement reserve funds shall not be less than 10%.

Ongoing regulatory filing requirements

Pursuant to the Payment Service Measures, companies engaged in payment business must apply to the PBOC for extension of payment service license six months before the expiry of the license. Approval should be obtained from the PBOC before making any registration to the relevant authorities in respect of change in company name, registered capital, corporate structure and principal investor, merger and split of the companies and change in business nature or business coverage.

According to Administrative Measures on Telecommunications Business Permits (2017), ICP License of value-added telecommunications business is valid for five years. If a value-added telecommunication operator intends to continue to operate value-added telecommunication business upon expiry of the validity period of the ICP License, it shall apply for renewal of the ICP License 90 days before the expiry of the ICP License.

Requirements on use of clients' deposits

Pursuant to the Payment Service Measures, companies engaged in payment business should only transfer the clients' deposits according to the respective clients' instruction. The Measures for Deposit of Reserves of Payment Institutions' Clients (the "**Payment Measures**") requires that clients' deposit must be used for the payment as entrusted by clients and the situations specified in the Payment Measures. The Payment Measures and the Notice of the General Office of the PBOC on Matters Concerning the Centralised Deposit of the Full Amount of Client Provisions by Payment Institutions also imposes certain requirements such as (i) from 14 January 2019, 100% client reserves shall be deposited in a centralized manner; (ii) limitation of the number of bank accounts which are used for payment purpose; and (iii) deposit account specially for client reserves shall be managed separately from self-owned capital account and cash withdrawal is prohibited.

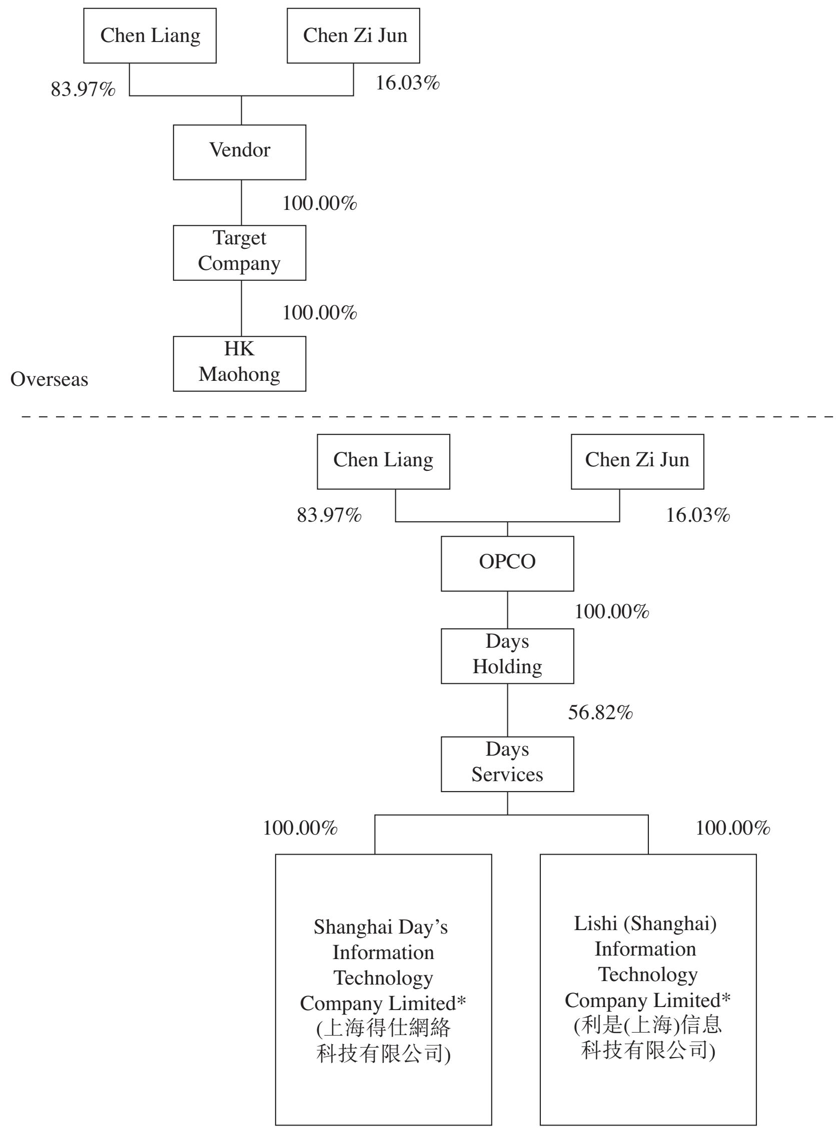
The OPCO Group will be able to meet all the ongoing capital, liquidity and regulatory filing and clients' deposits requirements as mentioned above.

Management

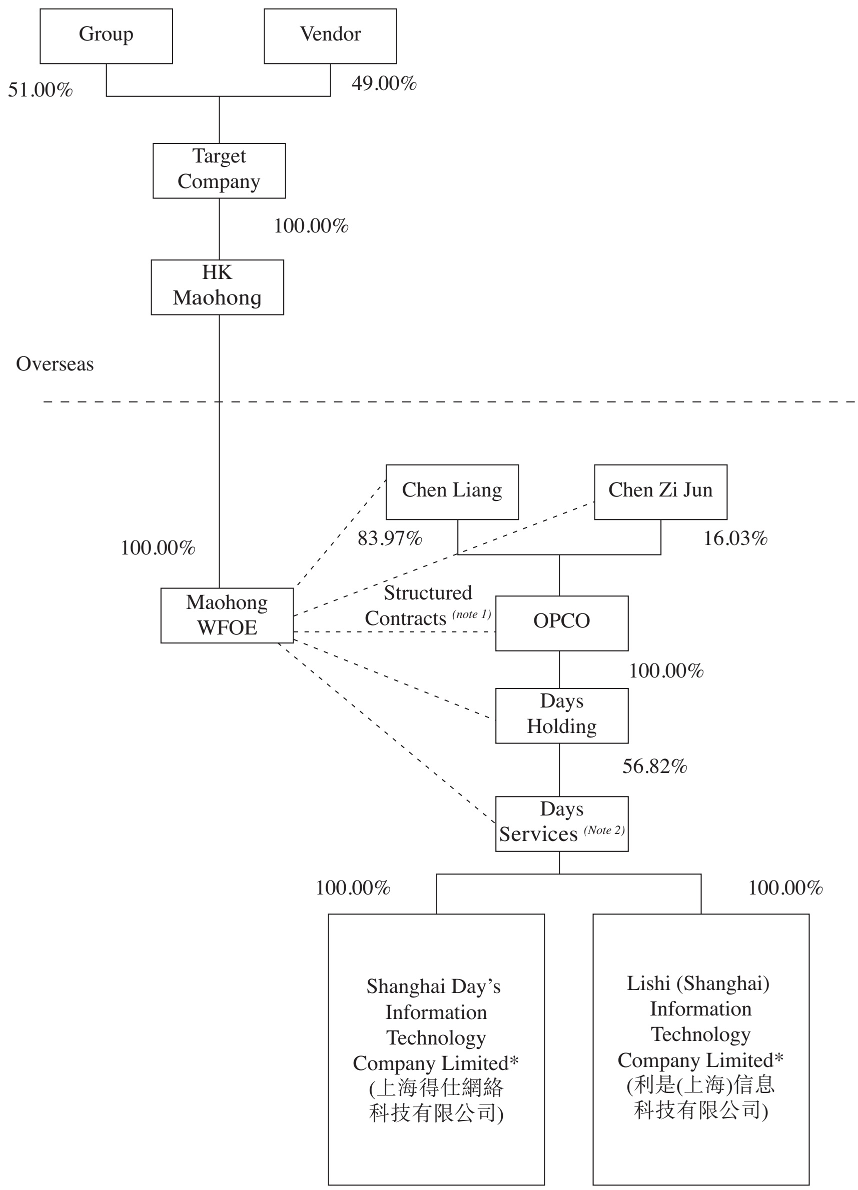
The management of the OPCO Group comprises five members, who are Mr Chen Liang (陳亮), Ms Jiang Rong (姜嶸), Mr Zhou Jian (周箭), Ms Liu Rong Rong (劉戎戎) and Ms Chu Xiao Xu (儲曉旭). Mr Chen Liang is the chairman and chief executive officer of Days Services; Ms Jiang Rong is the chief operation officer of Days Services; Mr Zhou Jian is the chief financial controller of Days Services; Ms Liu Rong Rong is in charge of investments and capital market activities; and Ms Chu Xiao Xu is responsible for the human resources of Days Services Group. Their years of services with Days Services Group ranges from four years to 12 years and they have the experience in the management of prepaid card business. The management of the OPCO Group has no other relationship with Mr Li Xiao Ru, the Company and their respective connected persons and associates.

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 Days Services and the PRC Equity Owners for the purpose of control over the businesses and operations of the OPCO Group.

Note 2: Days Services is owed as to 56.82% by Days Holding, 6.26% by Shanghai Liteng Investment Management Partnership (Limited Partnership)* (上海勵騰投資管理合夥企業(有限合夥)), 0.83% by Hangzhou Guangyu Qiwo Equity Investment Partnership (Limited Partnership)* (杭州廣灃啟沃股權投資合夥企業(有限合夥)), 0.62% by Beijing Bairui Culture Media Company Limited* (北京百瑞文化傳媒有限公司) and 35.47% by 41 PRC nationals. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save and except their interest in Days Services, these minority shareholders, together with their respective ultimate beneficial owners, are independent of the Company and its connected persons.

"—" *denotes shareholding relationship*
"— —" *denotes contractual relationship*

* *For identification purpose only*

Financial information of the Target Group

Set out below is the audited financial information of the Target Group prepared in accordance with HKFRSs for the two years ended 31 December 2016 and 2017 and the ten months ended 31 October 2018 as extracted from Appendix II to this circular:

	For the year ended 31 December		For the ten months ended 31 October
	2016	**2017**	**2018**
	(audited)	*(audited)*	*(unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
	(approximately)	*(approximately)*	*(approximately)*
Revenue	36,987	40,307	150,673
Net profit/(loss) before taxation	(39,001)	(57,377)	13,380
Net profit/(loss) after taxation	(37,348)	(57,377)	19,058

The audited consolidated net asset value of the Target Group as at 31 October 2018 was approximately RMB193,907,000.

Days Services turned around, become profitable and achieved high growth in sales and earnings in 2018. The Directors expected that the business of Days Services will continue to grow in coming years and consider the Reference Profit can be achieved by Days Services in financial year 2019. As set out in the valuation report in Appendix V, the estimated price to earnings (P/E) multiple and the estimated P/E to growth (PEG) ratio of Days Services for financial year 2018 is 105.68 and 0.76 respectively. Based on the selected guideline companies, the estimated P/E multiple in financial year 2018 is ranged from 9.18 to 120.68 with average of 38.99 and the PEG ratio is ranged from 0.05 to 4.12 with average of 1.85. The Directors have reviewed these multiples of Days Services, although the estimated P/E multiple of Days Services in financial year 2018 is near the high end of the range, once taking the earnings growth into account, the PEG ratio of 0.76 is below the average of the guideline companies. Having considered the potential growth in the business of Days Services, the Directors consider the multiples of Days Services are reasonable.

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 reporting accountants of the Target Company and during the preparation of the accountants' report of the Target Company, the Target Company consolidated the financial results of the OPCO Group in its consolidated accounts as if it were a subsidiary of the Target Group.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Effect on earnings

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company. The Group will record additional revenue stream and consolidate financial results from the Target Group.

Effect on assets and liabilities

Based on the unaudited pro forma financial information set out in Appendix III to this circular, the total assets of the Group as at 31 December 2018 would increase from approximately HK$670,234,000 to approximately HK$3,476,320,000 and its total liabilities as at 31 December 2018 would increase from approximately HK$56,254,000 to approximately HK$1,799,389,000 as a result of the Acquisition.

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 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 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.

Foreign investments activities in China are mainly governed by the Catalog, which has been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories). Pursuant to the Guidelines Catalogue of Industries of Foreign Investment(2017 Revision) (《外商投資產業指導目錄(2017年修訂)》, the "restricted" and "prohibited" categories fall within the "Negative List", which were replaced by the Special Management Measures (Negative List) for the Access of Foreign Investment(2018) (《外商投資准入特別管理措施(負面清單)(2018年版)》, the "**2018 Foreign Investment Negative List**") on 28 July 2018.

On December 11, 2001, the State Council promulgated the Regulations for the FITE Regulations, which were amended on 10 September, 2008 and 6 February, 2016. According to the 2018 Foreign Investment Negative List, the FITE Regulations and other applicable PRC laws, foreign investors are not allowed to hold more than 50% equity interests in an enterprise providing value-added telecommunication services, except that foreign investors are allowed to hold up to 100% equity interests in enterprises operating e-commerce business. In addition, a foreign investor who invests in a value-added telecommunications business (including operating e-commerce business) in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the "**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology (中華人民共和國工業和信息化部, "**MIIT**") and the MOFCOM or their authorized local counterparts which retain considerable discretion in granting such approvals. Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC on its website. According to this guidance memorandum, a major foreign investor is required to provide, among other things, the description of prior experience in operating value-added telecommunications businesses, local telecommunications business license or other access permits, filings obtained by foreign investor and the proofs of operating well-known websites and APPs, as the documentary evidence of Qualification Requirements. This guidance memorandum does not purport to provide an exhaustive list on the application requirements. However, this guidance memorandum has no legal or regulatory effect under the PRC laws; and none of the applicable PRC laws, regulations or rules has provided clear guidance or interpretation on the Qualification Requirements.

After the Completion, HK Maohong will take the following steps to strengthen its overseas value-added telecommunication operation capability: (i) HK Maohong will set up its overseas website to promote the business of the OPCO Group so as to assist the overseas customers to better understand the services and business of the OPCO Group and the website will redirect the potential users to the websites of the OPCO Group; (ii) HK Maohong will apply for registration of a series of trademarks in Hong Kong for the business operation of the OPCO Group; and (iii) HK Maohong will commence feasibility studies on overseas markets as part of its overseas marketing initiatives. The Company will also make inquiries to relevant PRC governmental authorities from time to time to understand any new regulatory development relating to its business and assess whether its overseas experience/exposure is sufficient to meet the Qualification Requirements. It is expected that the costs to implement the measures to achieve the Qualification Requirements will be no more than HK$3 million. Pursuant to the guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunication enterprises in the PRC issued by the MIIT on its website, the PRC Legal Adviser is of the view that the above steps to be taken by HK Maohong are reasonable and appropriate to meet the Qualification Requirements.

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 exiting 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 the PRC Legal Adviser, neither the Company (a foreign investor) nor 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 the 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 the 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.

The Measures and the No. 7 Announcement apply to payment business being engaged in by Days Services.

According to the Measure, the No. 7 Announcement and the "PBOC's Replies to Journalists' Questions relating to Entry and Regulatory Policies on Foreign-invested Payment Institutions" (《中國人民銀行就外商投資支付機構准入和監管政策有關問題答記著問》) (the "**Response to Reporters' Questions**"), if a foreign institution applies for establishment of a payment service provider in the PRC and such foreign institution has the de-facto control or holds more than 10% of equity interest in such payment service provider, it must, among other things, have provided information processing support service for financial institutions or information processing support service for e-commerce activities for more than two consecutive years, as of its application date ("**Payment Service Track Record Requirements**"). Neither the Company nor Maohong WFOE meets the Payment Service Track Record Requirements. It is uncertain that Maohong WFOE will be able to obtain the Payment License and to operate the relevant business by itself even if it has a track record of two consecutive years of profit making because, following the publication of the No. 7 Announcement and the Response to Reporters' Questions, no implementation measures have been issued and except for one foreign institution that had lodged with the PBOC a new application for Payment Licence (which has been subsequently withdrawn by the said institution), the PBOC has not made any public announcement that it had accepted an application from any other foreign institution for, or issued to any foreign-invested enterprise a Payment Licence. There is no assurance that any implementation measures under No. 7 Announcement will be forthcoming in the next two years, or even if the implementation measures are issued, it is uncertain that Maohong WFOE's proposed business activities will meet the qualification requirements under the implementation measures for foreign investment Payment License applicant. Furthermore, the No. 7 Announcement only sets out the general requirements for newly application for a Payment License by foreign institutions, but has not promulgated any detailed requirements and measures for the implementation of converting domestic institutions which have obtained the Payment License into foreign-invested payment institutions. Neither the Company nor Maohong WFOE is therefore able to hold any equity interest in Days Services under current applicable laws.

Since the Company is currently not engaged in payment business in the PRC, the Company is not in a position to consult with the PBOC or obtain a confirmation from the PBOC as to whether the payment business engaged by the OPCO Group constitutes a restricted business or not. Besides, the PBOC has clearly informed the OPCO Group that it does not grant external consultations on relevant issues and would not provide any confirmation in relation to whether payment business is a restricted business or not. The OPCO Group has already informally communicated with the PBOC on a best effort basis. Furthermore, the OPCO Group undertakes that after the PBOC promulgates detailed rules regarding changing the conversion of domestic institutions which have obtained the Payment License into foreign-invested payment institutions and accepts and approves relevant applications in practice, and as soon as the OPCO Group is required by the PBOC to adjust its corporate structure, it will make necessary adjustments to its corporate structure and business structure accordingly so as to comply with the then applicable PRC laws and regulations.

There are some existing entities which are engaged in the payment business and operating under contractual arrangements, including Huifu Payment Limited (Stock Code: 1806), which obtained listing status on the Stock Exchange after the publication of the No.7 Announcement and the Response to Reporters' Questions. Since then, no new laws, regulations, implementation measures or rules on foreign-invested payment business have been enacted. On this basis, the Board considers that it is not unusual for a foreign enterprise to operate payment business in the PRC under contractual arrangement.

Before detailed rules regarding changing of domestic institutions which have obtained payment license into foreign-invested payment institutions are promulgated by the PBOC, the Company has assessed the requirements under all current applicable laws. The Company undertakes that, after the PBOC promulgates detailed rules regarding changing of domestic institutions which have obtained the payment license into foreign-invested payment institutions and accepts and approves relevant applications in practice, and as soon as the Company is required by the PBOC to adjust its corporate structure, it will make necessary adjustments to its corporate structure and business structure accordingly so as to comply with the then applicable PRC laws and regulations.

The acquisition of a domestic enterprise holding an ICP Licence shall be subject to the Negative List. As such, the acquisition of a domestic enterprise holding an ICP Licence is subject to foreign restriction on providing value-added telecommunication services.

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, Days Holding and Days Services 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;

(iii) Days Holding; and

(iv) Days Services

Subject matter: OPCO, Days Holding and Days Services agree to engage Maohong WFOE as the exclusive service provider to provide OPCO, Days Holding and Days Services 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, Days Holding and Days Services are not allowed to and OPCO, Days Holding and Days Services will procure their respective subsidiaries not to engage or co-operate with any third party for the provision of the consultancy and services within the scope of Services in the Exclusive Business Consultancy and Services Agreement.

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 (if any) in compliance with the PRC laws, subject to adjustment, to Maohong WFOE as a fee for the Services on a quarterly basis. Days Services agrees to pay 56.82% of its consolidated before income-tax profit after deducting the necessary costs, expenses, taxes and prior years losses (if any) in compliance with the PRC laws, subject to adjustment, to Maohong WFOE as a fee for the Services on a quarterly basis. The aforesaid percentage (i.e. 56.82%) and the adjustment to the service fee will remain the same after delisting of Days Services.

According to the Exclusive Business Consultancy and Services Agreement, Maohong WFOE shall have the rights to adjust the amount and the proportion of the consolidated before income-tax profit payable by OPCO, Days Holding and Days Services in accordance with the actual situation (e.g. the number of employees, technology and other relevant costs provided by Maohong WFOE) and the business conditions of OPCO, Days Holding and Days Services (including but not limited to their respective operating costs and expenses etc.).

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, Days Holding and Days Services a 30-day prior notice to terminate the Exclusive Business Consultancy and Services Agreement;

(ii) the winding-up, liquidation, termination or dissolution of OPCO, Days Holding and Days Services;

(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 and 56.82% of the equity interest of Days Services or assets, which are corresponding to the percentage of equity interest Days Holding holds in Days Services; or

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

The terms under the Exclusive Business Consultancy and Services Agreement shall also cover other members of the OPCO Group.

(ii) Exclusive Call Option Agreement with Shanghai Maohong

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 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, if 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 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, if the PRC laws require valuation of the assets at the time of transfer, the consideration shall be adjusted in compliance with the PRC laws.

Any consideration received by the PRC Equity Owners and/or OPCO for such transfer will be returned to Maohong WFOE.

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 the 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 for in the ordinary course of business of the 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 their equity interests of Shanghai Maohong, save for pursuant to the Equity Pledge Agreement with PRC Equity Owners;

(ii) shall procure Shanghai Maohong not to enter into any merger, acquisition or investment without the prior written consent of Maohong WFOE;

(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 and/or its designated person.

(iii) Exclusive Call Option Agreement with Days Holding

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 equity interests 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, if 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 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, if the PRC laws require valuation of the assets at the time of transfer, the consideration shall be adjusted in compliance with the PRC laws.

Any consideration received by the Shanghai Maohong and/or Days Holding for such transfer will be returned to Maohong WFOE.

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;

(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 for 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 for pursuant to the Equity Pledge Agreement with Shanghai Maohong;

(ii) shall procure the Days Holding not to enter into any merger, acquisition or investment without the prior written consent of Maohong WFOE;

(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 Holding and/or the equity interests in the Days Holding held by Shanghai Maohong are transferred to Maohong WFOE and/or its designated person.

(iv) Exclusive Call Option Agreement with Days Services

Parties: (i) Maohong WFOE;

(ii) Days Holding; and

(iii) Days Services

Subject Matter: Days Holding and Days Services 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) Days Holding to transfer entirely or partially its equity interest in Days Services to Maohong WFOE or its nominee insofar at the consideration of the amount which is the minimum as permitted under applicable PRC laws, or, if 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 Services to transfer entirely or partially its assets (which are corresponding to the percentage of equity interest Days Holding holds in that Days Services) to Maohong WFOE or its nominee insofar at the consideration of the amount which is the minimum as permitted under applicable PRC laws, or, if the PRC laws require valuation of the assets at the time of transfer, the consideration shall be adjusted in compliance with the PRC laws.

Any consideration received by the Days Holding and/or Days Services for such transfer will be returned to Maohong WOFE.

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

(i) shall not alter the articles of association and registered capital of Days Services;

(ii) shall not sell, transfer or mortgage any assets, businesses or incomes of Days Services 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 for in the ordinary course of business of Days Service and its subsidiaries.

In addition, Days Holding, among other things:

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

(ii) shall procure the Days Services not to enter into any merger, acquisition or investment without the prior written consent of Maohong WFOE;

(iii) shall transfer its equity interests in Days Services 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 Services to Maohong WFOE at nil consideration; and

(v) shall comply with the its obligations under any agreements jointly or severally entered into among Maohong WFOE, Days Holding and Days Services and shall not take any action which will affect the legality and enforceability of such agreement.

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

(v) 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, Days Holding and Days Services 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 any obligation under the Exclusive Business and Consultancy and Services Agreement by Shanghai Maohong, Days Holding and/or Days Services, 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 to 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 from the date of its execution 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, Days Holding and Days Services under the Exclusive Business and Consultancy and Services Agreement are paid; or

(ii) Maohong WFOE has exercised its rights under the respective Exclusive Call Option Agreement.

(vi) 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, Days Holding and Days Services 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 any obligation under the Exclusive Business and Consultancy and Services Agreement by Shanghai Maohong, Days Holding and/or Days Services, 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 to 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 from the date of its execution 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, Days Holding and Days Services under the Exclusive Business and Consultancy and Services Agreement are paid; or

(ii) Maohong WFOE has exercised its right under the respective Exclusive Call Option Agreement.

(vii) Equity Pledge Agreement with Days Holding

Parties: (i) Maohong WFOE;

(ii) Days Services; and

(iii) Days Holding

Subject matter: Days Holding agrees to pledge all of its equity interests in the Days Services to Maohong WFOE to secure the performance of the obligations of Shanghai Maohong, Days Holding and Days Services 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 and Days Services, including but not limited to breach of any obligation under the Exclusive Business and Consultancy and Services Agreement by Shanghai Maohong, Days Holding and/or Days Services, Days Holding and Days Services 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 and Days Services undertake 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 to create or allow to create any encumbrances thereon without prior written consent of Maohong WFOE.

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

Term: The Equity Pledge Agreement with Days Holding shall become effective from the date of its execution 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, Days Holding and Days Services under the Exclusive Business and Consultancy and Services Agreement are paid; or

(ii) Maohong WFOE has exercised its right under the respective Exclusive Call Option Agreement.

(viii) 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 and excluding the PRC Equity Owners and their associates) ("**Designated Person**") all his shareholder's 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 Maohong WFOE and/or the Designated Person. If there is any potential conflict of interest between Mr Chen Liang and Shanghai Maohong with Maohong WFOE or parent companies outside the PRC of Maohong WFOE or the subsidiaries of Maohong WFOE, Mr Chen Liang shall protect the interest of Maohong WFOE or parent companies 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 his shareholding 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 shareholder's 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 Maohong WFOE and/or the Designated Person. If there is any potential conflict of interest between Ms Chen Zi Jun and Shanghai Maohong with Maohong WFOE or parent companies outside the PRC of Maohong WFOE or the subsidiaries of Maohong WFOE, Ms Chen Zi Jun shall protect the interest of Maohong WFOE or parent companies outside the PRC 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 her shareholding 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 shareholder's 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 Maohong WFOE and/or the Designated Person. If there is any potential conflict of interest between Shanghai Maohong and Days Holding with Maohong WFOE or parent companies 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 its shareholding 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

Days Holding unconditionally and irrevocably agrees to entrust Designated Person all its shareholder's 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 Maohong WFOE and/or the Designated Person. If there is any potential conflict of interest between Days Holding and Days Services with Maohong WFOE or parent companies outside the PRC of Maohong WFOE or the subsidiaries of Maohong WFOE, Days Holding shall protect the interest of Maohong WFOE or parent companies outside the PRC of Maohong WFOE.

Days Holding represents and undertakes that in the event of, among others, winding-up or any event that would affect its shareholding 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.

Mr Chen Liang, Ms Chen Zi Jun, Shanghai Maohong and Days Holding would agree to entrust Designated Person all their rights in Shanghai Maohong/Days Holding/Days Services under the Power of Attorney and the Designated Person excludes the two PRC Equity Owners and their associates.

(ix) Spouse Consent Letters

Parties: The spouse of each of the PRC Equity Owners (Ms. Yu Wei Xing, the wife of Mr. Chen Liang and Mr. Yu Wei Ming, the husband of Ms. Chen Zi Jun) 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 unconditionally and irrevocably 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, Days Holding and Days Services, 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 the Cayman Islands are empowered to grant interim remedies in supporting of the arbitration pending the formation of an arbitral tribunal.

Intellectual Property Rights

The purpose of the arrangement under the Structured Contracts is to enable the Group to enjoy the economic benefits of the OPCO Group and no assets of the OPCO Group will be transferred at this stage. The intellectual property rights owned by the OPCO Group will not be transferred to Maohong WFOE at this stage. Such rights will remain in the OPCO Group as it needs such intellectual property rights to operate the relevant business and to maintain the ICP License.

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. The proceeds from the sale of OPCO Group's residual assets received by the PRC Equity Owners, Days Holding and/or Days Services will be returned to Maohong WFOE.

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 represents and undertakes 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 companies outside the PRC of Maohong WFOE or its subsidiaries, the PRC Equity Owners, OPCO and Days Holding shall protect the interest of Maohong WFOE or parent companies outside the PRC 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 the 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 the 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 is 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 circular) 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. The 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 Latest Practicable Date, pursuant to the confirmation of 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, Days Holding and/or Days Services, 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 the 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

According to the 2018 Foreign Investment Negative List, the FITE Regulations and other applicable PRC law, foreign investors are not allowed to hold more than 50% equity interests in an enterprise providing value-added telecommunication services, except that foreign investors are allowed to hold up to 100% equity interests in enterprises operating e-commerce business, and:

(i) none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements; and

(ii) there has not promulgated any detailed requirements and measures for the implementation of the changing of domestic institutions which have obtained the payment license into foreign-invested payment institutions.

Under the existing PRC laws and regulations, Maohong WFOE is unable to acquire or hold any direct equity interests in the OPCO Group on the grounds that:

(i) none of the applicable PRC laws, regulations or rules provides a clear guidance or interpretation on the Qualification Requirements; and

(ii) the Maohong WFOE is unable to hold any equity interest in a PRC enterprise holding an ICP License due to its inability to meet the Qualification Requirements.

The current revenue-generating businesses carried out by the OPCO Group consist of (i) management of prepaid cards and online payment services and (ii) payment-related software development and maintenance services. The management of prepaid cards and online payment services is a restricted business. The software development and maintenance service on a stand alone basis is not a restricted business. To have the Structured Contracts being narrowly tailored and construed, the software development and maintenance service will therefore be operated by Maohong WFOE after the Completion.

Based on the above, the Board is of the views that the Structured Contracts are narrowly tailored to achieve the Target Group's business purpose and to manage any potential conflict with the Group 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 the 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.

The PRC regulatory authorities did not grant (although it did not explicitly reject) the approval on a reorganisation of Days Services took place in or about November 2014 (the "**Former Reorganisation**") due to the restriction on direct foreign ownership in third party payment entities. The adoption of the Structured Contracts aims to minimize the potential for conflicts with the relevant PRC laws and regulations in relation to the foreign ownership restriction on the third party payment business. The Board is of the views that the failure in obtaining the approval for the Former Reorganisation would not have any adverse implications (legal and regulatory or otherwise) towards the Acquisition and the Contractual Arrangement.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, 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 15 March 2019, the Standing Committee of the National People's Congress promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "**Foreign Investment Law**"), which will come into effect on 1 January 2020. The Foreign Investment Law will replace the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. As advised by the PRC Legal Adviser, the Foreign Investment Law stipulates three forms of foreign investment but does not explicitly stipulate the Contractual Arrangement as a form of foreign investment, and the treatments of Structured Contracts structures as proposed in the draft Foreign Investment Law of the PRC (Draft for Comment) and the Explanation on the draft PRC Foreign Investment Law (collectively, the "**Draft Foreign Investment Law**") circulated by the MOFCOM on 19 January 2015 no longer exists.

The Foreign Investment Law provides in general that a negative list for foreign investments is adopted by government authorities, however, it does not amend the Catalog nor the Negative List. Whether or not a foreign investment is prohibited or restricted is still determined according to the Catalog and the Negative List. Under the Catalog, the principal business of the OPCO Group is still a restricted business. The PRC Legal Adviser is of the view that the adoption of the Contractual Arrangements is unlikely to be deemed in violation of the Foreign Investment Law, and the Contractual Arrangements as a whole and each of the Structured Contracts will not be materially affected and will continue to be legal, valid and binding on the parties.

Considering that a number of existing entities engaged in the information service business and/or the payment business, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if any interpretation or implementation regulations, rules or measures of the Foreign Investment Law is subsequently promulgated, that the relevant authorities will apply it retrospectively to require relevant enterprises to remove or otherwise unwind their contractual arrangements.

The Board is monitoring and will monitor the development of the Foreign Investment Law and discuss with our 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 OPCO Group's business, the Company will timely publish announcements in relation to material developments of and arising from the 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 the Contractual Arrangement 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. Conflict of interests of the PRC Equity Owners therefore 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. It is therefore 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 Contractual Arrangement was 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.

The Vendor will execute a deed of tax indemnity with the Purchaser pursuant to which the Vendor shall indemnify any tax liability incurred by the OPCO Group.

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

The Structured Contracts provide 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/herself 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. Such remedies therefore 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 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 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.

After completion of the Reorganisation and the Completion, Mr Chen Liang, who has been a director of the Target Company, which will then be a non-wholly owned subsidiary of the Company, and hence a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules.

As Mr. Chen Liang is one of the parties to several agreements contemplated under the Structured Contracts, the entering into the Structured Contracts (in particular, the provision of services under the Exclusive Business Consultancy and Services Agreement) will constitute a continuing connected transaction of the Company upon the Completion.

The aforesaid continuing connected transactions are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules as the relevant conditions under such rule are satisfied.

The Company has applied for and the Stock Exchange has granted a waiver from (i) fixing the term of the Structured Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) setting a maximum annual cap for the services fee payment by the OPCO Group to Maohong WFOE under Rule 14A.53 of the Listing Rules, subject to the following conditions.

(a) No change without independent non-executive Directors' approval

No changes to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No material change without independent Shareholders' approval

Save as disclosed in paragraph (d) below, no material changes to the Structured Contracts will be made without the approval of the independent Shareholders.

Once independent Shareholders' approval of any material changes has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of the Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable the Group to receive the economic benefits derived by the OPCO Group through (i) the Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of equity interest in the OPCO Group at consideration of the amount which is the minimum as permitted by PRC laws, (ii) the business structure under which the net profit (after deducting relevant costs, tax payment and reserved funds as required by the PRC laws and regulations) generated by the OPCO Group is retained by the Group, such that no annual cap shall be set on the amount of service fees payable to the Maohong WFOE by the OPCO Group under the Exclusive Business Consultancy and Services Agreements; and (iii) the Group's right to control the management and operation of, as well as, in substance, all the shareholder and voting rights of the OPCO Group held by the PRC Equity Owners in the OPCO.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, and the OPCO Group, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of the Company, and transactions between these connected persons and the Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant applicable PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

The Company will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- the Structured Contracts in place during each financial period will be disclosed in the Company's annual report in accordance with the relevant provisions of the Listing Rules;

- the independent non-executive Directors will review the Structured Contracts annually and confirm in the Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts; (ii) no dividends or other distributions have been made by the OPCO Group to the holders of their equity interest which are not otherwise subsequently assigned or transferred to the Group; and (iii) any new contracts entered into, renewed or reproduced between the Group and the OPCO during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole;

- the Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to the Directors with a copy to the Stock Exchange at least 10 business days before the bulk printing of its annual report, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by the OPCO Group to the holders of their equity interest which are not otherwise subsequently assigned or transferred to the Group;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of ''connected person'', each of the member of the OPCO Group will be treated as the Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of each of the member of the OPCO Group and their respective associates will be treated as connected persons of the Company (excluding for this purpose, the OPCO Group), and transactions between these connected persons and the Group (including for this purpose, the OPCO Group), other than those under the Structured Contracts, will be subject to requirements under Chapter 14A of the Listing Rules; and

- the OPCO Group and the Guarantors undertake that, for so long as the Shares are listed on the Stock Exchange, during the term of the Exclusive Business Consultancy and Services Agreement, the OPCO Group will provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of the Company's auditors' review of the continuing connected transactions.

Board's view on the Acquisition

The Board considers that the Acquisition and the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Shareholders as a whole and the Sale and Purchase Agreement was entered into after arm's length negotiation between the Group, the Vendor and the Guarantors on normal commercial terms. The Directors recommend the Shareholders to vote in favour of the resolutions in relation to the Acquisition.

Having taken into account the factors that (i) the Structured Contracts are narrowly tailored to achieve the Target Group's business purpose whilst minimize the potential conflicts with relevant PRC laws and regulations; (ii) the Structured Contracts enable the Company to gain an effective control over the financial and business operations of the OPCP Group and that the financial results of the Target Group will be consolidated in the accounts of the Company and (iii) the Structured Contracts contain clauses (such as power of attorney and dispute resolution) that shall properly safeguard the Company's interests in the Target Group, the Board (including the independent non-executive Directors) considers that the terms of the Structured Contracts are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

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 has obtained 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 Latest Practicable Date, in lieu of holding a general meeting for approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

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.

Additional Information

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

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

1. FINANCIAL INFORMATION ON THE GROUP

Details of the financial information of the Group for (i) each of the three years ended 31 December 2017 are disclosed in the annual reports of the Company for each of the three years ended 31 December 2017: (ii) the six months ended 30 June 2018 is disclosed in the interim report of the Company for the six months ended 30 June 2018; and (iii) the year ended 31 December 2018 as disclosed in the final results announcement of the Company for the year ended 31 December 2018 together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (ww.hkex.com.hk) and the website of the Company (www.manfieldcoatings.com):

- The Annual Report of the Company for the year ended 31 December 2015 (pages 24 to 69) published on 29 April 2016, available on:

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN201604291465.pdf

- The Annual Report of the Company for the year ended 31 December 2016 (pages 36 to 81) published on 20 April 2017, available on:

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0420/LTN201704201005.pdf

- The Annual Report of the Company for the year ended 31 December 2017 (pages 38 to 81) published on 18 April 2018, available on:

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0418/LTN20180418860.pdf

- The Interim Report 2018 of the Company for the six months ended 30 June 2018 (pages 1 to 29) published on 13 September 2018, available on:

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0913/LTN20180913691.pdf

- The 2018 final results announcement of the Company for the year ended 31 December 2018 (pages 1 to 21) published on 31 March 2019, available on:

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0331/LTN20190331279.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 28 February 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the date of this circular, the total outstanding borrowings of the Enlarged Group comprises the following:

- Secured and guaranteed bank borrowings of HK$54 million; and

- Guarantees in aggregate amount of HK$25 million given to banks with respect of banking facilities granted to a subsidiary of the Company, Manfield Coatings Company Limited.

Save as aforesaid, the Enlarged Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 28 February 2019.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including internally generated funds and the currently available banking facilities and the effects of the Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the manufacturing and sale of industrial coatings in the forms of customized liquids and powders. In order to cope with the ever-escalating tightening in safety and environmental standards imposed on the coating industry in the mainland and increasing in cost of raw materials, the Group has undertaken various streamline measures on strict control of operating costs whilst maintain normal production and operation. Amid challenging market conditions clouded by uncertainties due to trade wars and geopolitical tensions, the Group remains conservative and prudent on its view of the outlook on its coating business. Yet, the Company will continue its existing business and may consider expansion through acquisition if business opportunities arise. On 31 October 2018, the Company announced that its indirectly wholly-owned subsidiary is negotiating for a possible acquisition of certain shares in an associate company engaging in manufacturing and marketing of coatings. The negotiation is still on-going.

In order to mitigate the aforesaid business risks, the Group intended to diversify into the third party payment business through the Acquisition. The OPCO Group is primarily engaged in the issue and management of prepaid cards, provision of online payment services and such other related business activities. The OPCO Group has accumulated a large number of prepaid card users and has established long-term cooperative relationships with many merchants (such as department stores, catering, entertainment, fitness, medical and 4S automobile, etc.)

accepting the prepaid cards for purchases. Since 2017, the OPCO Group has focused on development of the digital payment solutions with an aim to build a payment ecosystem with online and offline interoperability.

The internet and mobile payments have become one of the most prevailing payment methods nowadays by virtue of their speed and convenience. The OPCO Group will continue to enhance its core competitive edge in the third party payment platform and will provide more a diversified and comprehensive regional services to the users, so as to strengthen its market position. It is expected that the Acquisition will provide an additional revenue stream to and enhance profitability of the Group in long term.

ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of a report from Baker Tilly Hong Kong Limited, certified public accountants, which has been prepared for the sole purpose of inclusion in this circular.

The Board of Directors
Manfield Chemical Holdings Limited
Unit 2A, 2nd Floor
Beverly House
93-107 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

We report on the historical financial information of Mao Hong Information Technology Holding Limited (''**Target Company**'') and its subsidiaries (together, the ''**Target Group**'') set out on pages II-4 to II-53, which comprises the combined statements of financial position as at 31 December 2015, 2016 and 2017 and 31 October 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2015, 2016 and 2017 and for the ten months ended 31 October 2018 (the ''**Track Record Periods**''), and a summary of significant accounting policies and other explanatory information (together, the ''**Historical Financial Information**''). The Historical Financial Information set out on pages II-4 to II-53 forms an integral part of this report, which has been prepared for inclusion in the circular of Manfield Chemical Holdings Limited (the ''**Company**'') dated 18 April 2019 (the ''**Circular**'') in connection with the proposed acquisition of 51% of issued share capital of the Target Group by the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2(a) to the Historical Financial Information, and for such internal control as the sole director of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 ''Accountants' Report on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''**HKICPA**''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's combined financial position as at 31 December 2015, 2016 and 2017 and 31 October 2018 and of the Target Group's combined financial performance and its combined cash flows for the Track Record Periods in accordance with the basis of preparation set out in note 2(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the combined statement of profit or loss and comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the ten months ended 31 October 2017 (the "**Stub Period**") and other explanatory information (the "Stub Period Comparative Financial Information"). The sole director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 22(c) to the Historical Financial Information which states that no dividends have been declared or paid by the Target Company in respect of the Track Record Periods.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 18 April 2019
Gao Yajun
Practising certificate number P06391

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Target Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**"). The combined financial statements of the Target Group for the Stub Period were reviewed by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

Combined statements of profit or loss and other comprehensive income

		Year ended 31 December			Ten months ended 31 October	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	125,844	36,987	40,370	34,298	150,673
Other income	*5*	476	2,020	6,131	4,656	4,725
Other gains and losses	*6*	160	914	(981)	(930)	198
Direct costs		(13,597)	(7,509)	(6,540)	(5,284)	(72,126)
Distribution and selling expenses		(9,306)	(11,988)	(22,768)	(16,855)	(19,035)
Administrative expenses		(44,131)	(59,425)	(69,730)	(59,652)	(48,532)
Profit/(loss) from operations		59,446	(39,001)	(53,518)	(43,767)	15,903
Finance costs	*7(a)*	(126)	—	(3,859)	(2,573)	(2,523)
Profit/(loss) before taxation	*7*	59,320	(39,001)	(57,377)	(46,340)	13,380
Income tax (expense)/credit	*8*	(15,490)	1,653	—	—	5,678

		Year ended 31 December			Ten months ended 31 October	
		2015	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) and total comprehensive income/(expense) for the year/period		43,830	(37,348)	(57,377)	(46,340)	19,058
Attributable to:						
Equity shareholders of the Target Company		28,714	(21,717)	(33,225)	(26,846)	10,791
Non-controlling interests		15,116	(15,631)	(24,152)	(19,494)	8,267
		43,830	(37,348)	(57,377)	(46,340)	19,058

Combined statements of financial position

		As at year ended 31 December			As at 31 October
		2015	**2016**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	11,913	10,507	11,042	10,672
Intangible assets	*12*	8,983	8,885	7,119	16,341
Available-for-sale financial asset	*13*	—	—	2,000	—
Financial asset at fair value through profit or loss	*13*	—	—	—	458
Deferred tax assets		3	—	—	5,678
Deposits to purchase of property, plant and equipment and intangible assets		—	240	481	396
		20,899	19,632	20,642	33,545
Current assets					
Inventories	*14*	2,215	1,996	404	222
Trade and other receivables	*15*	42,606	47,794	46,101	212,240
Amount due from a shareholder	*16*	14,719	15,001	64,359	61,245
Restricted bank deposits	*17*	647,266	569,992	486,789	388,551
Cash and bank balances	*18*	103,524	74,422	12,001	28,136
		810,330	709,205	609,654	690,394

		As at year ended 31 December			As at 31 October
		2015	2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade and other payables	*19*	542,010	488,516	398,685	476,647
Bank borrowing	*20*	—	—	2,500	2,500
Deferred revenue	*21*	8,054	7,179	5,846	4,969
Tax payable		11,591	916	916	916
		561,655	496,611	407,947	485,032
Net current assets		248,675	212,594	201,707	205,362
Total assets less current liabilities		269,574	232,226	222,349	238,907
Non-current liability					
Bank borrowing	*20*	—	—	47,500	45,000
NET ASSETS		269,574	232,226	174,849	193,907
CAPITAL AND RESERVES	*22*				
Share capital		27,700	27,700	27,700	27,700
Reserves		241,874	204,526	147,149	166,207
TOTAL EQUITY		269,574	232,226	174,849	193,907

Combined statements of changes in equity

	Combined capital *RMB'000*	General risk reserve *RMB'000*	Merger reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
At 1 January 2015	100,000	2,901	—	—	(43,019)	59,882	2,946	62,828
Profit and total comprehensive income for the year	—	—	—	—	28,714	28,714	15,116	43,830
Appropriation to general risk reserve	—	1,001	—	—	(1,001)	—	—	—
Capital contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	157,000	157,000
Acquisition of non-controlling interests	—	—	—	—	(1,743)	(1,743)	(2,757)	(4,500)
Partial disposal of interest in a subsidiary to non-controlling interest	—	—	—	—	(11,474)	(11,474)	21,890	10,416
Deemed disposal of interest in a subsidiary without loss of control	—	—	—	85,573	—	85,573	(85,573)	—
Reorganisation	(100,000)	—	72,300	—	—	(27,700)	—	(27,700)
Issue of share capital upon incorporation	27,700	—	—	—	—	27,700	—	27,700
At 31 December 2015 and 1 January 2016	27,700	3,902	72,300	85,573	(28,523)	160,952	108,622	269,574
Loss and total comprehensive expense for the year	—	—	—	—	(21,717)	(21,717)	(15,631)	(37,348)
Appropriation to general risk reserve	—	997	—	—	(997)	—	—	—
At 31 December 2016 and 1 January 2017	27,700	4,899	72,300	85,573	(51,237)	139,235	92,991	232,226
Loss and total comprehensive expense for the year	—	—	—	—	(33,225)	(33,225)	(24,152)	(57,377)
Appropriation to general risk reserve	—	498		—	(498)	—	—	—
At 31 December 2017 and 1 January 2018	27,700	5,397	72,300	85,573	(84,960)	106,010	68,839	174,849
Profit and total comprehensive income for the period	—	—	—	—	10,791	10,791	8,267	19,058
Appropriation to general risk reserve	—	229		—	(229)	—	—	—
Balance at 31 October 2018	27,700	5,626	72,300	85,573	(74,398)	116,801	77,106	193,907
At 31 December 2016 and 1 January 2017	27,700	4,899	72,300	85,573	(51,237)	139,235	92,991	232,226
Loss and total comprehensive expense for the period	—	—	—	—	(26,846)	(26,846)	(19,494)	(46,340)
Appropriation to general risk reserve	—	490		—	(490)	—	—	—
At 31 October 2017 (unaudited)	27,700	5,389	72,300	85,573	(78,573)	112,389	73,497	185,886

Combined statements of cash flows

		Year ended 31 December			Ten months ended 31 October	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Operating activities						
Profit/(loss) before taxation		59,320	(39,001)	(57,377)	(46,340)	13,380
Adjustments for:						
— Amortisation of intangible assets	*7(c)*	1,173	1,693	2,131	1,660	2,676
— Depreciation of property, plant and equipment	*7(c)*	3,763	3,146	3,156	2,595	2,876
— (Reversal of)/provision for impairment losses on trade receivables	*6*	(71)	11	44	—	153
— Provision for/(reversal of) impairment losses on other receivables	*6*	11	716	281	274	(2,029)
— Write-down of inventories	*6*	—	—	1,740	1,740	245
— Change in fair value of financial asset at fair value through profit or loss	*6*	—	—	—	—	1,542
— Gain on disposal of property, plant and equipment	*6*	—	(161)	(59)	(59)	(37)
— Bank interest income	*5*	(476)	(2,020)	(2,272)	(2,083)	(2,202)
— Interest income on amount due from a shareholder	*5*	—	—	(3,859)	(2,573)	(2,523)
— Finance costs	*7(a)*	126	—	3,859	2,573	2,523
Operating cash flows before movements in working capital		63,846	(35,616)	(52,356)	(42,213)	16,604
(Increase)/decrease in inventories		(211)	219	(148)	(120)	(63)
Decrease/(increase) in trade and other receivables		16,587	(5,915)	1,368	7,984	(164,263)
(Decrease)/increase in trade and other payables		(455,681)	(53,494)	(93,690)	(83,347)	75,439
Decrease in deferred revenue		(4,283)	(875)	(1,333)	(1,154)	(877)
Net cash used in operations		(379,742)	(95,681)	(146,159)	(118,850)	(73,160)
Income tax paid		—	(9,019)	—	—	—
Net cash used in operating activities		(379,742)	(104,700)	(146,159)	(118,850)	(73,160)

	Year ended 31 December			Ten months ended 31 October	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Purchase of property, plant and equipment	(7,268)	(1,814)	(3,722)	(3,666)	(2,456)
Purchase of intangible assets	(3,167)	(1,595)	(125)	(125)	(11,803)
Purchase of available-for-sale financial asset	—	—	(2,000)	(2,000)	—
Deposits paid for purchase of property, plant and equipment and intangible assets	—	(240)	(481)	(170)	(75)
Proceeds from disposal of property, plant and equipment	—	235	90	90	52
Decrease in restricted bank deposits	319,371	77,274	83,203	76,660	98,238
Bank interest income received	476	2,020	2,272	2,083	2,202
Net cash generated from investing activities	309,412	75,880	79,237	72,872	86,158
Financing activities					
(Increase)/decrease in amount due from a shareholder	(15,807)	(282)	(45,499)	(42,453)	5,637
Issue of share capital upon incorporation	27,700	—	—	—	—
Capital contributions from non-controlling interests of a subsidiary	157,000	—	—	—	—
Acquisition of non-controlling interests	(4,500)	—	—	—	—
Partial disposal of interest in a subsidiary to non-controlling interests	10,416	—	—	—	—
Net cash outflows on effect of reorganisation	(27,700)	—	—	—	—
Proceeds from new bank loan	—	—	50,000	50,000	—
Repayments of bank loan	—	—	—	—	(2,500)
Interest paid	(126)	—	—	—	—
Net cash generated from/(used in) financing activities	146,983	(282)	4,501	7,547	3,137
Net increase/(decrease) in cash and cash equivalents	76,653	(29,102)	(62,421)	(38,431)	16,135
Cash and cash equivalents at the beginning of the year/period	26,871	103,524	74,422	74,422	12,001
Cash and cash equivalents at the end of the year/period	103,524	74,422	12,001	35,991	28,136

NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP

1 GENERAL INFORMATION

Mao Hong Information Technology Holding Limited (the "**Target Company**") is a limited liability company incorporated in the British Virgin Islands on 18 January 2019. The registered office of the Target Company is located at Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company.

In or about November 2014, the Days Services Group commenced a reorganisation (the "**Former Reorganisation**") in order to broaden its overseas shareholder base. As part of the reorganisation process involving 41 new investors of Days Services ("**Initial Shareholders**"), Mr. Li Xiao Ru, being one of the new investors of Days Services, as of 5 May 2015 effectively subscribed for a 32.4% equity interest in Day's Holding Company Limited ("**Day's Holding Cayman**"), a Cayman Island company established on 13 November 2014 and indirectly owned the entire interest in Days Services in the material time, for a total consideration of approximately HK$317,035,740, out of which (1) HK$3,239.67 was paid for subscription of shares in Day's Holding Cayman at HK$0.01 per share and (2) RMB250,000,000 (in its Hong Kong dollar equivalent) was payable to an individual owner of Days Services for transfer of his corresponding 32.4% interests in Days Services to Day's Holding Cayman and the payment is conditional upon approval of the reorganisation by PBOC. Since the Former Reorganisation was not completed eventually, no actual payment was made to the individual owner.

Days Services Group however failed to obtain the regulatory approval from the relevant PRC authorities including the PBOC on the Former Reorganisation due to the restrictions on overseas ownership of the third party payment business in the PRC. As such, the Former Reorganisation was subsequently unwound and Mr. Li Xiao Ru as an overseas investor completed the disposal of all his entire 32.4% equity interest in Day's Holding Cayman at HK$0.01 per share for an aggregate consideration of HK$3239.67 on 29 June 2015.

On 30 June 2015, Shanghai Mao Hong Information Technology Limited ("**Shanghai Maohong**") undertook a reorganisation pursuant to which the Shanghai Maohong purchased 100% of the entire equity interests of Shanghai Day's Holding Company Limited ("Days Holding") from Day's Hong Kong Limited ("**Days Hong Kong**"), a limited liability company incorporated in Hong Kong on 18 November 2014 and dissolved on 5 August 2016 at a consideration of RMB27,700,000, out of which Mr. Chen Liang ("**Mr. Chen**") is the controlling shareholder of Shanghai Maohong, Days Holding and Days Hong Kong. These actions were intended to redomicile the Target Group's operations from Hong Kong to the People's Republic of China (the "**PRC**").

Pursuant to the purchase of equity interests of Days Holding, Shanghai Maohong becomes the holding company of the then subsidiaries.

On 1 January 2015, Days Holding and Mr. Chen owned 95% equity interests and 5% equity interests in Day's Enterprise Services Co., Ltd (上海得仕企業服務有限公司, at which the English translation is for identification only) ("**Days Enterprise**") respectively.

On 9 March 2015, Mr. Chen transferred his 5% equity interests in Days Enterprise to Days Holding at a consideration of RMB4,500,000. Immediately after the transfer, Days Enterprise became a wholly-owned subsidiary of Days Holding.

On 10 August 2015, Days Holding transferred 37.61% equity interests in Days Enterprise to 42 individuals at a consideration of RMB10,417,057. Immediately after the transfer, Days Holding held 62.39% equity interests in Days Enterprise. The aforesaid 42 individuals comprise the majority of the Initial Shareholders but do not include Mr. Li Xiao Ru.

On 29 September 2015, Days Enterprise allotted 9,812,500 shares at RMB16 per share to 4 individuals and and 1 institution. A total of RMB157,000,000 is received from the allotment. After the allotment, Days Holding has 56.82% equity interests in Days Enterprise and the remaining are held by these individuals. The aforesaid 4 individuals do not include Mr. Li Xiao Ru and Mr. Li Xiao Ru does not have any relationship with the institution.

Days Enterprise is a limited liability company incorporated in the PRC on 25 October 2006 and is listed in the National Equities Exchange and Quotations Co., Ltd with stock code 870829. Days Enterprise, together with its subsidiaries, are principally engaged in the business of the issue and management of prepaid cards (limited to sales in Shanghai and Beijing districts) and provisions of online payment services and such other related business activities.

Conversion and rename of Days Enterprise Company Limited

On 8 October 2015, the equity shareholders of Days Enterprise entered into a promoters' agreement, pursuant to which each of them agreed to convert Days Enterprise into a joint stock company with limited liability in the PRC with registered share capital of RMB150,000,000 divided into 150,000,000 domestic shares with a par value of RMB1 each, which was determined with reference to net asset value of Days Enterprise under the PRC accounting regulation at 28 October 2015. Immediately after the conversion is completed, Day's Enterprise is renamed as Day's Enterprise Company Limited ("**Days Services**").

As at the date of this report, the Target Company had direct and indirect interests in the following subsidiaries (collectively as "**Target Group**"):

Company	Date of incorporation	Place of incorporation	Particulars of issued and paid-up capital	Percentage of interest attributable to the Target Company's net investment		Principal activities
				Direct	Indirect	
Mao Hong Information Technology (Hong Kong) Limited (懋宏資訊科技香港有限公司)	19 February 2019	Hong Kong	HK$1	100%	—	Investment holding
Maohong WFOE *(note (i))*						
Shanghai Maohong Information Technology Company Limited*# (上海懋宏信息科技有限公司)	29 June 2015	The PRC	RMB27,700,000	—	100%	Investment holding
Shanghai Day's Holdings Company Limited*# (上海得仕控股有限公司)	21 January 2009	The PRC	RMB100,000,000	—	100%	Investment holding
Day's Enterprise Company Limited# (得仕股份有限公司)	25 October 2006	The PRC	RMB150,000,000	—	56.82%	Issue and management of prepaid cards and provisions of online payment services
Shanghai Day's Information Technology Company Limited*# (上海得仕網絡科技有限公司)	24 April 2008	The PRC	RMB5,000,000	—	56.82%	Provision of payment-related software development, software maintenance services and lottery business
Lishi (Shanghai) Information Technology Company Limited*# (利是(上海)信息科技有限公司)	18 October 2017	The PRC	RMB1,600,000 *(note (ii))*	—	56.82%	Provision of employee benefit services

* For identification only

\# The financial statements for the years ended 31 December 2015, 2016 and 2017 and for the ten months ended 31 October 2018 were audited by Baker Tilly Hong Kong Limited.

Notes:

(i) Maohong WFOE is a wholly foreign owned enterprise to be established and the sole registered shareholder of which will be Mao Hong Information Technology (Hong Kong) Limited, which will enter a series of structured contracts with Shanghai Maohong and the equity owners of the structured contracts.

(ii) On 28 February 2019, Days Services injected an additional capital (the "**capital injection**") of RMB500,000 to Lishi (Shanghai) Information Technology Company Limited. Immediately after the capital injection, the share capital of Lishi (Shanghai) Information Technology Company Limited is increased from RMB1,600,000 to RMB2,100,000.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. Further details of the significant accounting policies adopted are set out in Note 2 below.

The Target Company, through its subsidiaries, will own the entire registered capital of Maohong WFOE, which will enter into a series of the structured contracts (as defined in the definition pages in the Circular) with Shanghai Maohong and the equity owners of the structured contracts. Through the structured contracts, Maohong WFOE will have effective control over the finance and operation of Shanghai Maohong and its subsidiaries and enjoys the entire economic interest and benefits generated by Shanghai Maohong despite the lack of registered equity ownership. The sole director is of the view that the financial results and position of Shanghai Maohong and its subsidiaries are capable of being combined into the financial statements of the Target Company in the Track Record Periods as the Target Company and Shanghai Maohong are under common control of Mr. Chen prior to and after the reorganisation and the illustration better reflects the group structure-to-be upon the structured contracts are signed. Upon Completion, Shanghai Maohong will become a wholly-owned subsidiary of the Target Company. Accordingly, the financial results of Shanghai Maohong and its subsidiaries will be combined into the financial statements of the Target Company. Details of the principal activities of Shanghai Maohong and its subsidiaries are set out in note 1.

All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Track Record Periods and the Stub Period Comparative Financial Information as further explained in note 2 below.

The Target Group has not applied any new standard or interpretation that is not yet effective for the accounting period beginning on or after 1 January 2018 (see note 31).

The Historical Financial Information for the Track Record Periods and the Stub Period Comparative Financial Information has been prepared under the historical cost basis except for the financial asset at fair value through profit or loss that are stated at fair value as explained in note 13. The Historical Financial Information for the Track Record Periods and the Stub Period Comparative Financial Information is expressed in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the combined financial statements and major sources of estimation uncertainty are discussed in note 3.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

(b) Application of Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Periods, the Target Group has consistently adopted the HKFRSs, HKASs, amendments and interpretations ("HK(IFRIC)") issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2018 throughout the Track Record Periods except that the Target Group adopted HKFRS 9 "Financial Instruments" on 1 January 2018 and adopted HKAS 39 "Financial Instruments: Recognition and Measurement" for the years ended 31 December 2015, 2016 and 2017. The adoption of these new and revised HKFRSs has had no material financial impact on the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for the Track Record Periods and the combined statements of financial position of the Target Group as at 31 December 2015, 2016 and 2017 and 31 October 2018. For the purpose of the Circular, it is considered that no material financial impact would arise should the Target Group prepared the historical financial information in accordance with the accounting policies of the Target Group, except as to the reclassifications as explained below.

(i) HKFRS 9 Financial Instruments

During the ten months ended 31 October 2018, the Target Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and 3) general hedge accounting.

The Target Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The following table shows that adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Combined statement of financial position (Extract)

	As at 31 December 2017 as originally presented	**Impact of initial application of HKFRS 9**	**As at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Available-for-sale financial asset *(Note (i))*	2,000	(2,000)	—
Financial asset at fair value through profit or loss ("**FVPL**") *(Note (i))*	—	2,000	2,000

Note:

(i) Under HKAS 39, the unquoted equity securities that are not held for trading were classified as available-for-sale financial asset and measured at cost less impairment. The equity securities are classified as at fair value through profit or loss under HKFRS 9, unless they are eligible for and designated at fair value through other comprehensive income ("**FVOCI**") by the Target Group. At 1 January 2018, the Target Group designated its investment in equity securities at FVPL. No fair value gains/losses relating to the unquoted equity securities previously carried at cost less impairment were adjusted to financial asset at FVPL as at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Target Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy note.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(b) Credit loss

The adoption of HKFRS 9 from 1 January 2018 does not have material impact to the Target Group, except for the methodology of impairment of financial assets. The new accounting policies in relation to impairment of financial assets are set out in below.

Impairment of financial assets

The Target Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

— trade receivables; and

— other financial assets at amortised cost.

The Target Group is required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The provision for doubtful debts for these financial assets is based on assumptions about risk of default and expected loss rates. The Target Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

While restricted bank deposits and cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Target Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Target Group applied different expected loss rates to different classes of trade receivables from customers, according to their respective risk characteristics.

Based on the historical experience of the Target Group, the default rates of the outstanding balances with customers are low. Hence, the adoption of HKFRS 9 does not have a significant impact on the Target Group's impairment provisions. Also, the historical credit losses are immaterial. Thus, no retrospective adjustments were required and no impact on accumulated losses at 1 January 2018 in respect of the change in this accounting policy.

Other financial assets at amortised cost

The Target Group has assessed the expected credit loss model applied to these items as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Target Group's combined financial statements and the opening loss allowance is not restated in this respect.

(ii) Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied.

The core principle is that the Target Group should recognise revenue when control of a good or service transfers to a customer.

From 1 January 2018 onwards, the Target Group has adopted the following accounting policies on revenue.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Target Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Target Group performs; or

— does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Target Group's performance in satisfying the performance obligation:

— direct measurements of the value transferred by the Target Group to the customer; or

— the Target Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The Target Group elected to use the cumulative effect transition method for the adoption of HKFRS 15 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. In the opinion of the sole director of the Target Company, had HKAS 18 been consistently applied throughout the Track Record Periods, there would be no impact on the financial position and performance of the Target Group, except the presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18, which are explained further in note 4.

(c) Basis of consolidation

The combined financial statements incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of subsidiaries begin when the Target Group obtains control over the subsidiaries and ceases when the Target Group loses control of the subsidiaries. Specifically, income and expenses of the subsidiaries acquired or disposed of during the Track Record Periods are included in the combined statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiaries.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

When the Target Group loses control of a subsidiary, the assets and liabilities of the subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Target Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

(d) Merger accounting for business combination involving businesses under common control

The combined financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

(e) Property, plant and equipment

The following items of property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses, if any (see note 2(i)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Leasehold improvements	3–5 years or the shorter of the lease term
— Furniture, fixtures and office equipment	5 years
— Motor vehicles	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) Intangible assets

Intangible assets that are acquired by the Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	5–10 years
Trademarks	10 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(g) Investment in equity securities

Investment in equity securities is recognised/derecognised on the date the Target Group commits to purchase/sell the investment. The investment is initially stated at fair value plus directly attributable transaction costs and is subsequently accounted for as follows:

(A) Policy applicable from 1 January 2018

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Target Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as dividend income when the member's right to receive payment is established.

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Target Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(k) — policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments was recognised in profit or loss when the member's right to receive payment is established. When the investments were derecognised or impaired (see note 2(k) — policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

Investments in unquoted equity securities whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity securities, is measured at cost less distribution returned and impairment losses, if any.

If there is objective evidence that an impairment loss has been incurred on such securities, the amount of impairment loss is measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar instrument. Such impairment losses are not reversed.

(h) Lease assets

Operating lease charges

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposals and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the combined statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on weighted average cost method and comprises all costs of purchase after deducting rebates from suppliers and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Credit losses and impairment of financial assets

(A) Policy applicable from 1 January 2018

The Target Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive).

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Target Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Target Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Target Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Target Group recognises an impairment gain or loss with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Target Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Impairment losses for doubtful debts were recognised when there was objective evidence of impairment and were measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting was material. Objective evidence of impairment included observable data that came to the attention of the Target Group about events that had an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for receivables whose recovery was considered doubtful but not remote were recorded using an allowance account. When the Target Group was satisfied that the recovery was remote, the amount considered irrecoverable was written off against receivables directly and any amounts held in the allowance account relating to that debt were reversed. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(l) Trade and other receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(k).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Bank borrowing

Bank borrowing is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, bank borrowing is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowing together with any interest and fees payable, using the effective interest method.

(p) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plans

Contributions to the PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that assets. Other borrowing costs are expensed in the period in which they are incurred.

(r) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets. Current tax and movements in deferred tax assets are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets arise from deductible temporary differences, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Group have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Target Group intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxation entity; or

— different taxation entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Policy applicable after 1 January 2018

HKFRS 15 Revenue from Contracts with Customers

Under HKFRS 15, revenue is recognised when customer obtains control of the promised goods or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or service is regarded as being transferred over time:

— When the customer simultaneously receives and consumes the benefits controls as the asset is created or enhanced;

— When the entity performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

— When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact to sales recognition of the Target Group.

(i) *Breakage income*

A liability is initially established for the monetary values of the prepaid cards when the Target Group sells the prepaid cards redeemable for goods or services at contracted merchants. The Target Group issues two types of prepaid cards: registered cards without time limit of validity and non-registered prepaid cards with validity periods of three years commencing from the date of issuance. The cardholders of non-registered prepaid cards can also re-activate the expired prepaid cards for one more year with activation charges.

The portion of the monetary value of prepaid cards that ultimately is not redeemed by cardholders for goods or services is referred to as breakage. The Target Group derecognises the amount related to the expected breakage in proportion to the pattern of rights expected to be exercised by the cardholders as revenue. The Target Group determines the breakage rate based upon historical redemption patterns.

The estimation on the rate of breakage is reviewed, and adjusted if appropriate, at the end of each reporting period.

(ii) *Commission income*

Commission income represented fees charged by the Target Group to merchants at specific rates on the monetary value of consumptions made by the prepaid cards' holders/internet payment accounts users of the merchants' stores which is recognised when the transactions occur.

(iii) *Service income from software development, service income from prepaid card management business and service income from lottery business*

Service income from software development, service income from prepaid card management business and service income from lottery business are recognised when the related services are rendered.

(iv) *Card issuing service fee income*

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

(v) *Interest income*

Interest income from the accumulated unutilised float funds generated from the operation of the prepaid cards business, the internet payment business, the restricted bank deposits and idle funds are accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(vi) *Government grants*

Government grants are recognised in the combined statements of financial position initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are initially recognised as deferred income and consequently are effectively recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Policy applicable before 1 January 2018

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Breakage income

A liability is initially established for the monetary values of the prepaid cards when the Target Group sells the prepaid cards redeemable for goods or services at contracted merchants. The Target Group issues two types of prepaid cards: registered cards without time limit of validity and non-registered prepaid cards with validity periods of three years commencing from the date of issuance. The cardholders of non-registered prepaid cards can also re-activate the expired prepaid cards for one more year with activation charges.

The portion of the monetary value of prepaid cards that ultimately is not redeemed by cardholders for goods or services is referred to as breakage. The Target Group derecognises the amount related to the expected breakage in proportion to the pattern of rights expected to be exercised by the cardholders as revenue. The Target Group determines the breakage rate based upon historical redemption patterns.

The estimation on the rate of breakage is reviewed, and adjusted if appropriate, at the end of each reporting period.

(ii) Commission income

Commission income represented fees charged by the Target Group to merchants at specific rates on the monetary value of consumptions made by the prepaid cards' holders/internet payment accounts users of the merchants' stores which is recognised when the transactions occur.

(iii) Service income from software development, service income from prepaid card management business and service income from lottery business

Service income from software development, service income from prepaid card management business and service income from lottery business are recognised when the related services are rendered.

(iv) Card issuing service fee income

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

(v) Interest income

Interest income from the accumulated unutilised float funds generated from the operation of the prepaid cards business, the internet payment business, the restricted bank deposits and idle funds are accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(vi) Government grants

Government grants are recognised in the combined statements of financial position initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are initially recognised as deferred income and consequently are effectively recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(u) Related parties

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

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

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

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

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

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

(v) Translation of foreign currency

Foreign currency transactions during the Track Record Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each of the reporting periods. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(w) Segment reporting

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the combined financial statements. The principal accounting policies are set forth in note 2. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the combined financial statements are described as follows:

(a) Impairment allowances on financial assets

The Target Group use a provision of matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Target Group's trade receivables are disclosed in notes 15 and 23(a) respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(b) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4 REVENUE AND SEGMENT INFORMATION

The Target Group is principally engaged in the business of the issue and management of prepaid cards, provisions of online payment services and other related business activities, lottery business and employee benefit services.

The amount of each significant category of revenue is as follows:

		Year ended 31 December			Ten months ended 31 October	
		2015	2016	2017	2017	2018
	Note	*RMB*	*RMB*	*RMB*	*RMB'000* (unaudited)	*RMB'000*
Breakage income		16,748	13,402	24,224	20,838	12,888
Commission income		53,503	10,449	9,449	8,039	83,303
Interest income from accumulated unutilised float funds		22,316	10,618	5,686	4,786	2,041
Service income from software development	*(i)*	32,964	2,332	296	236	50,551
Service income from prepaid card management business	*(ii)*	159	145	125	110	80
Service income from lottery business	*(ii)*	—	2	531	233	1,256
Card issuing service fees income	*(ii)*	154	39	59	56	599
		125,844	36,987	40,370	34,298	150,673

Notes:

(i) The development and software maintenance services (the "Software Services") is not a restricted business which will be operated by Maohong WFOE after the Completion.

(ii) Prepaid card management business, card issuing business and lottery business are restricted business under the Contractual Arrangement under the PRC laws.

(iii) The Target Group did not generate any income from the provision of employee benefit services during the Track Record Periods.

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Target Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Target Group have determined that it only has one operating segment which is the sale of prepaid cards and rendering of services.

(a) Information about geographical area

The Target Group also operates within one geographical segment because their revenues are primarily generated in the PRC and their assets are in majority located in the PRC. Accordingly, no geographical segment data is presented.

(b) Information about major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2015, 2016 and 2017 and for the ten months ended 31 October 2018.

5 OTHER INCOME

	Year ended 31 December			Ten months ended 31 October	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	476	2,020	2,272	2,083	2,202
Interest income on amount due from a shareholder	—	—	3,859	2,573	2,523
	476	2,020	6,131	4,656	4,725

6 OTHER GAINS AND LOSSES

	Year ended 31 December			Ten months ended 31 October	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Reversal of/(provision for) impairment losses on trade receivables	71	(11)	(44)	—	(153)
(Provision for)/reversal of impairment losses on other receivables	(11)	(716)	(281)	(274)	2,029
Write-down of inventories	—	—	(1,740)	(1,740)	(245)
Change in fair value of financial asset at fair value through profit or loss	—	—	—	—	(1,542)
Gain on disposal of property, plant and equipment	—	161	59	59	37
Government grants	100	1,480	920	920	51
Others	—	—	105	105	21
	160	914	(981)	(930)	198

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December			Ten months ended 31 October	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on loan from a related company	126	—	—	—	—
Interest on bank borrowing	—	—	3,859	2,573	2,523
	126	—	3,859	2,573	2,523

(b) Staff costs

		Year ended 31 December			Ten months ended 31 October	
		2015	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits		23,506	31,072	38,028	31,905	28,044
Contributions to defined contribution retirement plans	(i)	5,624	9,505	12,147	10,164	8,418
		29,130	40,577	50,175	42,069	36,462

Note:

(i) Pursuant to the relevant labour rules and regulations in the PRC, the Target Group participates in defined contribution retirement benefit schemes (the "**scheme**") organised by the PRC government authorities whereby the Target Group is required to make contributions to the scheme at the respective rates as governed based on the salaries of the eligible employees.

The PRC government is responsible for the entire pension obligation payable to the retired employees. The Target Group has no other material obligation for the payment of pension benefits associated with the scheme referred to above beyond the defined contributions described above.

(c) Other items

	Year ended 31 December			Ten months ended 31 October	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Amortisation of intangible assets	1,173	1,693	2,131	1,660	2,676
Cost of goods sold	507	546	686	601	360
Depreciation of property, plant and equipment	3,763	3,146	3,156	2,595	2,876
Operating lease charges: Minimum lease payments in respect of buildings	6,353	7,623	7,805	6,516	6,192
Penalties *(Note (i))*	—	—	565	565	—

Note:

(i) The penalties represented the violation of the regulations of the People's Bank of China in respect of the payment business. Further details of the penalties are set out in the relevant announcements (上海銀罰字(2017) 36號 and上海銀罰字(2018) 31號).

8 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Ten months ended 31 October	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax — PRC income tax					
Provision for the year/period	11,665	—	—	—	—
Over-provision in respect of prior years/periods	(74)	(1,656)	—	—	—
Deferred tax					
Origination and reversal of temporary differences	3,899	3	—	—	(5,678)
	15,490	(1,653)	—	—	(5,678)

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

		Year ended 31 December			Ten months ended 31 October	
		2015	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation		59,320	(39,001)	(57,377)	(46,340)	13,380
Notional tax on profit/(loss) before taxation at application corporate income tax rate	*(i)*	14,830	(9,750)	(14,344)	(11,585)	3,345
Effect of non-deductible expenses		683	395	1,528	186	3
Tax effect of temporary differences not recognised		—	115	407	295	(757)
Tax effect of utilisation of tax losses previously not recognised		(42)	—	—	—	(3,022)
Recognition of previously unrecognised tax losses		—	—	—	—	(5,678)
Tax effect of unused tax losses not recognised		93	9,243	12,409	11,104	431
Over-provision in respect of prior years/periods		(74)	(1,656)	—	—	—
		15,490	(1,653)	—	—	(5,678)

Note:

(i) Under the Corporate Income Tax Law of the PRC (the ''CIT Law''), the PRC's statutory income tax rate is 25%. The Target Group is subject to income tax at the statutory tax rate unless otherwise specified.

(c) Deferred tax not recognised

The Target Group has not recognised the remaining deferred tax assets of RMB373,000, RMB37,747,000, RMB86,983,000 and RMB53,907,000 as at 31 December 2015, 2016 and 2017 and 31 October 2018 in respect of tax losses due to the unpredictability of future profit streams. The unused tax losses can be carried forward for five years from the year of incurrence. Other temporary differences are immaterial.

9 DIRECTOR'S EMOLUMENTS

Details of the emoluments of the sole director disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation during the year ended 31 December 2015, 2016 and 2017 and ten months ended 31 October 2018 are as follows:

	Year ended 31 December 2015				
	Director's fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Contributions to defined contribution retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Director					
Mr. Chen Liang	—	717	—	81	798

	Year ended 31 December 2016				
	Director's fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Contributions to defined contribution retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Director					
Mr. Chen Liang	—	699	—	83	782

	Year ended 31 December 2017				
	Director's fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Contributions to defined contribution retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Director					
Mr. Chen Liang	—	697	—	88	785

	Ten months ended 31 October 2017 (unaudited)				
	Director's fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Contributions to defined contribution retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Director					
Mr. Chen Liang	—	581	—	73	654

	Ten months ended 31 October 2018				
	Director's fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Contributions to defined contribution retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Director					
Mr. Chen Liang	—	589	—	79	668

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year ended 31 December 2015, 2016 and 2017 and ten months ended 31 October 2018 of the five individuals with the highest emoluments, one is the sole director of the Target Company whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining four individuals are as follows:

	Year ended 31 December			**Ten months ended 31 October**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	3,510	2,778	3,159	2,625	2,540
Contributions to defined contribution retirement plans	283	327	352	292	316
	3,793	3,105	3,511	2,917	2,856

The emoluments of the four individuals with the highest emoluments are within the following bands:

	Year ended 31 December			**Ten months ended 31 October**	
	2015	**2016**	**2017**	**2017**	**2018**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil — HK$1,000,000	3	4	4	4	4
HK$1,000,001 — HK$1,500,000	1	—	—	—	—

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2015	3,565	20,071	4,638	28,274
Additions	2,066	1,879	3,323	7,268
At 31 December 2015	5,631	21,950	7,961	35,542
At 1 January 2016	5,631	21,950	7,961	35,542
Additions	533	759	522	1,814
Disposals	—	—	(1,455)	(1,455)
At 31 December 2016	6,164	22,709	7,028	35,901
At 1 January 2017	6,164	22,709	7,028	35,901
Additions	258	1,400	2,064	3,722
Disposals	—	—	(634)	(634)
At 31 December 2017	6,422	24,109	8,458	38,989
At 1 January 2018	6,422	24,109	8,458	38,989
Additions	318	1,765	438	2,521
Disposals	—	—	(312)	(312)
At 31 October 2018	6,740	25,874	8,584	41,198
Accumulated depreciation:				
At 1 January 2015	1,868	13,996	4,002	19,866
Charge for the year	630	2,655	478	3,763
At 31 December 2015	2,498	16,651	4,480	23,629
At 1 January 2016	2,498	16,651	4,480	23,629
Charge for the year	930	1,509	707	3,146
Written back on disposals	—	—	(1,381)	(1,381)
At 31 December 2016	3,428	18,160	3,806	25,394
At 1 January 2017	3,428	18,160	3,806	25,394
Charge for the year	915	1,336	905	3,156
Written back on disposals	—	—	(603)	(603)
At 31 December 2017	4,343	19,496	4,108	27,947
At 1 January 2018	4,343	19,496	4,108	27,947
Charge for the period	747	1,179	950	2,876
Written back on disposals	—	—	(297)	(297)
At 31 October 2018	5,090	20,675	4,761	30,526

	Leasehold improvements *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value:				
At 31 December 2015	3,133	5,299	3,481	11,913
At 31 December 2016	2,736	4,549	3,222	10,507
At 31 December 2017	2,079	4,613	4,350	11,042
At 31 October 2018	1,650	5,199	3,823	10,672

12 INTANGIBLE ASSETS

	Software	Trademarks	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2015	9,849	36	9,885
Additions	3,167	—	3,167
At 31 December 2015	13,016	36	13,052
At 1 January 2016	13,016	36	13,052
Additions	1,490	105	1,595
At 31 December 2016	14,506	141	14,647
At 1 January 2017	14,506	141	14,647
Additions	365	—	365
At 31 December 2017	14,871	141	15,012
At 1 January 2018	14,871	141	15,012
Additions	11,898	—	11,898
At 31 October 2018	26,769	141	26,910
Accumulated amortisation:			
At 1 January 2015	2,873	23	2,896
Charge for the year	1,169	4	1,173
At 31 December 2015	4,042	27	4,069
At 1 January 2016	4,042	27	4,069
Charge for the year	1,681	12	1,693
At 31 December 2016	5,723	39	5,762
At 1 January 2017	5,723	39	5,762
Charge for the year	2,108	23	2,131
At 31 December 2017	7,831	62	7,893
At 1 January 2018	7,831	62	7,893
Charge for the period	2,657	19	2,676
At 31 October 2018	10,488	81	10,569

	Software	Trademarks	Total
	RMB'000	*RMB'000*	*RMB'000*
Net book value:			
At 31 December 2015	8,974	9	8,983
At 31 December 2016	8,783	102	8,885
At 31 December 2017	7,040	79	7,119
At 31 October 2018	16,281	60	16,341

The amortisation charge for the Track Record Periods is included in "administrative expenses" in the combined statements of profit or loss.

Impairment test for intangible assets not yet available for use should be performed annually. Management estimates the recoverable amount of CGU to which these intangible assets belong as at 31 December 2015, 2016 and 2017 and 31 October 2018 respectively. As the recoverable amount of the CGU is higher than its carrying value as at 31 December 2015, 2016 and 2017 and 31 October 2018 respectively, no impairment loss is recognised.

13 NON-CURRENT FINANCIAL ASSET

		As at 31 December			As at 1 January	As at 31 October
		2015	2016	2017	2018	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial asset						
— unlisted securities	*(i)*	—	—	2,000	(2,000)	—
Financial asset at FVPL						
— unlisted securities	*(i)*	—	—	—	2,000	458
		—	—	2,000	2,000	458

Note:

(i) Available-for-sale financial asset was reclassified to financial asset at FVPL upon the initial application of HKFRS 9 at 1 January 2018 (see note 2(b)).

14 INVENTORIES

(a) Inventories in the combined statements of financial position comprised:

	As at 31 December			As at 31 October
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Costs of prepaid cards	2,215	1,996	404	222

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

		As at 31 December			As at 31 October
		2015	**2016**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	*7(c)*	507	546	686	360
Write-down of inventories	*6*	—	—	1,740	245
		507	546	2,426	605

15 TRADE AND OTHER RECEIVABLES

		As at 31 December			As at 31 October
		2015	2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables		218	218	218	32,315
Less: Impairment losses on trade receivables		(11)	(22)	(65)	(218)
		207	196	153	32,097
Other receivables and prepayments					
— Trade deposits paid to merchants	*(i)*	27,071	32,051	35,024	30,309
— Interest receivables from restricted bank deposits and idle bank balances		12,169	5,224	2,161	163
— Receivables from the clearing houses for online bill payment services	*(ii)*	—	—	—	141,750
— Prepayments		876	1,466	892	1,237
— Others		3,315	10,605	9,900	6,684
		43,431	49,346	47,977	180,143
Less: Impairment losses on other receivables		(1,032)	(1,748)	(2,029)	—
		42,399	47,598	45,948	180,143
Total trade and other receivables		42,606	47,794	46,101	212,240

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Notes:

(i) It represented trade deposits paid to merchants to secure the settlements of outstanding payable to merchants when the prepaid cardholders/internet payment accounts' holders make purchase transactions. These trade deposits would be refunded in full when the businesses with these merchants are terminated. The Target Group expects that the credit losses over these balances are minimal as these merchants are organisations with sound credit ratings.

(ii) The Target Group commenced the business of online bill payment services for its customers since 2018. The receivables represented bill payments on behalf of its customers and yet to be remitted by Unionpay, a clearing house. Currently, the Target Group does not hold any collateral over these balances, but the Target Group expects that the credit losses over these balances are minimal as the clearing house is an organisation with sound credit ratings.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of the trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 31 December			As at 31 October
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	207	—	—	32,097
Over 1 year, but less than 3 years	—	196	153	—
	207	196	153	32,097

Further details on the Target Group's credit policies are set out in note 23(a).

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 31 October
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	—	—	—	32,097
Within 1 year	218	—	—	—
Over 1 year, but less than 3 years past due	—	218	218	—
Over 3 years past due	—	—	—	218
	218	218	218	218
	218	218	218	32,315

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral over these balances.

16 AMOUNT DUE FROM A SHAREHOLDER

Except for an amount of RMB50,000,000 and RMB47,500,000 as at 31 December 2017 and 31 October 2018 respectively which bears interest rate of 368.5 basis points above the RMB 1–5 years loan benchmark lending rate published by the People's Bank of China, all of the other balances are unsecured, interest-free and repayable on demand. Mr. Chen has a dual capacity as the ultimate shareholder and the sole director of the Target Company, pursuant to the disclosure requirements under section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, the maximum balance outstanding during the years ended 31 December 2015, 2016 and 2017 and for ten months ended 31 October 2018 were RMB14,719,000, RMB 15,199,000, RMB64,359,000 and RMB64,360,000 respectively.

As at 31 October 2018, Mr. Chen owed the Target Group a sum of RMB61,245,000, which will be settled before the Completion.

17 RESTRICTED BANK DEPOSITS

Restricted bank deposits comprises:

		As at 31 December			As at 31 October
		2015	2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Maintained for the purpose of settlements of outstanding payable to merchants when the prepaid cardholders/internet payment accounts' holders make purchase transactions with respective merchants	*(i)*	624,146	541,602	462,415	371,324
Maintained for merchants as performance guarantee deposits		22,420	27,140	22,620	14,970
Maintained as reserve deposits to secure the Target Group's use of online B2B payment platforms provided by the banks		700	1,250	1,253	1,254
Maintained as reserve deposits to the general risk reserve funds as governed by the PRC government		—	—	501	1,003
		647,266	569,992	486,789	388,551

Note:

(i) These restricted deposits are maintained to fulfil the requirements as per announcement of the People's Bank of China (No. 6 2013) "Measures for the Custody of Clients' Reserves of Payment Institutions" (the "**Announcement**"). As set out in this Announcement, reserves received from the prepaid cardholders/internet payment accounts' holders by the Target Group must be deposited in the special-purpose deposit account as reserve at a reserves bank. The reserve can only be used for payments entrusted by prepaid cardholders/internet payment accounts' holders. Without approval by the prepaid cardholders/internet payment accounts' holders, the Target Group cannot appropriate the reserve for similar purposes or for other purposes, lend the reserve, or use them to provide guarantee for others.

18 CASH AND BANK BALANCES

Cash and bank balances comprises:

	As at 31 December			As at 31 October
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances	103,140	74,092	11,582	27,973
Cash on hand	384	330	419	163
	103,524	74,422	12,001	28,136

As at 31 December 2015, 2016 and 2017 and 31 October 2018, cash and bank balances represented cash at bank and on hand held in the PRC. The conversion of RMB denominated balance into foreign currencies and the remittance of bank balances and cash out of the PRC is subject to the relevant rules and regulations of foreign exchange restriction imposed by the PRC government.

19 TRADE AND OTHER PAYABLES

		As at 31 December			As at 31 October
		2015	2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables		1,392	774	997	2,026
Accrued staff cost		4,281	3,245	3,882	3,176
Payables to merchants		8,734	9,599	10,107	163,404
Unutilised float funds	*(i)*	520,554	471,394	379,845	302,259
Other payables and accruals		7,049	3,504	3,854	5,782
		542,010	488,516	398,685	476,647

Note:

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

(a) Ageing analysis

An ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December			As at 31 October
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,193	508	798	2,026
Over 1 year, but less than 3 years	199	266	—	—
Over 3 years	—	—	199	—
	1,392	774	997	2,026

20 BANK BORROWING

The maturity profile of bank borrowing, based on the scheduled repayment dates as set out in the loan agreement, is as follows:

	As at 31 December			As at 31 October
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	—	2,500	2,500
After 1 year but within 2 years	—	—	2,500	45,000
Over 2 years but within 5 years	—	—	45,000	—
	—	—	50,000	47,500

At 31 December 2017 and 31 October 2018, the bank borrowing bears interest rate of 368.5 basis points above the RMB 1-5 years loan benchmark lending rate published by the People's Bank of China.

At 31 December 2017 and 31 October 2018, bank borrowing of RMB50,000,000 and RMB47,500,000 respectively were secured by the personal guarantees and legal charges on leasehold properties of Mr. Chen and his wife, Ms. Yu Wei Xing and Mr. Li Xiao Ru, an independent third party of the Target Company, and the pledge of 25,000,000 shares of Days Services. The proceeds of the bank borrowing have been lent to Mr. Chen.

21 DEFERRED REVENUE

Deferred revenue represented the portion of unutilised float funds which has either inactive or expired and is recognised on an agreed percentage over the unutilised float funds outstanding at an agreed period of time.

22 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

As the Target Company is set up after the Track Record Periods, there is no issued share capital at the end of the Track Record Periods.

The share capital as stated in the combined statements of financial position represented the consolidated share capital of Shanghai Maohong.

(b) Nature and purposes of reserves

(i) General risk reserve

General risk reserve represented the appropriation of 10% of the total interests earned from the special-purpose deposit accounts at reserves banks for a year/period in accordance with the Announcement.

(ii) Merger reserve

Merger reserve of the Target Group arose as a result of the acquisition of a subsidiary under common control and represented the difference between the consideration paid for the acquisition and the carrying amount of the net assets of the subsidiary at the date when the Target Group and the acquired subsidiary became under common control.

(iii) Other reserve

Other reserve represents the difference between the fair value of the capital injections from non-controlling shareholders and the carrying amount of the subsidiary attributable to the non-controlling interests. For details, please refer to note 26.

(c) Dividends

The sole director of the Target Company resolved that no dividend attributable to the Track Record Periods or proposed after the Track Record Periods.

(d) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefit for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions.

The risks related to cost of capital and all categories of capital are evaluated by senior executives. By these evaluations of senior executives, structure of capital is planning to be balanced by dividend payments and issuing new shares as much as balancing liabilities. The Target Group is monitoring capital by net debt/equity. This is calculated by dividing net liabilities to the Target Group's equity. Net liabilities is calculated by subtracting cash and cash equivalents from total liabilities. There is no change of the Target Group's strategy during the years ended 31 December 2015, 2016 and 2017 and the ten months ended 31 October 2018.

The Target Group is not subject to externally imposed capital requirements.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Target Group's business.

The Target Group is also exposed to equity price risk arising from its equity investment in an entity.

The Target Group's exposure to risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position. The Target Group has policies in place for the control and monitoring of relevant credit risk.

(i) Trade receivables

The Target Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Target Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables is estimated by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure. The ECL also incorporates forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. To measure the ECL, trade receivables have been grouped based on share credit risk characteristics and the days past due according to the ageing as disclosed in note 15. For the past due trade receivables, due to the balances were immaterial, the management of the Target Group considered the loss allowance provision for these balances were immaterial. There is no change in the ECL rate for trade receivables during the Track Record Periods mainly due to no significant change in the historical default rates of trade receivables based on which the ECL rate is determined. The management of the Target Group considered the loss allowance provision for trade receivables was immaterial during the Track Record Periods.

(ii) Other receivables

The Target Group's exposure to credit risk from other receivables and amount due from a shareholder influenced mainly by the individual characteristics of each debtors. Loss allowances for these receivables are always measured at an amount equal to lifetime ECLs which are estimated based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Movement in the loss allowance account in respect of other receivables and amount due from a shareholder during the Track Record Periods is as follows:

	As at 31 December			**As at 31 October**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/ period	1,021	1,032	1,748	2,029
Provision for/(reversal of) impairment losses recognised	11	716	281	(2,029)
At end of the year/period	1,032	1,748	2,029	—

(iii) Restricted bank deposits and bank balances

The credit risk on restricted bank deposits and bank balances is limited because the counterparties are financial institutions with high credit ratings. The management does not expect any counterparty to fail to meet its obligation.

(b) Liquidity risk

The Target Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Target Group can be required to pay:

	At 31 December 2015				
	Carrying amount at 31 December	Total contractual undiscounted cash flow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	542,010	542,010	542,010	—	—

	At 31 December 2016				
	Carrying amount at 31 December	Total contractual undiscounted cash flow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	488,516	488,516	488,516	—	—

	At 31 December 2017				
	Carrying amount at 31 December	Total contractual undiscounted cash flow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	398,685	398,685	398,685	—	—
Bank borrowing	50,000	58,040	5,697	4,458	47,885
	448,685	456,725	404,382	4,458	47,885

	At 31 October 2018				
	Carrying amount at 31 December	Total contractual undiscounted cash flow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	476,647	476,647	476,647	—	—
Bank borrowing	47,500	52,866	4,981	47,885	—
	524,147	529,513	481,628	47,885	—

(c) Interest rate risk

The Target Group's exposure to interest rate risk arises primarily from its bank balances and restricted funds with floating interest rates which expose the Target group to cash flow interest rate risk. The Target Group will monitor interest rate exposure and consider hedging significant interest rate exposure should the need arise.

(i) Interest rate profile

The following table details the interest rate profile of the Target Group's net balances at the end of the reporting periods:

	As at 31 December			As at 31 October
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Variable rate balances:				
Bank balances	103,140	74,092	11,582	27,973
Restricted bank deposits	647,266	569,992	486,789	388,551
Bank borrowing	—	—	(50,000)	(47,500)
	750,406	644,084	448,371	369,024

(ii) Sensitivity analysis

At 31 December 2015, 2016 and 2017 and 31 October 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Target Group's profit after taxation or decrease the loss after taxation and decrease the accumulated losses by RMB5,628,000, RMB4,831,000, RMB3,363,000 and RMB2,768,000 respectively. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the Track Record Periods.

(d) Foreign currency risk

The Target Group's principal activities are carried out in the PRC. RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Target Group from satisfying sufficient foreign currency demands and the Target Group may not be able to pay dividend in foreign currencies to its equity shareholders.

The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(e) Equity price risk

The Target Group is exposed to equity price changes arising from an unlisted equity investment held for strategic purposes.

The performance of the unlisted equity investment is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Target Group, together with an assessment of their relevance to the Target Group's long term strategic plans.

At the end of each of the Track Record Periods, it is estimated that an increase/(decrease) of 1% in the price/earning ratios of comparable listed companies, with all other variables held constant, would not have significant fluctuation on the fair value of the Target Group's equity investment carried at FVPL and the corresponding change in equity.

(f) Fair values

The following table presents the fair value of the Target Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

The unquoted equity investment is measured using Level 2 valuations at the end of each of the Track Record Periods. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 at the end of each of the Track Record Periods.

The fair value of unlisted equity investment is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2015, 2016 and 2017 and 31 October 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 6.5% would have increased/decreased the Target Group's profit or loss by RMBnil, RMBnil, RMB1,686,000 and RMB1,703,000 respectively.

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at the end of each of the Track Record Periods.

24 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2015, 2016 and 2017 and 31 October 2018 not provided for in the combined financial statements were as follows:

	As at 31 December			As at 31 October
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for				
— Purchase of property, plant and equipment	—	—	37	—
— Purchase of intangible assets	—	—	213	164
	—	—	250	164

(b) Operating lease commitments

As lessee

At the end of each of the Track Record Periods, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 31 October
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	5,015	4,898	6,863	6,468
Over 1 year, but less than 5 years	2,267	3,923	4,952	2,960
	7,282	8,821	11,815	9,428

The Target Group is the lessee in respect of properties held as offices under operating leases. The leases typically run for an initial period of 2-3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

25 MATERIAL RELATED PARTIES' TRANSACTIONS

(a) All members of key management personnel are the sole director of the Target Company, and their remuneration is disclosed in note 9.

(b) Financing arrangements

The bank borrowings is secured by personal guarantee and legal charges on leasehold properties of Mr. Chen and his wife Ms. Yu Wei Xing during the Track Record Periods. For details, please refer to note 20.

(c) In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Target Group had the following material transactions with related parties during the Track Record Periods.

		Year ended 31 December			Ten months ended 31 October	
		2015	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Software development income received from a related company						
— Jinsheng Jiaxin Investment Management (Beijing) Company Limited* (晉升嘉信投資管理(北京)有限公司)	*(i)*	—	881	—	—	—
Interest income received from amount due from a shareholder						
— Mr. Chen	*(ii)*	—	—	3,859	2,573	2,523
Interest paid on loan from a related company						
— Shanghai An Chen Investment Management Company Limited* (上海安臣投資管理有限公司)	*(iii)*	126	—	—	—	—

* *For identification only*

Notes:

(i) Jinsheng Jiaxin Investment Management (Beijing) Company Limited is a company controlled by Ms. Chen Zi Jun, which has indirect substantial interests in the Target Company, through his substantial interests in Mao Hong Holding Limited, a parent company of the Target Company.

(ii) Mr. Chen is the sole director of the Target Company, and has indirect substantial interests in the Target Company through his substantial interests in Mao Hong Holding Limited, a parent company of the Target Company.

(iii) Shanghai An Chen Investment Management Company Limited is a company controlled by Mr. Chen, the sole director of the Target Company, and has indirect substantial interests in the Target Company through his substantial interests in Mao Hong Holding Limited, a parent company of the Target Company.

Balance with a related party is disclosed in note 16.

26 DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT A LOSS OF CONTROL

On 29 September 2015, Days Enterprise allotted 9,812,500 shares at RMB16 per share to 5 individuals. A total of RMB157,000,000 is received from the allotment. The allotment resulted in a dilution of the Target Group's interests in Days Enterprise from 62.39% to 56.82%. Since the dilution did not result in a loss of control by the Target Group over Days Enterprise, the dilution is effected by a deemed disposal of interest in a subsidiary without a loss of control, and accounted for as equity transaction. The effect of changes in the ownership interest is summarised as below:

	RMB'000
Carrying amount of interests deemed to be disposed of	71,427
Consideration received from non-controlling interests	(157,000)
Deemed gain on disposal recognised in other reserve	(85,573)

27 PARTICULARS OF SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Summarised financial information in respect of the Target Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Days Holding and its subsidiaries

	Year ended 31 December			Ten months ended 31 October	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current assets	810,427	709,519	559,955	579,505	643,233
Non-current assets	20,899	19,632	20,642	21,307	33,545
Current liabilities	(561,655)	(496,611)	(405,315)	(414,529)	(482,249)
Net assets	269,671	232,540	175,282	186,283	194,529
Equity attributable to owners of the Company	161,049	139,549	106,443	112,786	117,423
Non-controlling interests	108,622	92,991	68,839	73,497	77,106
Total equity	269,671	232,540	175,282	186,283	194,529
Revenue	125,844	36,987	40,370	34,298	150,673
Profit/(loss) for the year/period	43,927	(37,131)	(57,258)	(46,257)	19,247
Profit/(loss) attributable to owners of the Company	28,811	(21,500)	(33,106)	(26,763)	10,980
Profit/(loss) attributable to the non-controlling interests	15,116	(15,631)	(24,152)	(19,494)	8,267
	43,927	(37,131)	(57,258)	(46,257)	19,247
Net cash outflows from operating activities	(379,643)	(104,483)	(146,158)	(118,910)	(73,121)
Net cash inflows from investing activities	309,410	75,880	79,232	72,870	86,157
Net cash inflows/(outflows) from financing activities	146,883	(532)	4,416	3,130	3,022
Net cash inflows/(outflows)	76,650	(29,135)	(62,510)	(42,910)	16,058

28 EVENTS AFTER THE REPORTING PERIOD

On 26 February 2019, the bank renewed the loan agreement as originally set out in note 20 to the Historical Financial Information that, (i) the personal guarantee from the independent third party, Mr. Li Xiao Ru, is released immediately on that date; and (ii) the Days Holding's pledge of 25,000,000 shares of Days Services is increased to 30,000,000 shares of Days Services immediately on that date.

Subsequent to the end of the reporting period, the Target Group has ceased its lottery business. Management is of the view that the cessation of lottery business will not cause significant write-off/impairments of the assets currently used by the lottery business, incurred significant costs on cessation and involve any compensations to be paid to the business partners for early termination of the contracts, and therefore would not have significant impact to the subsequent combined financial statements of the Target Group.

29 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 October 2018.

30 CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017 and 31 October 2018, the Target Group did not have any contingent liabilities.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 OCTOBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretation which are not yet effective for the accounting period beginning on 1 January 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HKFRS 16, Lease	1 January 2019
Amendments to HKFRS 10 and HKAS 28 (2011) — Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[1]	
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019

1 No mandatory effective date yet determined but available for adoption.

The Target Group is in the process of making an assessment of the impact of these amendments and new standards in the period of initial application but not yet in a position to state whether these amendments, new or revised standards and interpretations would have significant impact on the Target Group's results of operations and financial position.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(A) INTRODUCTION TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

In connection with the proposed major transaction in relation to the acquisition of 51% of the entire equity interest in Mao Hong Information Technology Holding Limited (''Target Company'') by Pan Asia Data (BVI) Inc, a wholly-owned subsidiary of the Company (the ''Acquisition''), the unaudited pro forma consolidated statement of assets and liabilities of the Company and its subsidiaries (the ''Group'') and the Target Company and other entities which will be directly or indirectly controlled by the Target Company upon: (i) the completion of the reorganisation to rationalise the corporate structure of the Target Company and its subsidiaries; and (ii) the execution of a series of structured contracts for the purpose to control Days Enterprise Company Limited and its subsidiaries (the ''Target Group'') (the Group and the Target Group collectively referred as the ''Enlarged Group'') (the ''Unaudited Pro Forma Consolidated Statement of Assets and Liabilities'') has been prepared by the directors of the Company (the ''Directors'') in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the Acquisition on the Group's assets and liabilities as at 31 December 2018 as if the Acquisition had been completed on 31 December 2018.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities is prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2018 which has been extracted from the Group's result announcement for the year ended 31 December 2018 issued on 31 March 2019; and (ii) the audited combined statement of financial position of the Target Group as at 31 October 2018 as set out in the accountants' report on the Target Group included in Appendix II to this circular; and after making other pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken as at 31 December 2018.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities is prepared by the Directors based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group. Accordingly, the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities does not purport to describe the assets and liabilities of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2018, nor to predict the future assets and liabilities of the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 December 2018	The Target Group as at 31 October 2018	Pro forma adjustment	Pro forma adjustment	The Enlarged Group as at 31 December 2018
	HK$'000	*HK$'000 equivalents*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	98,029	12,177			110,206
Prepaid lease payments	25,960	—			25,960
Interests in associates	182,587	—			182,587
Goodwill	—	—	290,756		290,756
Intangible assets	—	18,645	1,719,316		1,737,961
Financial assets at fair value through profit or loss	—	523			523
Deposits to purchase of property, plant and equipment, prepaid lease payments and intangible assets	3,095	452			3,547
Deferred tax assets	—	6,479			6,479
	309,671	38,276			2,358,019
Current assets					
Prepaid lease payments	782	—			782
Inventories	45,277	253			45,530
Trade and other receivables	133,881	242,166			376,047
Amount due from a previous shareholder of the Target Company	—	69,880			69,880
Tax recoverable	377	—			377
Restricted bank deposits	—	443,336			443,336
Bank balances and cash	180,246	32,103	(20,000)	(10,000)	182,349
	360,563	787,738			1,118,301

	The Group as at 31 December 2018	**The Target Group as at 31 October 2018**	**Pro forma adjustment**	**Pro forma adjustment**	**The Enlarged Group as at 31 December 2018**
	HK$'000	*HK$'000 equivalents*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities					
Trade and other payables	54,426	543,854			598,280
Contract liabilities	139	—			139
Bank borrowing	—	2,853			2,853
Deferred revenue	—	5,670			5,670
Tax payable	1,689	1,045			2,734
	56,254	553,422			609,676
Net current assets	304,309	234,316			508,625
Total assets less current liabilities	613,980	272,592			2,866,644
Non-current liabilities					
Bank borrowing	—	51,345			51,345
Promissory notes	—	—	708,539		708,539
Deferred tax liabilities	—	—	429,829		429,829
	—	51,345			1,189,713
Net assets	613,980	221,247			1,676,931

Notes:

(1) Figures are extracted from the consolidated statement of financial position of the Group as set out in the result announcement of the Company for the year ended 31 December 2018.

(2) Figures are extracted from the audited combined statement of financial position of the Target Group as set out in the accountants' report thereon as set out in Appendix II to this circular which have been prepared under Hong Kong Financial Reporting Standards ("HKFRSs") and using accounting policies materially consistent with those of the Group and is translated from its presentation currency, Renminbi ("RMB") to Hong Kong dollars at the rate of RMB1 to HK$1.141, which is the prevailing exchange rate as at 31 December 2018. No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the applied rate or at any other rates, or at all.

(3) The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has been prepared on the assumption that the Group obtained control over the Target Group upon the completion of the reorganisation and effective execution of structured contracts. The adjustment in connection with the Acquisition is accounted for using acquisition method of accounting in accordance with HKFRS 3 "Business Combinations" under provisional basis and represents:

	HK$'000
Fair value of consideration:	
Promissory notes and cash deposit *(note a)*	728,539
Pro forma fair value of identifiable assets acquired and liabilities assumed:	
Carrying amounts of the assets and liabilities of the Target Group *(note b)*	221,247
Intangible assets identified *(note b)*	1,719,316
Deferred taxation *(note b)*	(429,829)
Less: non-controlling interests of subsidiaries of the Target Group *(note c)*	(652,335)
	858,399
Less: non-controlling interests of 49% of the Target Group *(note d)*	(420,616)
Pro forma value of the 51% equity interests in the Target Group	437,783
Pro forma goodwill *(note e)*	290,756

Notes:

(a) The consideration shall be paid in the following manner:

(i) a deposit by way of cash of HK$20,000,000 within three business days after the signing of the sale and purchase agreement;

(ii) a promissory note with principal amount of HK$540 million ("First Promissory Note") will be issued by the Group upon the completion; and

(iii) 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. In respect of financial year ending 31 December 2019 of the Target Group, the Group shall pay the remaining consideration in accordance with the formula as follows:

2019 Actual Profit x 24 x 56.82% x 51% – HK$560 million

The remaining consideration shall be paid by way of the issue of the promissory note ("Second Promissory Note") within 20 business days after the receipt of the audited consolidated accounts of the Target Group for the financial year ending 31 December 2019. The remaining consideration shall not exceed HK$230 million.

According to the valuation performed by an independent valuer, Valuelink Management Consultants Limited, the fair value of the First Promissory Note and Second Promissory Note are HK$514,159,000 and HK$194,380,000 respectively.

(b) For the purpose of the preparation of the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group, the pro forma fair value of the identifiable assets and liabilities acquired (other than goodwill) of the Target Group as at 31 December 2018 of HK$221,247,000 is assumed to be the same as the carrying amounts of the assets and liabilities as at 31 October 2018 except for intangible assets and related deferred tax liabilities identified.

According to the valuation performed by an independent valuer, Valuelink Management Consultants Limited, the pro forma fair value of the intangible assets identified which mainly comprising the pro forma fair values of licenses, trademarks and customer's network is HK$1,719,316,000 and related deferred taxation recognised is HK$429,829,000. The pro forma fair value of the intangible assets identified as at 31 December 2018 were determined by income approach, which was a discounted cash flow methodology to value intangible assets. The discount rate for the intangible assets used in the valuation was referenced to the estimated weighted average cost of capital ("**WACC**") of the Target Group. The WACC was estimated based on capital asset pricing model using the market data and financial data of comparable listed companies. Deferred taxation was recognised on temporary differences between the carrying amounts of the assets and liabilities in the Target Group and the corresponding tax base used in the computation of taxable profit of the Target Group. The actual fair values of the identifiable assets and liabilities of the Target Group recognised upon the completion of the Acquisition may be substantially different from the corresponding amounts presented in the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities and are subject to change upon the completion of the valuation of all identifiable assets and liabilities acquired.

(c) Amounts represents the ownership interests entitling the non-controlling interests of the Target Company to a proportionate share of net assets of several entities comprising the Target Group.

(d) The Group will acquire 51% equity interests of the Target Company, the amount represents the 49% ownership interests owned by non-controlling shareholders of the Target Company.

(e) In the preparation of the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, the excess of consideration over the pro forma fair value of the identifiable assets and liabilities acquired of the Target Group as at 31 December 2018 was recognised as pro forma goodwill. The actual fair values of the identifiable assets and liabilities of the Target Group and the pro forma goodwill recognised upon the completion of the Acquisition may be substantially different from the corresponding amounts presented in the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities. For the purpose of the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, the directors have assessed whether there is any impairment in respect of the pro forma goodwill expected to arise from the Acquisition, on a pro forma basis, in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the assessment results, the directors concluded that there is no impairment on the cash generating unit, comprising the identifiable assets acquired and liabilities assumed of the Target Group in which the pro forma goodwill and intangible assets identified stated above have been allocated. The recoverable amount of the cash generating unit is determined based on higher of fair value less costs of disposal and value in use, by reference to the valuation performed by Valuelink Management Consultants Limited.

(4) Estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately HK$10,000,000.

(5) The above pro forma adjustments are not expected to have a continuing effect on the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities.

(6) No adjustments has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Manfield Chemical Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Manfield Chemical Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2018 and related notes as set out on pages III-1 to III-5 of the circular issued by the Company dated 18 April 2019 (the "Circular") in connection with the proposed major transaction in relation to the acquisition of 51% of the entire equity interest in Mao Hong Information Technology Holding Limited ("Target Company") (the "Acquisition"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-5 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's assets and liabilities as at 31 December 2018 as if the Acquisition had taken place at 31 December 2018. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2018, on which an annual result announcement has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 April 2019

The following discussion is based on the accountants' report of the Target Group for the three financial years ended 31 December 2017 and the ten months ended 31 October 2018 as set out in Appendix II to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET 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, Days Holding and Days Services. 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.

For the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and ten months period ended 31 October 2018 respectively, the Target Group recorded:

i. revenue of approximately RMB125.8 million, RMB37.0 million, RMB40.4 million, and RMB150.7 million respectively, which mainly comprised of commission income, service income from software development, breakage income, interest income and service income from lottery business. The general decrease of revenue from 2015 to 2016 was mainly due to the Target Group's transition of service offerings. During that period, the Target Group modified development strategies to concentrate resources on cultivating new offerings with sustainable long-term growth prospect. In 2017, the Target Group focused on developing products and customers of digital payment solutions while maintaining stable prepaid card businesses. The significant growth in revenue in the first ten months of 2018 was primarily attributed to development of digital payment solutions business.

ii. with respect to other income, primarily comprised of bank interest income and income from amount due from a shareholder. The Target Group received bank interest income of approximately RMB0.5 million, RMB2.0 million, RMB 2.3 million and RMB2.2 million respectively. The recognized interest income from amount due from a shareholder of approximately RMB 3.9 million and RMB2.5 million in 2017 and first ten months of 2018 respectively.

iii. with respect to other gains and losses, which primarily consisted of impairment losses on other receivables, write-down of inventories and change in fair value of financial asset. The Target Group recognized provision for impairment losses on other receivables of approximately RMB0.01 million, RMB0.7 million, RMB0.3 million and reversal of impairment losses on other receivables of RMB2.0 million respectively. The Target's Group's write-down of inventories was approximately

RMB1.7 million and RMB0.2 million in 2017 and first ten months of 2018 respectively. The Target Group also recognized a fair value loss of RMB1.5 million for its financial asset at fair value through profit or loss in the first ten months of 2018.

iv. direct costs of approximately RMB13.6 million, RMB7.5 million, RMB6.5 million and RMB72.1 million respectively, which primarily attributed to commission and fees, processing fee and rental fees of POS machines.

v. distribution and selling expenses of approximately RMB9.3 million, RMB12.0 million, RMB22.8 million and RMB19.0 million respectively, which mostly comprised of costs of sales staff, promotion expenses and communication expenses.

vi. administrative expenses of approximately RMB44.1 million, RMB59.4 million, RMB69.7 million and RMB48.5 million respectively, which mainly comprised of staff costs, general operating expenses, transportation expenses, operating leasing charges and depreciation and amortization expenses.

vii. finance costs of approximately RMB3.9 million and RMB2.5 million for 2017 and the first ten months of 2018 respectively, which primarily attributed to interest expenses on bank borrowing.

viii. income tax expenses of approximately RMB15.5 million in 2015, and income tax credit of RMB1.7 million and RMB5.7 million in 2016 and for the ten months ended 31 October 2018 respectively, which mainly consisted of PRC corporate income tax expense/credit.

ix. a profit after tax of RMB43.8 million, a loss after tax of RMB37.3 million, a loss after tax of RMB57.4 million and a profit after tax of RMB19.1 million respectively. The profit after taxation was mainly contributed from revenues generated from prepaid card services and digital payment solutions.

Financial position and other financial information of Target Group

As at 31 December 2015, 31 December 2016, 1 December 2017 and 31 October 2018, the Target Group had:

i. property, plant and equipment of approximately RMB11.9 million, RMB10.5 million, RMB11.0 million, and RMB10.7 million respectively, which mainly comprised of furniture, fixtures and office equipment, motor vehicles and leasehold improvements.

ii. Intangible assets of approximately RMB9.0 million, RMB8.9 million, RMB7.1 million, and RMB16.3 million respectively, which represents MIS and financial system software.

iii. Available-for-sale financial asset of approximately RMB2 million as at 31 December 2017 and financial asset at fair value through profit or loss of approximately RMB0.5 million as at 31 October 2018. The investment represented investment in an unlisted agricultural company in the PRC in 2017 in view of the market growth potentials. As an adoption of the new Hong Kong Financial Reporting Standard 9, the investment is reclassified from available-for-sale financial asset to financial asset at fair value through profit or loss since 1 January 2018. The drop in value represented a fair value loss of the investment.

iv. Deferred tax assets of approximately RMB5.7 million as at 31 October 2018, which represented recognition of unused tax losses to the extent that the Target Group expected to utilize.

v. Inventories of approximately RMB2.2 million, RMB2.0 million, RMB0.4 million, and RMB0.2 million respectively, which consisted of costs of prepaid cards.

vi. Trade and other receivables of approximately RMB42.6 million, RMB47.8 million, RMB46.1 million, and RMB212.2 million respectively, which mainly represents (x) receivables on behalf of clients for payment transactions occurred but not settled and (y) deposits due from contracted merchants.

vii. Amount due from a shareholder of approximately RMB14.7 million, RMB15.0 million, RMB64.4 million and RMB61.2 million. Except for an amount of RMB50,000,000 and RMB47,500,000 as at 31 December 2017 and 31 October 2018 respectively which bears interest rate of 368.5 basis points above the RMB 1–5 years loan benchmark lending rate published by the People's Bank of China. All of the other balances are unsecured, interest-free and repayable on demand.

viii. Restricted bank deposits of approximately RMB647.3 million, RMB570.0 million, RMB486.8 million and RMB388.6 million respectively, which mostly maintained to settle outstanding payables to merchants upon prepaid cardholders/internet payment accounts' holders make purchase transactions.

ix. Cash and bank balances of approximately RMB103.5 million, RMB74.4 million, RMB 12.0 million and RMB28.1 million respectively

x. Trade and other payables of approximately RMB542.0 million, RMB488.5 million, RMB398.7 million and RMB476.6 million respectively, which mainly represents (x) unutilized float funds prepaid by prepaid cardholders and internet payment accounts' holders and unutilized at the end of reporting period and (y) other payables and accruals mostly of funds payable on behalf of clients for payment transactions occurred but not settled.

xi. Other current liabilities of RMB19.6 million, RMB8.1 million, RMB9.3 million and RMB8.4 million respectively, which mainly consisted of current portion of bank borrowing deferred revenue and tax payable.

xii. Non-current liability of RMB47.5 million and RMB45.0 million as at 31 December 2017 and 31 October 2018 respectively, which represents the non-current portion of outstanding principal of bank borrowing.

Liquidity, financial resources and capital structure

The capital structure of the Target Group consists of debts and equity. Except for the bank borrowings of RMB50.0 million as at 31 December 2017 and RMB47.5 million as at 31 October 2018, the Target Group did not have any borrowings as at 31 December 2015 and 31 December 2016 and mainly utilizes internal generated cash to finance its operations. The bank loan bears an interest rate of 36.85% above the 1 to 5 year benchmark lending rate published by the People's Bank of China.

Gearing ratio

As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 October 2018, the gearing ratio of the Target Group was zero, zero, 7.9% and 6.6%.

Charge on assets

As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 October 2018, the Target Group did not have any charge on its assets.

Material acquisitions and disposals of subsidiaries and associated companies

During the financial years ended 31 December 2015, 31 December 2016, 31 December 2017, and the ten months period ended 31 October 2018, the Target Group had no material acquisitions and disposals of subsidiaries and associated companies.

Significant investments

As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 October 2018, the Target Group did not have any significant investment and did not have any future plans for material investments or acquisitions of capital assets.

Contingent liabilities

As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 October 2018, the Target Group did not have any contingent liabilities.

Exchange risk and hedging

During the financial years ended 31 December 2015, 31 December 2016, 31 December 2017, and the ten months period ended 31 October 2018, almost all of the business transactions, assets and liabilities of the Target Group were denominated in RMB. Therefore, the Target Group has minimal exposure to currency exchange risk and the Target Group did not hold any financial instruments for hedging purposes.

Employee and remuneration policies

As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 October 2018, the Target Group employed a total of 216, 243, 231 and 145 employees respectively. The breakdown of the employees by departments are set out below:

Department	31 December 2015	31 December 2016	31 December 2017	31 October 2018
CEO Office	5	8	9	8
Finance	22	23	23	26
Legal & Risk Management	2	2	5	4
Administration & HR	25	24	24	20
Technology & System	79	102	82	44
Customer Service & Business Hall	27	23	20	14
Merchant Development	10	9	4	4
Sales & Marketing	38	31	29	12
Strategic Planning	8	9	2	2
Internet Payment & Information Technology	—	—	—	11
Lottery*	0	12	33	0
Total	216	243	231	145

* *Lottery operation is subject to strict governmental approval for both domestic investments and foreign investments. The OPCO Group has ceased its lottery business as at the Latest Practicable Date.*

Staff recruitment and promotion of the Target Group are primarily determined based on the employee's experience, qualification and performance. The remuneration and staff benefit policies are also performance-based and are determined with reference to the competitive market salary levels.

Segment Information

The Target Group has determined that it has (i) one operating segment which is the sales of prepaid card and provision of related services and (ii) one geographical segment as the Target Group's revenue is primarily derived from and its assets are mainly located in the PRC.

Subsequent Events

The OPCO Group has ceased its lottery business in December 2018. The total assets attributable to the lottery business is nil, RMB2,151,000, RMB7,152,000 and RMB5,726,000 as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018 respectively, and the total liabilities attributable to the lottery business is nil, RMB176,000, RMB539,000 and RMB606,000 as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018 respectively. The Target Group does not have any asset or liability related to the lottery business as at the Latest Practical Date. The lottery business was conducted in compliance with the relevant laws and regulations during the three years ended 31 December 2017 and the ten months ended 31 October 2018. There is no contingent liability attributable to the lottery business subsequent to 31 October 2018.

The following is the report prepared for the purpose of incorporation in this circular as received from Valuelink Management Consultants Limited, an independent valuer, in connection with their valuation of Day's Enterprise Company Limited as at 31 October 2018.

蓝策
ValueLink

18 April 2019

The Directors
Manfield Chemical Holdings Limited

Dear Sirs or Madams,

In accordance with your instructions, as confirmed in our engagement agreement (the "Engagement Agreement") between Manfield Chemical Holdings Limited ("Manfield" or the "Client") and Valuelink Management Consultants Limited ("Valuelink" or "we"), we have performed a value analysis of the indicative value of the 100% equity interest in Day's Enterprise Company Limited (the "Company") as of October 31, 2018 (the "Valuation Date") for your internal reference purpose.

This report has been prepared solely for your internal reference purpose and is not intended for any legal or court proceedings, general circulation, publication or reproduction in any form without our prior written consent, and should not be relied upon for any other purpose. This report is strictly confidential and (save to the extent required by applicable law and/or regulation) must not be released to any third party without our express written consent which is at our sole discretion.

We acknowledge that this report may be made available to the Client for public documentation purpose only. Valuelink assumes no responsibility whatsoever to any person other than the Client in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

Our report is not intended to be the sole basis for investment decisions and any actions you take must ultimately remain a decision for you, taking into account matters outside the scope of our work of which you are aware.

To the fullest extent permitted by law, Valuelink accepts no duty of care to any third party in connection with the provision of this report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including, without limitation, negligence) or otherwise, and to the extent permitted by applicable law, Valuelink accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

The Information used by Valuelink in preparing this report has been obtained from a variety of sources as indicated within the report. Business profiles, historical financial data, financial estimates and projection and the key assumptions used in our analysis and as set out in the report are the responsibility of the management of the Client (the "Management"). Please note that the procedures and enquiries undertaken by us in preparing this report do not include any verification work, nor do they constitute an examination made in accordance with generally accepted auditing standards. Accordingly we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us, except where otherwise stated herein, and no assurance is given.

Unless stated otherwise, information furnished by others, upon which all of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.

No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the report date hereof.

By its very nature, value analysis work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Although the recommendations expressed in our report will be based on methods and techniques that we consider appropriate under the circumstances, we cannot guarantee that such values or ranges of value will be accepted by other parties.

We make no representation regarding the sufficiency of our work either for purposes for which this report has been requested or for any other purpose. The sufficiency of the work we performed is solely the addressee's responsibility, as are any decisions with respect to the analysis results of the Company.

THE VALUATION DATE

As confirmed with the Management, the Valuation Date of our indicative value analysis is October 31, 2018.

BASIS OF VALUE

We have adopted the market value as the basis of value in this indicative value analysis.

Market Value is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

SCOPE OF WORK

Our value analysis was based on the information relating to the operations and financial performance of the Company provided by the Management. To read this report, please refer to the below limitations:

We make no representation regarding the sufficiency of our work either for purposes for which this report has been requested or for any other purpose. The sufficiency of the work we performed is solely the addressee's responsibility, as are any decisions with respect to the analysis results of the Company.

This report is prepared solely based on the financial information provided by and the discussion with the representatives of Management. We have not performed any audit, due diligence or verification procedures to satisfy ourselves with respect to the accuracy and validity of the information provided, and accordingly make no representations as to the reliability and accuracy of such information.

Our work composes of telephone discussion with the Management and limited industry research. Our calculation is based on the information provided by the Client.

Upon the confirmation of the Management, we have performed the relative procedures to analyze the indicative value of the Company as of the Valuation Date.

Despite we have discussed with the Management about the key operation and financial performance of the Company, the use of our work product will not supplant other necessary due diligence which they should conduct in reaching business decisions.

If we were requested to perform some further work procedures beyond our scope to obtain some further information, our analysis result may be different.

We understand that you will not rely solely on our deliverables and your use of the results of our analysis shall not supplant other analyses and inquiries which you should conduct. We are not required to make specific purchase or sale recommendations.

In performing our services, we will not carry out an audit or other assurance engagement in accordance with applicable professional standards. Accordingly, we provide no audit opinion, attestation or other form of assurance with respect to our work or the information upon which our work was based.

We have NOT carried out any work in the following areas:

- Financial and tax due diligence;
- Legal due diligence;
- Review of transfer pricing strategy;
- Commercial, operational or market due diligence;
- Technology due diligence;
- Statutory value ;
- Macro-economic estimation ;

- The external marketplace (market size), segmentation, growth trends, the competitive environment (key competitors, market shares);
- Audit of the Company's financial/tax information, or review of accounting/tax policy;
- Structuring advice relating to the transaction (taxation and/or accounting issues);
- The Company's strategic positioning strategies;
- IT due diligence, if any;
- Human resource management analysis; and
- Any investment or pricing decision (including recommending whether the Transaction should proceed).

COMPANY OVERVIEW

Day's Enterprise Company Limited is a public limited company listed on the National Equities Exchange And Quotations Co., Ltd. (NEEQ) in the PRC, a Chinese over-the-counter system for trading the shares of a public limited company, since February 2017 under stock code 870829.

The Company is a leading independent third-party payment service provider in China. The Company acts as an intermediary for payment processing and settlement between the payee and the payer. In 2012, the Company obtained the payment business license issued by the People's Bank of China, which includes the issuance and acceptance of prepaid cards (Shanghai, Beijing) and Internet payment (nationwide) businesses. In 2014, The Company became a third-party payment service provider licensed by China Securities Regulatory Commission to provide payment and settlement services for fund sales. Currently, the revenue of the Company mainly generates from two lines of business: operations of prepaid card business and the Internet payment business.

According to the Management, in recent year, based on the established relationship with merchants under the prepaid card business, the Company actively develops the Internet payment business and continuously builds the payment service ecosphere with "Day's Payment" as the core. In 2018, the Company's Internet payment transaction amount and transaction fee revenue have increased significantly compared with the same period in 2017.

In the first half of 2017, the Company's Internet payment business was still small, with a transaction volume of about RMB330 million and a fee income of about RMB1.5 million. Promoted by the continuous demand for online payment of prepaid card holders and the need for the construction of Day's Wallet Payment Ecosphere, the Company has found that a large number of small and medium-sized businesses have strong demand for multi-payment convergent payment channels through cooperation with industry channel providers in the process of developing different application scenarios of the business network. In the second half of 2017, the Company began to accelerate its distribution in the field of Internet payment, actively expand its channel partners, and continuously expand its acceptance network through channel merchants. As a payment channel, the Company is able to provide payment interfaces and services to the Internet and small and micro businesses through Internet banking, Alipay, WeChat and other mobile wallet (Day's Wallet) through China UnionPay or NetsUnion Clearing Corporation. Starting in 2018, the focus of Day's payment business has gradually shifted from prepaid card business to Internet payment. In the first half of 2018, the Company's Internet payment business transactions amounted to nearly RMB1.9 billion, and its fee revenue exceeded RMB17 million. In December 2018, Day's ranked 38th in the TOP 50 of third-party payment published by Internet Weekly in 2018.

For future development, the Management intends to leverage on their unique position in digital payment services and strong resources in data analytics to further explore development in new economy, in particular fintech and digital applications.

ECONOMIC OUTLOOK

The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product ("GDP"), exchange rate, and the inflation rate. As the Company operate mainly in the PRC, an overview of the national economies of China was essential to develop this outlook. The following economic discussion was extracted from the "China Economic Update" issued in December 2018 by the World Bank Group.

According to the China Economic Update, GDP growth has moderated, but China's economy remains resilient. Growth slowed to 6.5 percent year on year (yoy) in the third quarter from 6.8 percent in the first half of 2018. This moderation has been mainly due to weaker growth in investment and exports, while consumption growth increased. Investment growth again decelerated in 2018 as the economy continues to rebalance. Robust domestic demand supported imports, while slower global trade growth weighed on exports, resulting in a negative GDP growth contribution from net exports.

The current account recorded a small deficit in the first three quarters of 2018, driven by stronger imports. Growth in China's exports to the US subject to 25-percent tariffs slowed significantly. But China's exports subject to 10-percent tariffs have so far remained robust. This likely reflects strong US economic activity, Renminbi depreciation against the US dollar, and some front-loading of exports ahead of new tariffs. In contrast, China's imports from the US have declined in recent months.

After two quarters of net capital inflows, rising trade tensions and uncertainty between China and US contributed to US$19 billion of net outflows in the third quarter. Foreign investors reduced sharply bond and stock purchases and lowered foreign direct investment somewhat. While US investment into China remains stable, China's foreign direct investment into the US has declined significantly. This decrease was partly due to stricter implementation of China's capital controls in 2016–17, but it has also coincided with a rise in China's investment in other advanced countries and could be linked to concerns over potential investment restrictions.

Financial markets have declined. The Shanghai Composite Index lost 20 percent and the Renminbi depreciated by 5.5 percent against the US dollar in the year to December 13. In response to weakening growth and trade tensions, the People's Bank of China (PBOC) gradually loosened monetary policy and intervened in currency markets to reduce the volatility of the Renminbi. Nevertheless, growth in lending to the non-financial sector continued to moderate, owing to a combination of regulatory tightening, higher uncertainty, and lower demand for credit.

In the base case, the World Bank projects growth at 6.5 percent in 2018 and 6.2 percent in 2019–20. Consumption will remain the main driver of growth, while higher investor uncertainty and slower credit growth are expected to weigh on investment. A deceleration in global demand growth and higher US import tariffs will negatively affect net exports. The baseline projections assume that policymakers are successful in offsetting to a large extent the direct negative impact of higher tariffs on China's exports.

In response to slowing growth and a challenging external environment, the government introduced tax incentives for households and firms, additional support for small businesses, and higher local government capital spending. Historically, China relied on large public investment to stimulate the economy, but today infrastructure investment could hinder efforts to reduce financial risks and improve resource allocation. In fact, despite a more expansionary fiscal stance since July, the authorities remain committed to budget reform, with growth in off-budget borrowing by local governments continuing to slow.

INDUSTRY OUTLOOK

According to Frost & Sullivan, the third-party payments industry is highly regulated with a number of regulatory authorities overseeing different aspects of the third-party payment business in the PRC. Payment License was issued by the People's Bank of China to authorize third-party payment service providers to provide the services. The services providers act as intermediaries for payment processing and settlement between merchants and customers.

From the policy point of view, there were a series of policies issued by the Chinese government authorities from 9 August 2017 till 29 Jun 2018 beginning from "Notice on Transferring Network Payment Business of Non-bank Payment Institutions from Direct Connection Mode to Network Platform" to "Notice on Concentrated Deposit of Customer Reserve Fund of Payment Institutions", which mandated the establishment of a nationwide centralized clearing platform for Internet and other network payments, NetsUnion, and third-party payment service providers are required to forward such payment through this new platform starting from the second half of 2018. This "strong supervision" that runs through the whole year in 2018 will continue and is expected to expand in 2019 and the concept of "cleaning original source" will also be further refined in the supervision. In this context, the People's Bank of China and China Payment and Settlement Association will continue to strengthen supervision and standardize the development of the payment industry. The tighten regulations will further promote the healthy development of the payment industry.

In terms of industry size, the third-party payment market in China has grown rapidly in the past few years. In 2017, the volume of third-party payment transactions reached RMB152.9 trillion, three times higher than that of RMB37.3 trillion in 2015. According to Frost & Sullivan, the market is expected to reach RMB470.1 trillion in 2021.

The growth of the third-party payments market in China is primarily driven by the following favorable trends:

- Changes in Consumer Payment Habits：The rapid development of China's e-commerce has promoted changes of consumers' habits toward digital payment and mobile payment, thus promoting the development of China's third-party payment industry.

- Increased demand for payment services and value-added services from small and micro businesses：China's small and micro businesses have huge demand for payment and value-added services, but usually cannot be fully served. It is expected that the number of small and micro businesses will continue to grow, so the demand for payment and value-added services are also expected to increase.

- Progress in Payment Technology：New technologies such as artificial intelligence, big data analysis, cloud computing and biometric authentication are driving innovation in payment services and enhancing customer experience.

VALUATION METHODOLOGY

In developing our opinions, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us. The three approaches to value are summarized as follows:

Income Approach

The income approach explicitly recognizes that the current value of an asset (liability) is premised on the expected receipt (payment) of future economic benefits (obligations) generated over its remaining life. These benefits can be in the form of earnings, net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that incorporates the time value of money and risks associated with the particular asset. The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the Valuation Date.

Market Approach

The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the Valuation Date. The process is essentially that of comparison and correlation between the subject asset and similar assets that have recently sold or are offered for sale in the market. The transaction or offering prices of the comparable assets are adjusted for dissimilarities in characteristics including location, age, time of sale, size, and utility, among others. The adjusted prices of the comparable assets provide an indication of value for the subject asset.

Cost Approach

The cost approach is a technique that uses the reproduction or replacement cost as an initial basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. In this exercise, given the Company is publicly listed and its share price can be found on NEEQ as at the Valuation Date, we have adopted the market approach when determining the market value of the Company.

By adopting this approach, the indicative value of the Company will made reference to the closing share price of the Company as at the Valuation date. We have also performed a multiple analysis to cross-check the results derived based on the closing share price under the Market Approach.

THE MARKET APPROACH

Market Capitalization

The Company is a public limited company listed on the National Equities Exchange And Quotations Co., Ltd. (NEEQ) in the PRC under stock quote 870829. According to the Company's shares transaction record, there are a total of about 1.3 million shares transacted in 2018, with a total transaction amount of approximately RMB20 million.

As at the Valuation Date, the closing share price of the Company is RMB15.5. The total outstanding number of shares of the Company is 150,000,000. The total market capitalization of the Company as at the Valuation Date is RMB2,325 million.

Day's Enterprise Company Limited 得仕股份 (OC: 870829)	
Market Price at Valuation Date (RMB)	15.5
Total number of shares	150,000,000.00
Total market capital of the Company (RMB)	2,325,000,000.00

In order to analyze the reasonableness of the value, we have prepared an analysis to evaluate the market capitalization of the Company by comparing the Company's valuation multiples to those derived from other listed companies having the business and business model similar to those of the Company. Commonly used multiples are Price-to-Earnings (P/E) ratio, Price-to-Sales (P/S) ratio and Price-to-Book (P/B) ratio.

Multiple Analysis

As part of this multiple analysis, our works included discussions with the Management with regard to the history, operations and prospects of the Company, an overview of certain financial data, an analysis of the industry and competitive environment, an analysis of comparable companies and other relevant information.

According to the information provided by the Management, the business of the Company increased rapidly in 2018 and the business operation is going into a rapid growth stage. According to the financial information announced in the past years, the Company starts to turn profit in the first half of 2018 with a total net profit of over RMB6 million. The management also provided the management accounts of the Company from January 2018 to October 2018. According the management accounts of the Company, for the first 10-month period of 2018, total revenue was approximately RMB146 million with net profit of approximately RMB18 million. The Management estimated that the total revenue and net profit in full year of 2018 could achieve RMB200 million and RMB22 million respectively.

Also, the Client proposed to acquire certain equity interest of the Company (the ''Proposed Transaction''). According to the terms of the Proposed Transaction, the consideration will be adjusted in relation to the lower of the reference profit of FY2019 of RMB100 million or the actual audited 2019 net profit after tax of the Company. The Management expected that the net profit of the Company in FY2019 could reach RMB100 million.

In this analysis, apart from the commonly used multiples, we also considered the PEG ratio in order to account for the growth factor that may affect the value of the Company.

In determining the financial multiples, a list of guideline comparable listed companies was identified. The selection criteria include the followings:

1. The comparators include mainly listed companies that are engaged in payment services business;

2. The comparators are non-bank institutions;

3. Relevant information about the comparators is publicly disclosed, and sufficient data, including prices and other financial data, can be acquired from S&P Capital IQ;

4. The comparable listed companies derive a significant portion of their revenues from third-party payment services, payment solutions and other payment processing services.

With the above criteria, we have identified and described below the selected comparable companies:

Hi Sun Technology (China) Limited (SEHK:818): Hi Sun Technology (China) Limited, an investment holding company, primarily provides payment processing, financial, and platform operation solutions in Mainland China, Hong Kong, Japan, and Macau. It operates in five segments: Payment Processing Solutions; Financial Solutions; Electronic Power Meters and Solutions; Information Security Chips and Solutions; and Platform Operation Solutions. The Payment Processing Solutions segment offers payment processing services, and merchants recruiting and related products and solutions. The Financial Solutions segment provides information system consultancy, integration, and operation services, as well as sells information technology products to financial institutions and banks. The Electronic Power Meters and Solutions segment is involved in the manufacture and sale of electronic power meters and data collection terminals, and related products and solutions. The Information Security Chips and Solutions segment provides information system consultancy services; and sells mag-stripe card security decoder chips, and related products and solutions. The Platform Operation Solutions segment offers telecommunication and mobile payment platform operation services, as well as operation value-added services. Hi Sun Technology (China) Limited is based in Wanchai, Hong Kong.

Huifu Payment Limited (SEHK:1806): Huifu Payment Limited provides third-party payment services in the People's Republic of China. The company offers merchant payment services, such as POS, Internet payment, mobile payment, mobile POS, and cross-border payment services to micro and small merchants, as well as companies in various industry verticals. It also provides fintech enabling services, including SaaS offerings that comprise account management services and data-driven value-added services to Internet finance providers and commercial banks. Huifu Payment Limited has a strategic alliance with the First Data Corporation to offer an e-commerce solution into China. The company was founded in 2006 and is headquartered in Shanghai, the People's Republic of China.

China Youzan Limited (SEHK:8083): China Youzan Limited, an investment holding company, engages in the trading of watches, computer equipment, and other goods in the People's Republic of China. It operates through three segments: General Trading, Third Party Payment Services, and Onecomm. The company also provides third party payment and related consultancy services; and third party payment management services, as well as sells integrated smart point of sales devices. In addition, it offers information system maintenance and development services; and prepaid card and related customer services, as well as distributes prepaid phone cards. The company was formerly known as China Innovationpay Group Limited and changed its name to China Youzan Limited in May 2018. China Youzan Limited was incorporated in 1999 and is headquartered in Central, Hong Kong.

China Smartpay Group Holdings Limited (SEHK:8325): China Smartpay Group Holdings Limited, an investment holding company, primarily engages in the smart payment and Internet finance businesses in the People's Republic of China, Hong Kong, and Thailand. The company offers prepaid cards and Internet payment clearing, e-commerce and trade financing, and securities investment services, as well as designs, sells, and manages benefits packages to banks and card issuing organizations. It also engages in Internet micro-credit business; the leasing of POS machines; software development activities; and hotel booking agency and merchant acquiring businesses. The company was formerly known as Oriental City Group Holdings Limited and changed its name to China Smartpay Group Holdings Limited in March 2014. China Smartpay Group Holdings Limited was founded in 2001 and is headquartered in Hong Kong, Hong Kong.

Tencent Holdings Limited (SEHK:700): Tencent Holdings Limited, an investment holding company, provides Internet value-added services (VAS) and online advertising services in Mainland China, Hong Kong, North America, Europe, other Asian countries, and internationally. The company operates through VAS, Online Advertising, and Others segments. It offers online games, community VAS, and applications across various online platforms; online advertising services, such as delivery of pay-for-click, pay-for-download, etc., as well as display based advertising; and payment related, cloud, and other services for individual and corporate users. The company also develops software; develops and operates online games; and provides information technology, asset management, online literature, and online music entertainment services. Tencent Holdings Limited has a strategic collaboration agreement with Bilibili Inc. for sharing and operating existing and additional anime and games on Bilibili's online entertainment platform in China. The company was founded in 1998 and is headquartered in Shenzhen, the People's Republic of China.

PayPal Holdings, Inc. (NasdaqGS:PYPL): PayPal Holdings, Inc. operates as a technology platform and digital payments company that enables digital and mobile payments on behalf of consumers and merchants worldwide. Its payment solutions include PayPal, PayPal Credit, Braintree, Venmo, Xoom, and iZettle products. The company's Payments Platform allows consumers to send payments, withdraw funds to their bank accounts, and hold balances in their PayPal accounts in various currencies. It also offers gateway services that enable merchants to accept payments online with credit or debit cards. PayPal Holdings, Inc. was founded in 1998 and is headquartered in San Jose, California.

Square, Inc. (NYSE:SQ): Square, Inc. provides payment and point-of-sale solutions in the United States and internationally. The company's commerce ecosystem includes point-of-sale software and hardware that enables sellers to turn mobile and computing devices into payment and point-of-sale solutions. It offers hardware products, including Magstripe reader, which enables swiped transactions of magnetic stripe cards; Contactless and chip reader that accepts Europay, MasterCard, and Visa (EMV) chip cards and Near Field Communication payments; Chip card reader, which accepts EMV chip cards and enables swiped transactions of magnetic stripe cards; Square Stand, which enables an iPad to be used as a payment terminal or full point of sale solution; and Square Register that combines its hardware, point-of-sale software, and payments technology, as well as managed payments solutions. The company also provides Square Point of Sale software; Cash App, which provides access to the financial system, allowing customers to electronically send, store, and spend money; Caviar, a food ordering platform for restaurants to offer food ordering, pickup and delivery, to their customers; and Square Capital that facilitates loans to sellers based on real-time payment and point-of-sale data. Square, Inc. was founded in 2009 and is headquartered in San Francisco, California.

Global Payments Inc. (NYSE:GPN): Global Payments Inc. provides payment technology and software solutions for credit cards, debit cards, electronic payments, and check-related services. It offers authorization services, settlement and funding services, customer support and help-desk functions, chargeback resolution, terminal rental, sales and deployment, payment security services, consolidated billing and statements, online reporting, industry compliance, and payment card industry security services. The company also provides an array of enterprise software solutions that streamline business operations of its customers in various vertical markets; and value-added services, such as analytic and engagement tools, as well as payroll services. In addition, it offers credit and debit card transaction processing services for various international card brands, including American Express, Discover Card, JCB, MasterCard, UnionPay International, and Visa; and non-traditional payment methods, as well as certain domestic debit networks, such as Interac in Canada. Further, the company provides e-commerce and omni-channel solutions through Realex Payments, a European online payment gateway technology, as well as gaming solutions to licensed gaming operators. It serves customers in various industries comprising education, restaurant, event management, hospitality, retail, healthcare, convenience stores and petroleum, professional services, automotive, and lodging. The company markets its products and services through direct sales force, trade associations, agent and enterprise software providers, referral arrangements with value-added resellers, financial institutions, and independent sales organizations in 30 countries of North America, Europe, the Asia-Pacific region, and Brazil. Global Payments Inc. was founded in 1967 and is headquartered in Atlanta, Georgia.

Worldpay, Inc. (NYSE:WP): Worldpay, Inc., through its subsidiary, Vantiv Holding, LLC, provides electronic payment processing services to merchants and financial institutions in the United States, Europe, and Asia. It operates in two segments, Merchant Services and Financial Institution Services. The Merchant Services segment offers merchant acquiring and payment processing services, such as authorization and settlement, customer service, chargeback and retrieval processing, and interchange management to national merchants, and regional and small-to-mid sized businesses. This segment also provides value-added services, such as omni-channel acceptance, prepaid services, and gift card solutions; and security solutions, including point-to-point encryption and tokenization at the point of sale and for e-commerce transactions. The Financial Institution Services segment offers card issuer processing, payment network processing, fraud protection, card production, prepaid program management, automated teller machine driving, portfolio optimization, data analytics, and card program marketing, as well as network gateway and switching services. It also provides statement production, and collections and inbound/outbound call centers for credit transactions, as well as other services, which include credit card portfolio analytics, program strategy and support, fraud and security management, and chargeback and dispute services. This segment serves financial institutions comprising regional banks, community banks, credit unions, and regional personal identification number networks. It markets its services through distribution channels, such as national, regional, and mid-market sales teams, as well as through third-party reseller clients and telesales operation. The company has a strategic partnership with Paysafe Group. The company was formerly known as Vantiv, Inc. and changed its name to Worldpay, Inc. in January 2018. Worldpay, Inc. was incorporated in 2009 and is headquartered in Cincinnati, Ohio.

Analysis results

We have derived the various multiples of the Company based on the Management's estimates on the revenue and net profit of the Company in the year of 2018 and the estimated net profit of the Company in year of 2019 and compared them to those of the guideline companies. We found that the ratios of the Company are within the range of those of the guideline companies. Also, by considering the estimated growth of the Company, the PEG ratio of the Company is lower than that of the average PEG of the guideline companies.

Estimated FY2018 total revenue	200,000,000.00
Estimated FY2018 total earnings	22,000,000.00
Est. growth rate of earnings	139%

Based on estimated FY2018 financial performance

		Range of ratios of guideline companies		
Estimate valuation ratios based on total market capital at valuation date		**Max**	**Min**	**Average**
Est P/E	105.68	120.68	9.18	38.99
Est PEG	0.76	4.12	0.05	1.85
Est P/S	11.63	14.04	0.77	5.74
P/B	14.04	20.67	0.65	5.08

Estimate FY2019 total earnings	100,000,000.00
Est. growth rate of earnings	355%

Based on Management expected FY2019 performance

		Range of ratios of Comparables		
Estimate valuation ratios based on total market capital at valuation date		**Max**	**Min**	**Average**
Est P/E	23.25	78.27	4.90	27.13
Est PEG	0.07	1.44	0.06	0.60

GENERAL ASSUMPTION

There will be no material changes in the existing political, legal, fiscal or economic conditions in which the Company is carried or plans to be carried on.

The Company will continue to operate as a going concern and have sufficient liquidity and capability to achieve the financial projections.

Related-party transactions, if any, are assumed to be conducted on an arm's-length basis.

There will be no material changes, after the date of this report, in the relevant corporate tax rates, interest rates and exchange rates which would impact the Company.

There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Company.

Responsible ownership and competent asset management are assumed.

The financial estimates/forecast and its underlying assumptions adopted in the analysis represent a fair reflection of the Company's future business plans from the market participants' point of view.

Our value analysis is based on the purchasing power of the local currency as at the Valuation Date set forth in this Report.

Other than the information provided by the Management, no other important information which might have material impact on the value analysis of the Company.

In the event that actual events are different from any of the assumptions above or different assumptions are applied, the analysis result may vary from that set out in this report.

ASSUMPTION AND LIMITING CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in this report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in this report is accurate, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.

We also assume no responsibilities in the accuracy of any legal matters. No investigation has been made of the title to or any liabilities against the property appraised. Unless otherwise stated in the report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this report, unless otherwise stated in this report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

The value opinion presented herein is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value. The date of value on which the expressed conclusions and opinions apply is stated in this report.

This report has been prepared solely for the use or uses stated. It is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

Prior written consent must be obtained from ValueLink for publication of this report. No part of this report (including without limitation any conclusion, the identity of any individuals signing or associated with this report or the firms/companies with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

No environmental impact study has been carried out, unless otherwise stated in this report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organizations have been or to be obtained or renewed for any use that is relevant to analysis in this report.

Unless otherwise stated in this report, the value estimate set out in this report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

VALUE ANALYSIS CONCLUSION

Based upon the results of the investigation and analysis outlined in the report, and having regard to the scope of work and procedures performed, subject to the assumptions and limitations in scope, the indicative value of the 100 per cent. equity interest in the Company as of the Valuation Date is reasonably stated by the amount of RMB2,325 million.

The reported analyses, opinions, and conclusions are subject to the assumptions and limiting conditions as stated in the report, and the users of the report should give full consideration of the assumptions, limiting conditions and disclosure of special issues and their impact on the concluded value.

We hereby certify that we have neither present nor prospective interests in the Company, the Client or the value reported.

Respectfully Submitted,
For and on behalf of
Valuelink Management Consultants Limited
Chapman Sun
CFA, MSc, MBA

Mr. Chapman Sun is an experienced professional and expert in the finance and valuation industry with over nine years of the relevant experience. He is experienced in advisory services of many industries, including TMT, asset management, healthcare, manufacturing, chemicals, education, fast moving consumer goods and real estate. Mr. Chapman Sun's career began in a tax consulting firm and he then worked in world-class valuation companies and valuation departments of the Big Four accounting firms. Before joining ValueLink Valuation, he worked as a senior manager in the valuation department of Big Four accounting firms where he is responsible for reviewing valuation reports as an audit support function and providing valuation and consultancy services to large stated-owned enterprises, transnational companies and listed companies. Mr. Chapman Sun holds a master degree (MSc) in finance and a MBA degree of EDHEC Business School, and a bachelor degree in economies of Zhongnan University of Economics and Law. Mr. Chapman Sun is also a member of CFA Institute.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000
Issued:		*HK$*
600,000,000	Shares	6,000,000

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any interests or short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions, if any, which any such Director was taken or deemed to have under such provisions of the SFO); or which (ii) were required to be entered into the register maintained by the Company, pursuant to section 352 of the SFO; or which (iii) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules:

Interest in Shares

Name of Director	Nature of Interest	Capacity	Number of Shares held/ interested	Approximate percentage of Shares in issue
Dr Li Zhong Yuan *(Note 1)*	Long position	Interest of a controlled corporation	450,000,000	75.00

Interest in associated corporation

Name of associated corporation	Name of Director	Capacity	Number of shares held	Approximate percentage of Shares in issue
Timenew Limited *(Note 1)*	Dr Li Zhong Yuan	Others *(Note 1)*	490	49.00

Note 1: Timenew Limited is legally owned as to 49.00% by Dr Li Zhong Yuan and Dr Li Zhong Yuan is therefore deemed to be interested in 450,000,000 Shares held by Timenew Limited under the SFO which are subject to the share mortgage. The economic interest of Timenew Limited is beneficially owned as to 19.0476% by Dr. Li Zhong Yuan.

(b) Substantial Shareholders and other persons' interest in the Company and its associated corporations

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholder	Nature of Interest	Capacity	Number of Shares held/ interested	Approximate percentage of Shares in issue
Timenew Limited	Long position	Beneficial owner	450,000,000	75.00
Mr Li Xiao Ru *(Note 2)*	Long position	Interest of a controlled corporation	450,000,000	75.00
Guang Ming Holdings Limited *(Note 3)*	Long position	Person having a security interest in shares	450,000,000	75.00
Mezzo International Limited *(Note 3)*	Long position	Interest of a controlled corporation	450,000,000	75.00
Mr Lee Seng Hui *(Note 3)*	Long position	Interest of a controlled corporation	450,000,000	75.00

Notes:

(2) Timenew Limited is legally owned as to 51% by Mr Li Xiao Ru. Mr Li Xiao Ru is therefore deemed to be interested in the 450,000,000 Shares held by Timenew Limited under the SFO which are subject to the Share Mortgage.

(3) Guang Ming Holdings Limited is owned as to 51% by Mezzo International Limited which is wholly owned by Mr Lee Seng Hui. Mr Lee Seng Hui is therefore deemed to be interested in the 450,000,000 Shares in which the Guang Ming Holdings Limited is interested through the Share Mortgage under the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either, directly or indirectly, with the business of the Group.

5. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which, since 31 December 2018, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. DIRECTORS' SERVICE CONTRACTS

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

8. LITIGATION

As at the Latest Practicable Date, save as disclosed below, there was no litigation or arbitration of material importance in which any member of the Enlarged Group is engaged or pending or threatened against any member of the Enlarged Group. Reference is made to the Company's announcement dated 29 September 2018.

On 9 April 2018, it was agreed by the representatives of the Group and Teknos Group Oy (the "**Purchaser**") that the Purchaser will proceed to purchase the 40% equity interest in Manfield Teknos (Changzhou) Chemical Company Limited* (萬輝泰克諾斯(常州)化工有限公司) which is legally and beneficially owned by Manfield Chemical Limited (the "**Seller**"), an indirect wholly-owned subsidiary of the Company, and that the parties will enter into relevant equity transfer documents on 5 May 2018. However, the Purchaser failed to proceed with the said purchase. On 29 September 2018, the Seller submitted an arbitration application to Shanghai International Economic and Trade Arbitration Commission, requesting that:

(i) the Purchaser shall pay to the Seller the sum of HK$32,830,324 being the agreed price;

(ii) the Purchaser shall compensate the Seller for its legal and consulting service expenses for the arbitration in the sum of HK$1,080,000; and

(iii) the Purchaser shall bear all the fees incurred for the arbitration.

As at the Latest Practicable Date, the abovementioned arbitration proceedings was still pending.

* *for identification purpose only*

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, were entered into by the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) an agreement dated 4 May 2017 entered into between萬輝泰克諾斯(常州)化工有限公司(Manfield Teknos (Changzhou) Chemical Company Limited*) (an indirect non-wholly owned subsidiary of the Company) (Manfield Teknos) and泰克諾斯塗料(上海)有限公司(Teknos Coatings (Shanghai) Co., Ltd*) (Teknos Coatings) in relation to the sale of liquid coatings to Teknos Coatings and purchase of raw materials from Teknos Coatings and its immediate holding company (namely Teknos Group Oy) by Manfield Teknos;

(b) a supplemental agreement dated 12 December 2017 entered into between增城市福和園農莊有限公司(Zengcheng Fuheyuan Nongzhuang Limited*) (Zengcheng Ltd.) and廣州源輝化工有限公司(Springfield Chemical (Guangzhou) Company Limited*) (an indirect wholly-owned subsidiary of the Company) (''Springfield'') to amend certain terms and conditions of the agreement dated 10 September 2012 entered into between Zengcheng Ltd. and Springfield in relation to the transfer of the user rights to two land parcels situated at Sanjing Village, Zhongxing Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市增城區中新鎮三徑村) at the consideration of approximately RMB3.4 million (the ''Transfer Agreement'');

(c) a supplemental agreement dated 5 December 2018 entered into between Zengcheng Ltd. and Springfield to further amend certain terms and conditions of the Transfer Agreement; and

(d) the Sale and Purchase Agreement.

10. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	**Qualifications**
Baker Tilly Hong Kong Limited	Certified public accountants
Beijing Dacheng Law Offices, LLP (Shanghai)	Qualified PRC lawyers
Deloitte Touche Tohmatsu	Certified Public Accountants
ValueLink Management Consultants Limited	Independent Valuer

As at the Latest Practicable Date, none of the above experts had any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its report or statements and references to its name in the form and context in which they respectively appear.

11. GENERAL

(i) The registered office of the Company is situated at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1–1002, Cayman Islands.

(ii) The head office and principal place of business in Hong Kong is situated at Unit 2A, 2/F., Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong.

(iii) The principal share registrar and transfer office of the Company in the Cayman Islands is situated at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1–1002, Cayman Islands.

(iv) The branch share registrar and transfer office of the Company in Hong Kong is maintained by Tricor Investor Services Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(v) The company secretary of the Company is Mr Yip Ka Ki. He is a Fellow Certified Public Accountant practising in Hong Kong and a fellow of The Association of Chartered Certified Accountant.

(vi) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 2A, 2/F., Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (other than Saturday, Sunday and public holidays) for a period of 14 days from the date of this circular:

(a) the amended and restated memorandum and articles of association of the Company;

(b) the articles of association of each member of the Target Group;

(c) the annual reports of the Company for each of the financial years ended 31 December 2016 and 31 December 2017;

(d) the interim report of the Company for the six months ended 30 June 2018;

(e) the final result announcement of the Company for the year ended 31 December 2018;

(f) the annual reports of Days Services Group for each of the two years ended 31 December 2017;

(g) the interim report of Days Services Group for the six months ended 30 June 2018;

(h) the accountant's reports of the Target Group, the text of which are set out in Appendix II to this circular;

(i) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(j) the valuation report of Days Services, the text of which are set out in Appendix V to this circular;

(k) the written consents of experts referred to in the section headed "10. Experts and Consents" in this Appendix;

(l) the material contracts referred to in the section headed "9. Material Contracts" in this Appendix; and

(m) this circular.