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China Smartpay Group Holdings Limited

中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DELAY IN PUBLICATION OF 2023 ANNUAL RESULTS AND DESPATCH OF 2023 ANNUAL REPORT

Reference is made to (i) the announcement (the “**Rule 17.21 Announcement**”) of China Smartpay Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 9 May 2023 in relation to the disclosure under Rule 17.21 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); and (ii) the announcement (the “**Delay Announcement**”) of the Company dated 30 June 2023 in relation to, *inter alia*, the delay in publication of its annual results for the year ended 31 March 2023 (the “**2023 Annual Results**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Rule 17.21 Announcement and the Delay Announcement.

The Board would like to provide further information on the reasons why the Company was unable to publish the 2023 Annual Results by 30 June 2023, and updates on the audit progress.

A. REASONS FOR THE DELAY IN PUBLICATION OF 2023 ANNUAL RESULTS AND UPDATES ON THE AUDIT PROGRESS

(i) In relation to the Group’s ability to continue as a going concern

As disclosed in the Rule 17.21 Announcement, the Company received the Default Notice dated 8 May 2023 in relation to the Bonds from the existing holders of the Bonds, namely, Honour Grace and AI SPC, notifying the Company that an Event of Default has allegedly occurred since 1 August 2020 and is continuing. Since then, the Group has been striving to communicate and negotiate with the Bondholders with a view to reaching an amicable settlement or repayment plan for the Bonds but no consensus had been reached with the Bondholders by 30 June 2023. In the meantime, the Company has been making continuous

efforts to seek for funding to settle any outstanding amount of the Bonds but no such funding has been successfully sought by the Group as at 30 June 2023. Under such circumstances, the Company is uncertain as to the position of the Bonds, the impact of the Default Notice on the Group's financial position as well as any possible new funding available to the Group, and was therefore unable to conduct a meaningful cashflow forecast for the Group's going concern by 30 June 2023.

In addition, the auditors of the Company (the "Auditors") took the view that audit evidence in relation to the Group's continuation as a going concern was not sufficient. In particular, they have not yet received (a) any financial proof from Mr. Zhang Xi, the executive Director and the Chairman of the Board, to prove his ability to provide continuous financial support to the Group necessary for maintaining its day-to-day operations and to fulfill its financial obligations as they fall due; (b) any written document(s) showing any settlement or repayment plan having been formulated and agreed with the Bondholders; and (c) the Group's cashflow forecast as mentioned above.

In absence of the aforesaid cashflow forecast, together with sufficient appropriate audit evidence as mentioned above, the Auditors were unable to evaluate and assess the Group's ability to continue as a going concern.

The Company will continue to communicate and negotiate with the Bondholders on an amicable settlement or repayment plan for the Bonds. As at the date of this announcement, the Company has provided all relevant communications and correspondences with the Bondholders to the Auditors. Meanwhile, the Company will continue to explore any possible fund raising opportunities (such as equity fund raising) to secure sufficient funding to settle any outstanding amount of the Bonds. Further announcement(s) will be made by the Company in relation to any updates on the Bonds and/or any concrete fund raising opportunities arisen and concluded as and when appropriate in accordance with the GEM Listing Rules.

(ii) *In relation to valuation of the recoverable amount of interest in an associate of the Group*

Additional time was utilised by the Board to, among others, review and consider the terms (such as the scope of work and fee) of the engagement of valuers for conducting an independent valuation on the Group's interest in an associate, namely, 上海銀商信息有限公司 (China Union Loyalty Co. Ltd*) ("CULC") for the purpose of conducting impairment assessment by the Group, the Board had yet to confirm which valuer is to be engaged to conduct the same by 30 June 2023, and, accordingly, no independent valuer had been engaged for the aforesaid purpose by 30 June 2023. In absence of a valuation report prepared by a valuer, the Auditors were unable to evaluate the recoverable amount of and impairment assessment on the Group's interest in CULC.

As at the date of this announcement, the Company has already engaged Roma Appraisals Limited (“**Roma**”) as the independent valuer to conduct an independent valuation on the Group’s interest in CULC, where Roma will complete its valuation and issue an appropriate valuation report in due course.

(iii) In relation to confirmations for loan receivables and banks and bonds payables

As of 30 June 2023, material confirmations (including 6 audit confirmations by the debtors in relation to loan receivables, 2 audit confirmations by the Bondholders in relation to bonds payables and 2 bank confirmations by the banks in relation to the Group’s bank accounts) remained outstanding.

B. UNAUDITED CONSOLIDATED MANAGEMENT ACCOUNTS

The Board, after due and careful consideration, is of the view that it would not be appropriate for the Company to publish the unaudited consolidated management accounts of the Group for the financial year ended 31 March 2023 at this stage as they may not fairly reflect the financial performance and position of the Group during the corresponding year, while publication of the same at this stage might cause confusion and be misleading to the shareholders and potential investors of the Company.

As at the date of this announcement, there is no disagreement with the audit committee of the Company on any accounting treatment in preparing the 2023 Annual Results.

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

Hong Kong, 7 August 2023

As at the date of this announcement, the Board comprises (i) four executive Directors, namely, Mr. Zhang Xi, Mr. Wu Hao, Mr. Lin Xiaofeng and Mr. Song Xiangping; and (ii) three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

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

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange website at www.hkexnews.hk for at least 7 days from the date of its posting. The announcement will also be published on the Company’s website at <http://www.chinasmartpay.com>.