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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)**

**DISCLOSEABLE TRANSACTION**

**(1) PROVISION OF FINANCIAL ASSISTANCE FOR ACQUIRING EQUITY INTERESTS OF CHINA UNION LOYALTY AND  
(2) CAPITAL INJECTION INTO CHENGFU INVESTMENT**

The Board wishes to announce that after trading hours on 18 August 2016, Qijun Investment, an indirect wholly owned subsidiary of the group (as the lender) and Chengfu Investment (as the borrower) entered into two Loan Agreements, pursuant to which Qijun Investment agreed to grant to Chengfu Investment, the Independent Third Party, the Loans for the settlement of the Acquisition Consideration One and the Acquisition Consideration Two.

On the same date, Qijun Investment entered into the Capital Injection Agreement with Chengfu Investment, Mr. Yi Tao and Ms. Liu Caipeng, pursuant to which, Qijun Investment shall inject a sum equivalent to the Total Loan Amount. Upon the Capital Injection Completion, Qijun Investment will hold approximately 83.6% of the enlarged equity interests of Chengfu Investment.

**PREVIOUS LOANS**

On 5 July 2016, Qijun Investment and Chengfu Investment entered into the Previous Loan Agreements, pursuant to which Qijun Investment agreed to grant to Chengfu Investment, the Previous Loan A and the Previous Loan B bearing an interest rate of 12.5% per annum for a term of one year from the date of drawdown.

The Previous Loans itself is fully exempt from notification and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules as each of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the grant of the Previous Loans is less than 5%.

## **LISTING RULES IMPLICATIONS**

One of the applicable percentage ratios in respect of the grant of the Loan exceeds 5% but all the percentage ratios are less than 25%. Hence, the grant of the Loan constitutes a discloseable transaction and is subject to notification and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules. When the amount under the Loan is aggregated with the Previous Loans, one of the applicable percentage ratios in respect of the grant of the Loan and the Previous Loans exceeds 5% but all the percentage ratios are less than 25%, the aggregation of the Loan and the Previous Loans also constitutes a discloseable transaction.

As all of the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Capital Injection under the Capital Injection Agreement is more than 5% but less than 25%, the grant of the Loan under the Loan Agreement constitutes a discloseable transaction on the part of the Company and is only subject to the announcement requirement under Chapter 19 of the GEM Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that, on 18 August 2016 (after trading hours of the Stock Exchange), Qijun Investment, an indirect wholly owned subsidiary of the group (as the lender) and Chengfu Investment (as the borrower) entered into the Loan Agreements, pursuant to which Qijun Investment agreed to grant to Chengfu Investment the Loan A and the Loan B, bearing an interest rate of 12.5% per annum for a term of one year from the date of drawdown.

On 5 July 2016, Qijun Investment and Chengfu Investment entered into the Previous Loan Agreements, pursuant to which Qijun Investment agreed to grant to Chengfu Investment, the Previous Loan A and the Previous Loan B bearing an interest rate of 12.5% per annum for a term of one year from the date of drawdown.

Prior to entering into the Loan Agreements and the Previous Loan Agreements, on 15 May 2016, Chengfu Investment entered into the SPA One and SPA Two with Vendor One and Vendor Two respectively, pursuant to which Chengfu Investment agreed to acquire 31.63% shareholding interests in China Union Loyalty from Vendor One and 9.25% shareholding interests in China Union Loyalty from Vendor Two at Acquisition Consideration One and Acquisition Consideration Two respectively. It is intended that Loan A and Loan B will be used by Chengfu Investment to satisfy the Acquisition Consideration One and Acquisition Consideration Two.

On the same date, Qijun Investment entered into the Capital Injection Agreement with Chengfu Investment pursuant to which Qijun Investment shall capitalize the Total Loan Amount as equity interests in Chengfu Investment. Upon the Capital Injection Completion, Qijun Investment will hold approximately 83.6% of the enlarged equity interests of Chengfu Investment.

## PROVISION OF FINANCIAL ASSISTANCE

On 18 August 2016 (after trading hours of the Stock Exchange), Qijun Investment, and Chengfu Investment entered into the Loan Agreement A and loan Agreement B, pursuant to which Qijun Investment agreed to grant to Chengfu Investment, the Loan Amount A and the Loan Amount B respectively, both bearing an interest rate of 12.5% per annum for a term of one year from the date of drawdown. Set out below are the principal terms of the Loan Agreement A and the Loan Agreement B:

### LOAN AGREEMENT A

- Date: 18 August 2016
- Lender: Qijun Investment, an indirect wholly owned subsidiary of the company
- Borrowers: Chengfu Investment. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Chengfu Investment is an Independent Third Party
- Principal amount of the Loan: RMB123,802,340 plus the Accrued Interest A (the “Loan Amount A”)
- Set out below is the formula used to calculate the Accrued Interest A:
- $$\text{RMB}30,950,585 * 12.5\% * (\text{Payment date of the acquisition} - \text{Transaction benchmark date})/360 \text{ days} + \text{RMB}61,901,170 * 12.5\% * (\text{Payment date of the acquisition} - \text{Transaction benchmark date})/360 \text{ days} + \text{RMB}61,901,170 * 12.5\% * (\text{Payment date of the acquisition} - \text{Transaction benchmark date})/360 \text{ days} \text{ (the “Accrued Interest A”)}$$
- Condition Precedent: The Completion is subject to the satisfaction or waiver (as the case may be) of, among other things, the following conditions precedent:
- (a) All necessary internal approvals from Qijun Investment and any external procedures for the loan having been obtained or completed;
  - (b) The condition precedents of the SPA One between Chengfu Investment and Vendor One having been satisfied and taken effect;

(c) The undertaking agreement in the Loan Agreement having been signed by the substantial shareholders of Chengfu Investment

Term: One year from the date of the draw down of the Loan Amount A

Interest: 12.5% per annum, interest shall be calculated on the actual number of days elapsed

Completion: Qijun Investment agreed to grant the Loan Amount A to Chengfu Investment upon satisfaction of condition precedents of the SPA One between Chengfu Investment and Vendor One

Repayment: Upon expiration of the term, Chengfu Investment must fully repay to Qijun Investment the outstanding Loan Amount A together with all interests accrued as therein provided

## **LOAN AGREEMENT B**

Date: 18 August 2016

Lender: Qijun Investment an indirect wholly owned subsidiary of the company

Borrowers: Chengfu Investment. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Chengfu Investment is an Independent Third Party

Principal amount of the Loan: RMB36,174,080 plus the Accrued Interest B (the “Loan Amount B”)

Set out below is the formula used to calculate the Accrued Interest B:

$$\text{RMB9,043,520} * 12.5\% * (\text{Payment date of the acquisition} - \text{Transaction benchmark date})/360 \text{ days} + \text{RMB18,087,040} * 12.5\% * (\text{Payment date of the acquisition} - \text{Transaction benchmark date})/360 \text{ days} + \text{RMB18,087,040} * 12.5\% * (\text{Payment date of the acquisition} - \text{Transaction benchmark date})/360 \text{ days}$$
 (the “**Accrued Interest B**”)

Condition Precedent:	The Completion is subject to the satisfaction or waiver (as the case may be) of, among other things, the following conditions precedent: <ul style="list-style-type: none"> <li>(a) All necessary internal approvals from Qijun Investment and any external procedures for the loan having been obtained or completed;</li> <li>(b) The condition precedents of the SPA Two between Chengfu Investment and Vendor Two having been satisfied and taken effect;</li> <li>(c) The undertaking agreement in the Loan Agreement B having been signed by the substantial shareholders of Chengfu Investment</li> </ul>
Term:	One year from the date of the draw down of the Loan Amount B
Interest:	12.5% per annum, interest shall be calculated on the actual number of days elapsed
Completion:	Qijun Investment agreed to grant the Loan Amount B to Chengfu Investment upon satisfaction of condition precedents of the SPA Two between Chengfu Investment and Vendor Two
Repayment:	Upon expiration of the term, Chengfu Investment must fully repay to Qijun Investment the outstanding Loan Amount B together with all interests accrued as therein provided

## **CAPITAL INJECTION**

On 18 August 2016 (after trading hours), Qijun Investment entered into the Capital Injection Agreement with Chengfu Investment pursuant to which Qijun Investment shall capitalize the Total Loan Amount as equity interests in Chengfu Investment. Set out below are the principal terms of the Capital Injection Agreement:

Date:	18 August 2016
Parties:	<ul style="list-style-type: none"> <li>(1) Qijun Investment</li> <li>(2) Mr. Yi Tao</li> <li>(3) Ms. Liu Caipeng</li> <li>(4) Chengfu Investment</li> </ul>

Out of the Total Loan Amount to be capitalized as equity under the Capital Injection Agreement, approximately RMB54,606,000 will be recognized as registered capital of Chengfu Investment and the balance of the Total Loan Amount after deducting RMB54,606,000 will be recognized as the capital reserve of the Chengfu Investment.

## SHAREHOLDING STRUCTURE OF CHENGFU INVESTMENT

As at the date of this announcement, the registered capital of Chengfu Investment is RMB10,693,000, which is owned as to 40.62% by Mr. Yi Tao and 59.38% by Ms. Liu Caipeng;

Set out below is the shareholding structure of Chengfu Investment as at the date of this announcement:

<b>Name of Shareholder</b>	<b>Amount</b> <i>(RMB'000)</i>	<b>Capital contribution</b> %
Mr. Yi Tao	4,344	40.62
Ms. Liu Caipeng	<u>6,350</u>	<u>59.38</u>
Total	<u><u>10,693</u></u>	<u><u>100.00</u></u>

Set out below is the shareholding structure of the Company upon completion of the Capital Injection:

<b>Name of Shareholder</b>	<b>Amount</b> <i>(RMB'000)</i>	<b>Capital contribution</b> %
Qijun Investment Limited	54,606	83.62
Mr. Yi Tao	4,344	6.65
Ms. Liu Caipeng	<u>6,350</u>	<u>9.73</u>
Total	<u><u>65,299</u></u>	<u><u>100.00</u></u>

The consideration for the Capital Injection was arrived at after arm's length negotiations and was determined with reference to China Union Loyalty's strategic value for the Group. It is expected that the Capital Injection will be funded by internal resources of the Company and bank loans.

## **Conditions for the Capital Injection**

The Capital Injection Completion is subject to the satisfaction or waiver (as the case may be) of, among other things, the following conditions precedent:

- (a) Chengfu Investment has fulfilled the obligation on SPA One such that Chengfu Investment has obtained 31.63% shareholdings of China Union Loyalty;
- (b) Chengfu Investment has fulfilled the obligation on SPA Two such that Chengfu Investment has obtained 9.25% shareholdings of China Union Loyalty;
- (c) All necessary internal approvals from Qijun Investment and any other relevant external approval for the Capital Injection having been obtained;
- (d) All necessary internal approvals from Chengfu Investment and any other relevant external approval for the Capital Injection having been obtained; and
- (e) each of the parties to the Capital Injection Agreement having signed a confirmation letter confirming that all conditions precedent have been fulfilled

## **COMPLETION**

Completion of the Capital Injection shall take place after all conditions precedent as mentioned above have been fulfilled. All parties agreed to complete the relevant registration procedures in respect of the Capital Injection with the local administration bureau of industry and commerce within 5 Business Days after Completion.

## **INFORMATION ABOUT CHENGFU INVESTMENT AND CHINA UNION LOYALTY**

Chengfu Investment Limited's principal business activity is investment holding in China Union Loyalty. Prior to its share transfer transactions with Changliang Technology and Dingheng, Chengfu Investment Limited holds 8.01% of equity interests in China Union Loyalty. After these transactions Chengfu Investment's shareholding in China Union Loyalty will increase to 48.89%.

China Union Loyalty is China's largest service provider of single-merchant prepaid cards and mainly provides data processing and issuing services for over 500 top-tiered merchants in China, such as Walmart, Carrefour, KFC, Pizza Hut, etc., and approximately 600 million prepaid card transactions and approximately 60 billion RMB transaction value per year are processed by China Union Loyalty per year. It is also a pioneer in the fast-growing virtual prepaid cards market in China. Virtual prepaid cards can be passed around as personal gifts through mobile phones and social media. China Union Loyalty has already upgraded its services to virtual prepaid cards at many of the merchants it serves. Moreover, China Union Loyalty also helps merchants to sell and distribute their prepaid cards, both

physical cards as well as prepaid cards. Currently, Changliang Technology and China UnionPay are the largest and the second largest shareholders of China Union Loyalty which hold approximately 31.63% and 16.90% of the total issued shares of China Union Loyalty respectively.

## **FINANCIAL INFORMATION OF CHENGFU INVESTMENT LIMITED AND CHINA UNION LOYALTY**

Set out below is a summary of the unaudited financial information of Chengfu Investment for the two years ended 31 December 2014 and 2015.

	<b>For the year ended 31 December 2014 RMB (Unaudited)</b>	<b>For the year ended 31 December 2015 RMB (Unaudited)</b>
Revenue	–	–
Loss before taxation	(5,928)	(899)
Loss after taxation	<u>(5,928)</u>	<u>(2,188)</u>
	<b>As at 31 December 2014 RMB (Unaudited)</b>	<b>As at 31 December 2015 RMB (Unaudited)</b>
Net assets	<u>10,802,148</u>	<u>10,804,336</u>

Set out below is a summary of the unaudited financial information of China Union Loyalty for the two years ended 31 December 2014 and 2015.

	<b>For the year ended 31 December 2014 RMB (Unaudited)</b>	<b>For the year ended 31 December 2015 RMB (Unaudited)</b>
Revenue	123,143,040	111,502,083
Profit before taxation	4,714,438	2,404,669
Profit after taxation	<u>4,286,772</u>	<u>2,029,183</u>



	<b>As at 31</b> <b>December 2014</b> <i>RMB</i> (Unaudited)	<b>As at 31</b> <b>December 2015</b> <i>RMB</i> (Unaudited)
Net assets	<u>152,250,158</u>	<u>154,193,898</u>

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

The Company is principally engaged in providing payment-focused e-commerce services and operates a nationwide prepaid and internet payment business in China.

Virtual prepaid cards provide a seamless and interactive experience for consumers and efficient marketing tools for merchants. Virtual prepaid cards, instead of cash or goods, also match more perfectly with the gift-making culture among Chinese people by providing a more interesting and more personalized gift-making experience. Previously, virtual prepaid card was no better than only a lofty idea as there is a fundamental lack of infrastructure for merchants to accept them. Nowadays, however, after the introduction and rapid adoption of mobile QR code payment in China empowered by China's internet giants, the vast potential of virtual prepaid card has finally been unlocked. The Board believes that by investing into China Union Loyalty, the Company will gain a strong foothold in the rapidly emerging virtual prepaid card industry.

Moreover, as China Union Loyalty has served hundreds of China's top merchants on a long-term basis, such merchant resources can be utilized by the Group's other business lines such as prepaid cards and prestige benefits businesses to enlarge the merchant network for the Group as a whole and thereby make the Group's other products more attractive.

After taking into account of the strategic opportunity into virtual prepaid cards market and the synergy between China Union Loyalty and the Group, the Board believes that this investment is in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Previous Loans itself is fully exempt from notification and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules as each of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the grant of the Previous Loans is less than 5%.

Certain of the applicable percentage ratios in respect of the grant of the Loans exceeds 5% but less than 25%. Hence, the grant of the Loans constitutes a discloseable transaction and is subject to notification and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules. When the amount under the Loans is aggregated with the Previous Loans, certain of the applicable

percentage ratios in respect of the grant of the Loans and the Previous Loans exceeds 5% but less than 25%, the aggregation of the Loans and the Previous Loans also constitutes a discloseable transaction.

Further, as certain of the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Capital Injection under the Capital Injection Agreement is more than 5% but less than 25%, the grant of the Loans under the Loan Agreements constitutes a discloseable transaction and is subject to the announcement requirement under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

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

“Accrued Interest A”	represents the accrued interest arising from SPA One entered into between Chengfu Investment and Vendor One for the acquisition of 31.63% equity interest in China Union Loyalty;
“Accrued Interest B”	represents the accrued interest arising from SPA Two entered into between Chengfu Investment and Vendor Two for the acquisition of 9.25% equity interest in China Union Loyalty;
“Acquisition Consideration One”	being the consideration of RMB154,752,925 plus the Accrued Interest A pursuant to SPA One;
“Acquisition Consideration Two”	being the consideration of RMB45,217,600 plus the Accrued Interest B pursuant to SPA Two;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday, public holiday, or days on which a tropical cyclone warning signal no. 8 or above or black rainstorm warning signal is hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong;
“Capital Injection”	the capital contribution from Qijun Investment to Chengfu Investment contemplated under the Capital Injection Agreement such that Qijun Investment shall have a shareholding interest in Chengfu Investment upon Capital Injection Completion;

“Capital Injection Agreement”	the agreement dated 18 August 2016 entered into between Qijun Investment and Chengfu Investment in relation to the Capital Injection;
“Capital Injection Completion”	Completion of the Capital Injection Agreement
“Company”	China Smartpay Group Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the GEM;
“Chengfu Investment”	上海誠富創業投資有限公司(transliterated as Shanghai Chengfu Chuangye Investment Limited) ;
“China Union Loyalty”	China Union Loyalty Co., Ltd. (上海銀商資訊有限公司);
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules;
“Director(s)”	director(s) of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	person(s) or company(ies) which is or are independent of and not connected with any of the connected persons (as defined under the Listing Rules) of the Company and any of its subsidiaries or any of their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan A”	a loan in the amount of Loan Amount A granted by Qijun Investment to Chengfu Investment pursuant to the Loan Agreement A;

“Loan B”	a loan in the amount of Loan Amount B granted by Qijun Investment to Chengfu Investment pursuant to the Loan Agreement B;
“Loan Agreement A”	the loan agreement dated 18 August 2016 entered into between Qijun Investment and Chengfu Investment in respect of the Loan A;
“Loan Agreement B”	the loan agreement dated 18 August 2016 entered into between Qijun Investment and Chengfu Investment in respect of the Loan B;
“Loan Agreements”	being Loan Agreement A and Loan Agreement B;
“Loan Amount A”	being the loan amount of RMB123,802,340 plus the Accrued Interest A pursuant to the Loan Agreement A;
“Loan Amount B”	being the loan amount of RMB36,174,080 plus the Accrued Interest B pursuant to the Loan Agreement B;
“PRC”	The People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Previous Loan Agreements”	being two loan agreements dated 5 July 2016 entered into between Qijun Investment and Chengfu Investments in respect of the Previous Loan A and Previous Loan B;
“Previous Loan A”	a loan in the amount of RMB30,950,585, granted by Qijun Investment to Chengfu Investment pursuant to a loan agreement dated 5 July 2016 entered into between Qijun Investment and Changfu Investment;
“Previous Loan B”	a loan in the amount of RMB9,043,520, granted by Qijun Investment to Chengfu Investment pursuant to the loan agreement dated 5 July 2016 entered into between Qijun Investment and Chengfu Investment;
“Qijun Investment”	上海啟峻投資有限公司(transliterated as Shanghai Qijun Investment Limited), an indirect wholly-owned subsidiary of the Company which was established in the PRC;
“Vendor One” or “Changlian Technology”	深圳市長亮科技股份有限公司 (transliterated as Shenzhen Changliang Technology Co., Ltd);

“Vendor Two” or “Dingheng Investment”	深圳市鼎恒瑞祥投資企業(有限合夥) transliterated as Shenzhen Dinghengruixiang Investment Limited (Limited Partnership);
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“SPA One”	the share transfer agreement dated 15 May 2016 entered into between Vendor One and Chengfu Investment pursuant to which Vendor One agreed to sell and Chengfu Investment agreed to acquire 31.63% shareholding interest in China Union Loyalty at Acquisition Consideration One;
“SPA Two”	the share transfer agreement dated 15 May 2016 entered into between Vendor Two and Chengfu Investment pursuant to which Vendor Two agreed to sell and Chengfu Investment agreed to acquire 9.25% shareholding interest in China Union Loyalty at Acquisition Consideration One;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Total Loan Amount”	being the aggregate of Loan Amount A, Loan Amount B and the Previous Loans;
“%”	per cent.

By order of the Board  
**China Smartpay Group Holdings Limited**  
**Zhang Huaqiao**  
*Chairman*

Hong Kong, 18 August 2016

*As at the date of this announcement, the Board comprises (i) five executive Directors, namely, Mr. Zhang Huaqiao, Dr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen and Mr. Song Xiangping; and (ii) four independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Yuan Shumin and Dr. Zhou Jinhuang.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rule 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 Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the Company’s website at [www.chinasmartpay.com](http://www.chinasmartpay.com).*

*\* for identification purposes only*