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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)

ENTERING INTO A STRATEGIC COOPERATION AGREEMENT

This announcement is made by the Company pursuant to Rule 17.10(2) of the GEM Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that on 3 September 2014, the Company and Zhongchao Hismart entered into the Strategic Cooperation Agreement in respect of collaboration on exploring and developing universal citizen prepaid cards (which can be applied in, among others, local tourism and payments by drivers) with an aim to create a small-amount payment system based on prepaid card, mobile payment and internet payment. The amount of initial capital to be contributed by the Company pursuant to the Strategic Cooperation Agreement has not been determined as at the date of the Strategic Cooperation Agreement.

The Strategic Cooperation Agreement sets out the framework of the strategic cooperation between the parties and they may enter into further agreements to set out further details of the cooperation business. Should the entering into of any of such further agreements constitute a notifiable transaction of the Company under Chapter 19 of the GEM Listing Rules, the Company will comply with relevant provisions of the GEM Listing Rules accordingly.

This announcement is made by China Smartpay Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”).

THE STRATEGIC COOPERATIVE AGREEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Company is pleased to announce that on 3 September 2014, the Company and 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.*) (“**Zhongchao Hismart**”) entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) in respect of collaboration on exploring and developing universal citizen prepaid cards.

The major terms of the Strategic Cooperation Agreement are set out as the follows:-

Date : 3 September 2014

Parties : The Company
Zhongchao Hismart

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Zhongchao Hismart and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Term : Subject to the termination clause as described below the Strategic Cooperation Agreement shall be valid from the date on which the Strategic Cooperation Agreement is duly executed by the parties to 30 April 2019 and will be automatically extended for five years upon expiry unless objected by the parties in writing.

Major Terms : Both parties shall collaborate in exploring and developing universal citizen prepaid cards (which can be applied in, among others, local tourism and payments by drivers) with an aim to create a small-amount payment system based on prepaid card, mobile payment and internet payment. During the early stage of the development, both parties will identify the appropriate regions in the People’s Republic of China (the “**PRC**”) for business development.

As a start-up, both parties will jointly launch, among others, (i) 廣東省旅遊刷卡無障礙示範項目 (Barrier-free Tourism Card Pilot Program in Guangdong Province*) which enables the cardholder to settle the entrance fees, parking fees, shopping, hotel accommodation and entertainment at various tourist spots in Guangdong Province using one single card; and (ii) 廣西駕駛員卡 (Driver’s Payment card) which enables cardholder to pay almost all driving-related expenses, such as tolls, traffic fines, repair and maintenance fees, vehicle insurance and annual vehicle examination fee.

Leveraging the resources of both parties and experience gained during the strategic cooperation, parties will then extend the geographical coverage and develop various payment projects on nationwide basis.

Pursuant to the Strategic Cooperation Agreement, Zhongchao Hismart will mainly be responsible for (i) the development and operational management of each project; and (ii) the construction and maintenance of the small-amount payment system which complies with the relevant requirements of local administrative and management authority and covers dining, accommodation, transportation, entertainment, shopping etc.

Pursuant to the Strategic Cooperation Agreement, the Company will mainly be responsible for (i) the initial capital required to commence the projects, including but not limited to technology development, routine operation and maintenance, promotion and advertisement; (ii) obtaining the relevant business qualification and their authorisation; and (iii) issuance of prepaid cards and settlement with relevant financial institutes. Since the definitive terms of the individual projects are yet to be finalized, the amount of initial capital to be contributed by the Company pursuant to the Strategic Cooperation Agreement has not been determined as at the date of the Strategic Cooperation Agreement. When the terms of individual projects are finalised, the Company will comply with the disclosure and other applicable requirements of the GEM Listing Rules as and when required.

Termination : The Strategic Cooperation Agreement will be terminated automatically if new agreement(s) in respect of the cooperation contemplated under the Strategic Cooperation Agreement are entered into during the term of the Strategic Cooperation Agreement.

If any of the following events occurs, either party may terminate the Strategic Cooperation Agreement and claim damages arising therefrom:

- i) a party materially breaches the standard required for business under the Strategic Cooperation Agreement and fails to rectify immediately, and result in material adverse impact on another party;

- ii) a party materially breaches any of its obligations under the Strategic Cooperation Agreement;
- iii) a party conducts any act which is in breach of the Strategic Cooperation Agreement; or
- iv) a party becomes incapable to operate due to its bankruptcy, deregistration and insolvency pursuant to the applicable laws.

REASONS FOR AND BENEFITS OF ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT

The Group is principally engaged in operating card acceptance business in Thailand and cross-border e-commerce solution business in Hong Kong and the PRC. The Group is also establishing the contractual arrangements with a PRC company (the “**Licence Company**”) which is engaged in the issuance and acceptance of prepaid card and internet payment services in the PRC and it possesses a licence which allows it to issue and accept prepaid cards within the PRC on a nationwide basis (Please refer to the circular of the Company dated 1 September 2014 for details). The aforesaid contractual arrangements are pending the shareholders’ approval at the relevant general meeting.

Zhongchao Hismart is a subsidiary of 中國印鈔造幣總公司 (China Banknote Printing and Minting Corporation*), a state-owned corporation and direct affiliate of the People’s Bank of China which carries out the minting of renminbi coins and printing of renminbi banknotes in the PRC. Zhongchao Hismart is principally engaged in digitalization of currency and the provision of information solutions, in particular the application of payment technology solutions, especially application technology in multiple sectors, such as finance, transportation, tourism, commercial, retail etc.

As mentioned in the first quarterly report of the Company for the three months ended 30 June 2014, the Company will gradually shift the strategic focus to payment business in the PRC. The Group will base the PRC payment business on prepaid payment, internet payment, mobile payment and online-offline services. The proposed investment in the Licence Company represents a milestone of the Company’s development of PRC payment business. Leveraging the resources of the Licence Company, in particular the nationwide licence of payment business, and the strong background and business network of Zhongchao Hismart, the Company believes that application of the Company’s prepaid cards can be broadened and the geographical coverage can also be extended.

The Board believes the entering into of the Strategic Cooperation Agreement is in line with the Group’s strategy enabling it to expand its existing services and revenue base and enhance its growth potential. Accordingly, the Board considers the Strategic Cooperation Agreement is in the interest of the Company and its shareholders as a whole.

GENERAL

The Strategic Cooperation Agreement sets out the framework of the strategic cooperation between the parties and they may enter into further agreements to set out further details of the cooperation business. Should the entering into of any of such further agreements constitute a notifiable transaction of the Company under Chapter 19 of the GEM Listing Rules, the Company will comply with relevant provisions of the GEM Listing Rules accordingly.

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

Hong Kong, 3 September 2014

As at the date of this announcement, the Board comprises (i) four executive Directors, namely, Mr. Cheng Nga Ming Vincent, Mr. Cao Guoqi, Mr. Fung Weichang and Mr. Xiong Wensen; (ii) one non-executive Director, namely, Mr. Zhang Huaqiao; and (iii) three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 for at least 7 days from the date of its posting and on the Company’s website at www.chinasmartpay.com.

* *for identification purpose only*