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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)

CLARIFICATION ANNOUNCEMENT IN RELATION TO ANNUAL REPORT 2014

Reference is made to the annual report 2014 dated 25 June 2014 (the “**Annual Report 2014**”) published by China Smartpay Group Holdings Limited (the “**Company**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report 2014.

As mentioned in the Annual Report 2014, the Company had carried out placings of its shares during the year ended 31 March 2014. The Board wishes to provide additional information on the following:-

The October Placing

On 10 October 2013 (after trading hours), the Company entered into a placing agreement with three placing agents, namely Oriental Patron Securities Limited, First Shanghai Securities Limited and SBI E2-Capital Financial Services Limited, pursuant to which the Company conditionally agreed to appoint the said three placing agents to procure not less than six placees to subscribe up to 120,000,000 shares (the “**October Placing Share(s)**”) at a price of HK\$1.03 per October Placing Share on a several and best effort basis (the “**October Placing**”).

The 120,000,000 October Placing Shares represented (i) approximately 20.0% of the then issued share capital of the Company immediately before completion of the October Placing; and (ii) approximately 16.7% of the then enlarged issued share capital of the Company immediately after completion of the October Placing. The aggregate nominal value of the October Placing Shares issued under the October Placing was HK\$1,200,000.

The price of HK\$1.03 per October Placing Share was determined after arm's length negotiations between the Company and the said three placing agents and represented: (i) a discount of approximately 17.6% over the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on 10 October 2013, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue of the relevant announcement relating to the October Placing (the "**Last Trading Day**"); and (ii) a discount of approximately 17.6% over the average closing price of approximately HK\$1.25 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to and including the Last Trading Day. The net price for each October Placing Share was approximately HK\$1.004.

The then Directors (including the then independent non-executive Directors) considered that the October Placing could offer a good opportunity to raise further capital and broaden the shareholders base of the Company, thereby increasing the liquidity of the Shares as well as to strengthen the financial position of the Group. The then Directors (including the then independent non-executive Directors) also considered that the terms of the October Placing were fair and reasonable and the October Placing was in the interests of the Company and its Shareholders as a whole.

The October Placing was completed on 25 October 2013. An aggregate of 120,000,000 October Placing Shares was successfully placed to more than six placees including institutional and private investors, all of them were the third parties independent of the Company and connected persons of the Company (the "**Independent Third Parties**") at a price of HK\$1.03 per October Placing Share, raising gross proceeds of HK\$123.6 million. The net proceeds (after deducting the placing commission payable to the placing agents and other expenses) from the October Placing amounted to approximately HK\$119.7 million.

Details of the October Placing were published in the Company's announcements dated 10 October 2013 and 25 October 2013.

The April Placing and Subscription

On 28 March 2014, the Company entered into a placing and subscription agreement (the “**Placing and Subscription Agreement**”) with Tian Li Holdings Limited (being the vendor) (the “**Vendor**”) and (i) Oriental Patron Securities Limited; (ii) First Shanghai Securities Limited; (iii) Guotai Junan Securities (Hong Kong) Limited; and (iv) Taiping Securities (HK) Co., Ltd. (being the placing agents). Pursuant to the Placing and Subscription Agreement, the said four placing agents would, as placing agents of the Vendor and on a best effort basis, procure places to purchase up to 144,000,000 placing shares (the “**April Placing Share(s)**”) at the price of HK\$1.46 per April Placing Share. Also, the Company agreed to issue and the Vendor agreed to subscribe up to 144,000,000 Shares (the “**Subscription Share(s)**”) at the price of HK\$1.46 per Subscription Share on the terms and subject to the conditions set out in the Placing and Subscription Agreement (the “**April Placing and Subscription**”).

The 144,000,000 Subscription Shares represented (i) approximately 20.0% of the then issued share capital of the Company immediately before completion of the April Placing and Subscription; and (ii) approximately 16.7% of the then enlarged issued share capital of the Company immediately after completion of the April Placing and Subscription. The aggregate nominal value of the Subscription Shares issued under the April Placing and Subscription was HK\$1,440,000.

The price of HK\$1.46 per April Placing Share was determined after arm’s length negotiation among the Company, the Vendor and the said four placing agents with reference to the market prices of the Shares, the trading volumes of the Shares and the prospects of the Group at the material times. The net price for each April Placing Share was approximately HK\$1.424.

The price of HK\$1.46 per Subscription Share was determined after arm’s length negotiation between the Vendor and the Company with reference to the price of the April Placing Share.

The then Directors (including the then independent non-executive Directors) considered that the April Placing and the Subscription could offer a good opportunity to raise further capital and broaden the shareholders base of the Company, thereby increasing the liquidity of the Shares as well as to strengthen the financial position of the Group. The then Directors (including the then independent non-executive Directors) also considered that the terms of April Placing and Subscription were fair and reasonable and the April Placing and Subscription was in the interests of the Company and its Shareholders as a whole.

On 28 March 2014, the Company was informed by Mr. Cheng Nga Ming, Vincent (“**Mr. Cheng**”), who was and is the executive director of the Company that, subsequent to the Placing and Subscription Agreement, the Vendor and Mr. Cheng entered into a sale shares placing agreement with two placing agents, namely Oriental Patron Securities Limited and First Shanghai Securities Limited, on 28 March 2014, pursuant to which the Vendor and Mr. Cheng agreed to place through the said two placing agents 68,500,000 Shares and 27,000,000 Shares respectively (collectively, the “**Sale Share(s)**”) at the price of HK\$1.46 per Sale Share (the “**Sale Share Placing**”).

The placing of the April Placing Shares and the subscription of the Subscription Shares were completed on 2 April 2014 and 11 April 2014 respectively. An aggregate of 144,000,000 April Placing Shares was successfully placed to more than six placees including institutional and private investors, all of them were the Independent Third Parties, at a price of HK\$1.46 per April Placing Share, raising gross proceeds of approximately HK\$210.2 million. The net proceeds (after deducting the placing commission payable to the placing agents and other expenses) from the April Placing and Subscription amounted to approximately HK\$203.3 million.

In addition, the Board was confirmed by Oriental Patron Securities Limited that, the Sale Share Placing was also completed on 2 April 2014 and an aggregate of 95,500,000 Sale Shares was successfully placed to not less than six placees at the price of HK\$1.46 per Sale Share.

Details of the April Placing and Subscription and the Sale Share Placing were published in the Company’s announcements dated 28 March 2014, 3 April 2014 and 11 April 2014.

Set out below is a summary of the October Placing and the April Placing and Subscription:

	October Placing	April Placing and Subscription
Reasons for making the issue/ Proposed use of proceeds	To finance the Possible Investment and/or the Possible Acquisition (if materialise) or otherwise as general working capital of the Group	To finance the Possible Investment and/or the Possible Acquisition (if materialise) or towards other lucrative business and investment opportunities which may arise in the future or otherwise as general working capital of the Group
Classes of equity securities issued	Ordinary	Ordinary
Number issued and their aggregate nominal value	120,000,000 new shares, aggregate nominal value of HK\$1,200,000	144,000,000 new shares, aggregate nominal value of HK\$1,440,000
Issue price of each security	HK\$1.03	HK\$1.46
Net price to the Company of each security	HK\$1.004	HK\$1.424
Details of (ultimate) allottees	More than 6 placees including institutional and private investors, all of them were Independent Third Parties	More than 6 placees including institutional and private investors, all of them were Independent Third Parties
Market price of each security	HK\$1.25	HK\$1.64

	October Placing	April Placing and Subscription
Actual use of the proceeds	<p>(i) approximately HK\$50 million was used towards the Possible Investment (i.e. the major transaction involving 開聯通網絡技術服務有限公司 (Open Union Network Technology Services Limited*)); and</p> <p>(ii) the remaining balance of approximately HK\$69.7 million as general working capital of the Group</p>	<p>(i) approximately HK\$179 million was used towards the Possible Investment; and</p> <p>(ii) approximately HK\$25 million was used as investment in Shanghai Koolcloud Technology Company Limited</p>

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 March 2014.

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

Hong Kong, 30 September 2014

* *For identification purpose only*

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.