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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 AN EXCLUSIVE MEMORANDUM OF UNDERSTANDING WITH ALIPAY IN RESPECT OF ALIPAY BARCODE PAYMENT (QR CODE AND BARCODE) AND RESUMPTION OF TRADING

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.

1. MOU

The Board is pleased to announce that after trading hours on 16 December 2014, the Company and Alipay entered into the MOU in respect of conditional exclusive collaboration on provision and promotion of Alipay Barcode Payment (QR code and barcode) in South East Asia region and Japan.

The MOU set out the framework of the cooperation between both 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.

2. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been halted from 9:00 a.m. on Wednesday, 17 December 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 19 December 2014.

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 MOU

The board (the “**Board**”) of directors (the “**Directors**”) of Company is pleased to announce that after trading hours on 16 December 2014, the Company and 支付寶(中國)網絡技術有限公司(Alipay (China) Network Technology Company Limited*, “**Alipay**”) have entered into a memorandum of understanding (the “**MOU**”) in respect of collaboration on provision of Alipay Barcode Payment services (支付寶當面付, the “**Alipay Barcode Payment**”) in South East Asia region and Japan.

Through Alipay Barcode Payment, Alipay users can make purchases at merchants through barcode or QR code associated with users’ respective Alipay IDs. Acceptance agencies process Alipay Barcode Payment through smart point-of-sale technology linked with Alipay’s system.

The major terms of the MOU are set out as follows:-

Date: 16 December 2014

Parties: Party A: Alipay
Party B: the Company

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

Term: The MOU shall be effective from the date of the execution of the MOU for one year, and may be renewed on separate terms if neither side voices disagreement one month before expiry.

Major terms:

Conditional upon Company's stable and good business collaboration with King Power, Alipay agrees to appoint the Company as its partner in respect of Alipay Barcode Payment regarding overseas merchant and Alipay will provide technical support, settlement services, marketing and promotion support. The Company will utilise its smart POS terminal and related network technology to provide merchant acceptance service support of Alipay Barcode Payment. The regions for cooperation in respect of Alipay Barcode Payment are the South East Asia region and Japan (the "**Designated Region**").

During the one year period from the execution date of the MOU, each of the Company and Alipay is the exclusive partner of each other in respect of Alipay Barcode Payment in the Designated Region. The Parties are disallowed to engage third party to conduct cooperation under the MOU within the Designated Region.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOU

The Group is principally engaged in operating electronic payment, trading and settlement platforms in Mainland China, Hong Kong and Thailand. Starting from 2013, the Company has endeavored tremendous amount of efforts to develop Online-to-Offline payment services based on industry-specific co-brand payment cards, innovative personal prepaid account service and virtual payment cards and coupons. The Group is 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 (both physical and virtual) within the PRC on a nationwide basis (Please refer to the circular of the Company 1 September 2014 for details). The aforesaid contractual arrangements have been approved by the Shareholders' at the extraordinary general meeting held on 18 September 2014.

Alipay is the leading internet payment service provider in the PRC and one of the largest third-party payment companies in the world. It was launched in China in 2004 by Alibaba Group and its founder Mr. Jack Ma Yun. Alipay Barcode Payment is a technology developed by Alipay which enables users to make purchases and transfer funds in offline environment through a mobile e-wallet application.

The Company owns 22.22% of shareholding stake in Shanghai Koolcloud Technology, a manufacturer and operator of leading smart point-of-sale terminal (“**smart POS**”) technology. The Company also has an option to acquire further stakes, which, upon exercise, shall increase the Company’s shareholding stake to 30%. Through smart POS technology, e-coupons and/or internet payment methods (such as QR code payment) as well as traditional bank cards and NFC payments can be accepted at merchants. The Company and the Company’s partners can also provide value-added services for merchants through smart POS technology, including but not limited to membership management, marketing management, smart queuing, online booking and ordering.

The Board believes that the partnership with Alipay in relation to Alipay Barcode Payment will directly benefit the Company’s existing payment acceptance business in Thailand, as the Company is estimated to process its first Alipay Barcode Payment transaction in January 2015 at King Power, Thailand’s largest duty free shop. Moreover, the partnership may open further opportunities for the Company’s payment acceptance business all across South East Asia and Japan.

By deploying the Company’s smart POS technology, this partnership can also enlarge the acceptance network of the prepaid cards, especially the virtual prepaid cards and coupons issued by the Licence Company, making products of the Licence Company more useful and can therefore enlarge card issuance volume of the Licence Company. This partnership can also enable Licence Company’s products to be used internationally.

The cooperation will also enhance the long-term value of the smart POS and merchant management technology of Shanghai Koolcloud Technology, a joint venture of the Company. As the payment industry becomes increasingly mobile, the demand for corresponding merchant technologies will keep growing, providing further benefits for Shanghai Koolcloud Technology.

Moreover, by cooperating with a leading internet payment company like Alipay, the Company may open up more market opportunities in the future, in particular the opportunities in mobile payment and smart merchant technologies. Accordingly, the Board considers the MOU is in the interest of the Company and its shareholders as a whole.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been halted from 9:00 a.m. on Wednesday, 17 December 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 19 December 2014.

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

Hong Kong, 18 December 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. Joe 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 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 for at least 7 days from the date of its posting and on the Company’s website at www.chinasmartpay.com.