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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)

INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE SUBSCRIPTION OF NEW SHARES IN THE COMPANY UNDER SPECIFIC MANDATE AND RESUMPTION OF TRADING

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

THE POSSIBLE SUBSCRIPTION

The Board is pleased to announce that on 14 July 2015 (after trading hours), the Company, LJF and the Facilitator entered into the MOU, pursuant to which the Company intended to allot and issue, and the Subscriber intended to subscribe for, the Subscription Shares at the Subscription Price of HK\$2.38 per Subscription Share, representing 25% of the issued share capital of the Company as enlarged by allotment and issue of the Subscription Shares. The Facilitator shall facilitate the completion of the Possible Subscription.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9 a.m. on 15 July 2015 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 20 July 2015.

The Board wishes to emphasize that no binding agreement in relation to the Possible Subscription has been entered into as at the date of this announcement. As such, the Possible Subscription may or may not proceed. Further announcement in compliance with the GEM Listing Rules in respect of the Possible Subscription will be made by the Company as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

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

THE POSSIBLE SUBSCRIPTION

The Board is pleased to announce that on 14 July 2015, the Company, LJF and the Facilitator entered into the MOU, the principal terms of which are set out below:

THE MOU

Date 14 July 2015

Parties involved

- (1) the Company;
- (2) LJF; and
- (3) the Facilitator.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, LJF and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

Prior to the entering into of the MOU, none of LJF or its existing ultimate beneficial owner(s) have any interests in the Shares or any material business dealings and/or transactions with the Group.

Subject matter

Pursuant to the MOU, the Company intended to allot and issue, and the Subscriber intended to subscribe for, the Subscription Shares at the Subscription Price of HK\$2.38 per Subscription Share, representing 25% of the issued share capital of the Company as enlarged by allotment and issue of the Subscription Shares. The Facilitator shall facilitate the completion of the Possible Subscription.

Upon completion of the Possible Subscription, the Subscriber shall be entitled to nominate (a) one executive Director and (b) one member of each of the internal control committee and the audit committee of the Company.

If the Possible Subscription shall materialize, it is expected that the Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

Subscription Price

The Subscription Price of HK\$2.38 per Subscription Share represents:

- (i) a premium of approximately 5.31% over the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on 14 July 2015, being the last trading day prior to the date of the MOU; and
- (ii) a premium of approximately 22.18% over the average closing price of HK\$1.948 per Share as quoted on the Stock Exchange for the last five trading days up to and including 14 July 2015.

The Subscription Price was negotiated on an arm's length basis between the Company and LJF with reference to the prevailing market price, the recent trading volume of the Shares and the prospects of the Group. The Directors (including the independent non-executive Directors) are of the opinion that the Subscription Price is fair and reasonable, on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole.

Due Diligence

Each of the Company and the Facilitator shall use its or his best endeavour to assist LJF and/or its financial advisers, legal advisers or accountant in conducting due diligence review (the "**Due Diligence Review**") on business, legal and financial aspects of the Group.

Formal Agreement

Subject to LJF's satisfaction of the results of the Due Diligence Review, the parties intend to proceed with negotiation and hence finalization of detailed terms and conditions of the Formal Agreement based on the provisions of the MOU for signing, which shall take place within one month from the date of the MOU (or such later date as the parties may otherwise agree).

Exclusivity Period

During the period from the date of the MOU up to the date before signing of the Formal Agreement (or such other period as the Company and LJF may otherwise agree to extend) (the "**Exclusivity Period**"), the Company and the Facilitator shall not, without the prior written consent of the Subscriber, negotiate, enter into, or execute any subscription agreement relating to the Shares or other similar agreements with any other investors.

Non-legally-binding effect

Save and except for certain clauses of the MOU including but not limited to the Due Diligence Review, the Exclusivity Period, confidentiality and governing law, the MOU does not constitute a legally-binding commitment of the parties thereto in respect of the Possible Subscription.

INFORMATION ON LJF

LJF is incorporated in the PRC with limited liability and is jointly controlled by 上海陸家嘴(集團)有限公司 (transliterated as Shanghai Lujiazui (Group) Company Limited) and 上海市浦東土地發展(控股)有限公司 (transliterated as Shanghai Pudong Land Development (Holding) Company Limited which are wholly owned by State-owned Asset Supervision and Administration Commission of Shanghai Pudong New Area (上海市浦東新區國有資產管理委員會). The registered capital of LJF is RMB4,745 million. LJF was established for the development of innovative and integrated financing business in Shanghai according to the instruction of the State Council of the PRC on the strategic development of Shanghai as an international financial centre. LJF is principally engaged in a broad variety of financial services including investment and financing, merger and acquisition, asset management, brokerage, insurance and wealth management in the PRC. LJF has acquired equity interests in 愛建證券有限責任公司 (transliterated as Aijian Securities Limited Liability Company), a securities company based in Shanghai which has operations in major cities in the PRC including Beijing, Shenzhen, Xiamen, and 陸家嘴國際信託有限公司 (transliterated as Lujiazui International Trust Company Limited). LJF also owns 50% equity interest in 陸家嘴國泰人壽保險有限責任公司 (transliterated as Lujiazui Cathay Life Insurance Limited Liability Company), an insurance joint venture with Cathay Life Insurance (國泰人壽) which is an insurance company based in Taiwan. LJF also has investments in consumer finance, micro-credit and private equity investment.

REASONS FOR THE POSSIBLE SUBSCRIPTIONS AND USE OF PROCEEDS

The Group is principally engaged in pan-Asian payment, internet finance and cross-border e-commerce business and operates a nationwide prepaid and internet payment network in the PRC. The Directors are of the view that the Possible Subscription represents a valuable opportunity for the Group to bring in a solid strategic corporate investor which has extensive experience, strong expertise and a wide business network in the financial services industry. Specifically, the Possible Subscription can provide the Company with (i) an opportunity to increase the attractiveness of Company's payment business by integrating with a diverse array of financial services offered by LJF, (ii) a better strategic position to develop cross-border business as LJF is one of the key participants in the ongoing internationalization of Renminbi and enjoys many strategic advantages in Shanghai Free-Trade Zone situated in Shanghai Pudong New Area, and (iii) a strong and inexpensive financing pool supported by LJF and its group companies that is essential for the Company's planned internet finance business.

The Directors consider that the Possible Subscription represents a good opportunity to (i) raise a substantial amount of additional funds for the Company as well as to enhance the shareholder base of the Company; (ii) improve the financial and liquidity position of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises. The Possible Subscription is therefore in the interest of the Company and the Shareholders as a whole. The Company intends to use the funds raised from the Possible Subscription to pursue acquisition in the payment and internet finance industry in the PRC and as general working capital of the Group. There is no definitive plan or timing determined for these activities. As at the date of this announcement, the Company has been exploring and identifying suitable projects in this regard but has not commenced any negotiation or discussions for any acquisition nor entered into any definitive agreements for any such acquisition. If there is any development, further announcement will be made as and when appropriate.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9 a.m. on 15 July 2015 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 20 July 2015.

GENERAL

The Board wishes to emphasize that no binding agreement in relation to the Possible Subscription has been entered into as at the date of this announcement. As such, the Possible Subscription may or may not proceed. Further announcement in compliance with the GEM Listing Rules in respect of the Possible Subscription will be made by the Company as and when appropriate. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	the board of Directors
“Closing”	completion of the Possible Subscription subject to the terms and conditions of the Formal Agreement
“Company”	China Smartpay Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company proposed to be convened and held to consider and approve, among other things, the Specific Mandate
“Facilitator”	Dr. Cao Guoqi, who is an executive Director
“Formal Agreement”	the formal legally binding definitive agreement in connection with the Possible Subscription
“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

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons
“LJF”	上海陸家嘴金融發展有限公司 (transliterated as Shanghai Lujiazui Financial Development Company Limited), a company incorporated in the PRC with limited liability
“MOU”	a non-legally binding memorandum of understanding dated 14 July 2015 entered into between the Company, the Subscriber and the Facilitator setting out the preliminary proposed terms and conditions in relation to the Possible Subscription
“Possible Subscription”	the possible subscription for the Subscription Shares by the Subscriber
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Specific Mandate”	the specific mandate to be granted by the Shareholders at the EGM authorizing the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	LJF or its designated subsidiary
“Subscription Price”	HK\$2.38 per Subscription Share

“Subscription Share(s)”	subject to the fulfillment of the terms and conditions of the Formal Agreement, certain number of new Shares to be allotted and issued by the Company to the Subscriber at Closing, representing 25% of the issued share capital of the Company as enlarged by the allotment and issue of such new Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 17 July 2015

As at the date of this announcement, the board of the Company comprises (i) five executive Directors, namely, Mr. Zhang Huaqiao, Dr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen 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 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.