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If you have sold or transferred all your shares in **China Smartpay Group Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A letter from the Board is set out on pages 4 to 18 of this circular. A notice convening the EGM to be held at 11:00 a.m. on Monday, 14 December 2015 at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong is set out on pages 19 to 20 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) or upon the poll concerned should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

This circular 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.

27 November 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	any day on which banks in Hong Kong are open for business (other than a Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is in effect or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Company”	China Smartpay Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Completion”	completion of the Subscription Agreement
“Conditions”	the conditions precedent to the Completion as set out in the paragraph headed “Conditions precedent to the Completion” in this circular
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Designated Subsidiary”	other party(ies) that may be designated by each of the Subscribers to participate in the Subscription, which is/are a direct or indirect subsidiary of LJF
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company proposed to be convened for the Shareholders to consider and if thought fit, approve the Subscription Agreement and the transactions contemplated, including grant of the Specific Mandate
“First Completion Date”	the fifth Business Day after the date on which the Conditions are fulfilled or such other date as the Company and the Subscribers may agree
“GEM”	the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Dr. Cao Guoqi, who is an executive Director
“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
“Last Trading Day”	20 October 2015, being last trading day immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	25 November 2015, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed thereto in the GEM Listing Rules
“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
“LJZ Fund”	上海陸家嘴股權投資基金合夥企業(有限合夥) (transliterated as Shanghai Lujiazui Equity Investment Fund Limited Partnership*), a partnership registered and incorporated in the PRC with limited liability
“Long Stop Date”	as regards the Subscription Agreement, being 31 December 2015, or such other date as the parties to the Subscription Agreement may agree in writing
“MOU”	a non-legally binding memorandum of understanding dated 14 July 2015 entered into between the Company, LJF and the Guarantor setting out the preliminary proposed terms and conditions in relation to a possible subscription of new Shares
“PRC”	the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“Second Completion Date”	the thirtieth Business Day after the First Completion Date or such other date as the Company and the Subscribers may agree
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to the Directors for allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	LJF and LJZ Fund
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 20 October 2015 entered into among the Company, LJF, LJZ Fund and the Guarantor in relation to the Subscription
“Subscription Price”	HK\$1.90 per Subscription Share
“Subscription Share(s)”	a total of 422,809,720 new Shares to be issued and allotted to the Subscribers pursuant to the Subscription Agreement
“Transitional Period”	the period between the date of the Subscription Agreement and the First Completion Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

* *The English names of the PRC entities as referred to in this circular are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*



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)

Executive Directors:

Mr. Zhang Huaqiao (*Chairman*)

Dr. Cao Guoqi

Mr. Fung Weichang

Mr. Xiong Wensen

Mr. Song Xiangping

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Independent Non-executive Directors:

Mr. Wang Yiming

Mr. Lu Dongcheng

Dr. Yuan Shumin

*Head Office and Principal Place of
business in Hong Kong:*

Office No. 01

31st Floor Hong Kong Plaza

188 Connaught Road West

Hong Kong

27 November 2015

To the Shareholders,

Dear Sir or Madam,

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 October 2015 in relation to, among other things, the Subscription.

The purpose of this circular is to provide you with, among other things, information of the Subscription and to give you a notice of the EGM at which resolutions will be proposed to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

20 October 2015

Parties involved

- (1) the Company;
- (2) the Subscribers, namely, LJF and LJZ Fund; and
- (3) the Guarantor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscribers and their respective ultimate beneficial owner(s) are Independent Third Parties.

Subscription Shares

Pursuant to the Subscription Agreement, LJF and LJZ Fund have conditionally agreed to (or agreed to procure the Designated Subsidiary to) subscribe for, and the Company has conditionally agreed to allot and issue, a total number of 422,809,720 Subscription Shares, at the Subscription Price of HK\$1.90 each. The 422,809,720 Subscription Shares represent (i) approximately 33.33% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 25.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Guarantor shall guarantee performance by the Company of its obligations under the Subscription Agreement.

The aggregate nominal value of 422,809,720 Subscription Shares will be HK\$4,228,097.20.

Subscription Price

The Subscription Price of HK\$1.90 per Subscription Share represents:

- (i) a discount of approximately 0.5% to the closing price of HK\$1.910 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 0.6% to the average closing price of HK\$1.912 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) the closing price of HK\$1.900 per Share as quoted in the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was negotiated on an arm's length basis between the Company and the Subscribers with reference to the prevailing market price, the recent trading volume of the Shares and the prospects of the Group. The 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.

Settlement of the Subscription Price

Pursuant to the Subscription Agreement, the total amount of the Subscription Price is HK\$803,338,468, of which HK\$349,999,000 will be payable by LJF and the remaining balance of HK\$453,339,468 will be payable by LJZ Fund.

Payment of the total Subscription Price of HK\$803,338,468 will be made in two tranches:

- (i) the Subscribers will pay HK\$349,999,000 (or the equivalent amount in RMB) to the Company on the First Completion Date; and the Company will issue a total of 184,210,000 Subscription Shares to the Subscribers (or the Designated Subsidiary (as the case may be)); and
- (ii) the Subscribers will pay HK\$453,339,468 (or the equivalent amount in RMB) to the Company on the Second Completion Date; and the Company will issue a total of 238,599,720 Subscription Shares to the Subscribers (or the Designated Subsidiary (as the case may be)).

Payment of the relevant Subscription Price in RMB is based on the median exchange rate between HK\$ and RMB announced by The People's Bank of China as at the First Completion Date and the Second Completion Date, respectively.

Conditions precedent to the Completion

Completion of the Subscription Agreement is conditional upon the following Conditions being fulfilled (or waived by agreement of the parties to the Subscription Agreement):

- (a) the representations and warranties of the Company in the Subscription Agreement having been complied with and not having been breached; and the representations and warranties of the Company being true, accurate and correct and not misleading in all material respects;
- (b) all necessary approval, consent, filing or registration having been obtained from the relevant regulatory bodies in relation to the Subscription;

LETTER FROM THE BOARD

- (c) the Company having obtained all internal approvals in compliance with laws, including but not limited to approval by the Board and by the Shareholders at the EGM of the Subscription and all the transactions contemplated thereunder;
- (d) the Listing Committee having granted the approval for listing of, and permission to deal in, the Subscription Shares, which approval shall not be revoked;
- (e) the parties to the Subscription Agreement having signed all relevant documents in relation to the Subscription (including the Subscription Agreement);
- (f) the parties to the Subscription Agreement having complied with and performed and not having breached the terms and conditions of the Subscription Agreement;
- (g) the Subscribers and/or the Designated Subsidiary (as the case may be) having obtained all internal approvals, including but not limited to the approvals from their respective board of directors and shareholders;
- (h) the Subscribers and/or the Designated Subsidiary (as the case may be) having obtained all necessary approvals from the relevant regulatory authorities in the PRC, including but not limited to the State-owned Assets Supervision and Administration Commission of the PRC, the Ministry of Commerce of the PRC, the National Development and Reform Commission of the PRC, the State Administration of Foreign Exchange of the PRC and/or their respective local departments; and
- (i) any other approval as may be required by applicable laws, rules or regulations for the Subscription.

Other than those Conditions set out in paragraphs (a), (e) and (f) above, the remaining Conditions cannot be waived. If any of the Conditions set out above has not been fulfilled or waived (as the case may be) pursuant to the Subscription Agreement on or before the Long Stop Date and the parties are not able to reach agreement on any other date for fulfillment of the Conditions within fifteen days from the expiry of the Long Stop Date, all obligations of the parties to the Subscription Agreement shall cease and determine immediately on the aforesaid fifteenth day save for any rights and liabilities in respect of any antecedent breach.

In addition, in the event that the information provided by the Company is not true, accurate and complete and misleading or breaches any of the Company's representations and warranties in all material respects, the Company should be held responsible for compensation to the Subscribers within ten days upon termination of the Subscription Agreement, which includes all reasonable fees, costs or expenses paid by the Subscribers for the Subscription purpose, and any loss sustained by the Subscribers as result of the Subscription.

LETTER FROM THE BOARD

Transitional Period

Rights of inspection of documents of the Company

During the Transitional Period, upon prior notice from the Subscribers, the Company shall provide the information and documents reasonably requested by the Subscribers, including but not limited to the books and records, financial statements, management reports, tax filings, material contracts, letter of intent, and minutes of the meetings of the Board and the Shareholders.

Notification of occurrence of certain events

During the Transitional Period, in the event of the occurrence of any events that may have a substantive impact on the operation, financial position and business of the Company, the Company shall notify the Subscribers immediately upon the occurrence of such events. Such events include but not limited to, reorganization or liquidation of the Company, amendments of the Company's articles of association, suspension of trading of the Shares for 30 consecutive Business Days, cessation of the listing status of the Company, any formulation and/or implementation of share incentive scheme of the Company, issuance of securities of any the Company, entering into of material contracts, change in the composition of senior management and/or the Board, except for those agreed in writing by the Subscribers. If such events have any substantive adverse impact, the Subscribers shall be entitled to determine whether or not to perform their obligations under the Subscription Agreement or adjust the price and the number of the Shares to be subscribed under the Subscription. In the event that the Company fails to notify the Subscribers of such events, the Subscribers shall have the right to terminate the Subscription and request the Company to bear the losses arisen.

Pursuant to the Subscription Agreement, the Company shall notify the Subscribers immediately upon occurrence of any events that may have a substantive impact on the Company. As set out in the Subscription Agreement, save for any confidential information required by any related governmental or regulatory bodies to be disclosed, the parties to the Subscription Agreement shall keep strictly confidential any information obtained, among others, as a result of negotiating, entering into or performing the Subscription Agreement. In any event, if the Company is required to disclose any information that the Company considers as inside information to the Subscribers, the Company will concurrently publish such inside information as soon as reasonably practicable after such information has come to the Company's knowledge in compliance with Rule 17.06(2) of the GEM Listing Rules.

Termination by the Subscribers

Pursuant to the Subscription Agreement, the Subscribers shall be entitled to, by way of written notice, terminate the Subscription Agreement at any time before the Second Completion Date in the event of occurrence of any of the following events:

1. the Company is in breach of any term of the Subscription Agreement (or if such breach is remediable, fails to remedy the same within 14 Business Days (or any period as the parties to the Subscription Agreement may agree to extend) after receiving written notice from the Subscribers for such remedy);

LETTER FROM THE BOARD

2. there is any substantive adverse change in the business, financial position and prospect of the Company;
3. disclosure by the Company in any terms and conditions of, and other matters in, the Subscription Agreement is found to be untrue, inaccurate and/or incomplete in any respect (save for manifest error);
4. any other material risks which may make achievement of the Subscription impossible.

In the event of termination of the Subscription Agreement as a result of the above, all the right and obligations of the parties to the Subscription Agreement shall have no further effect immediately, save as those provisions which are expressed to, or appear to, remain valid after termination and which are required to interpret or mandatorily enforce the terms of the Subscription Agreement and also without prejudice to any of their respective rights and obligations accrued prior to its termination.

In the event that the Subscribers are to proceed with performing the Subscription Agreement notwithstanding occurrence of any of the termination events concerned, this will not constitute a waiver of the Subscribers' right to claim under the Subscription Agreement and other incidental transaction documents.

If the Subscription Agreement is terminated (prior to the Second Completion Date but after the First Completion Date), the Company will not be obliged under the Subscription Agreement to refund the first tranche of the subscription money in the amount of HK\$349,999,000 (or the equivalent amount in RMB) to the Subscribers.

Completion

The First Completion Date shall fall on the fifth Business Day after the fulfillment (or waiver, as the case may be) of all the Conditions or such other date as the Company and the Subscribers may agree.

The Second Completion Date shall fall on the thirtieth Business Day after the First Completion Date or such other date as the Company and the Subscribers may agree.

The reason for having two completion dates was to accommodate the internal approval and administrative procedures of LJF and LJZ Fund.

Composition of the Board

Right of appointment of the executive Director

Pursuant to the Subscription Agreement, on the First Completion Date, the Subscribers shall be jointly entitled to nominate one executive Director to the Board and such executive Director shall be appointed as a member of both the internal control committee and the audit committee of the Company.

LETTER FROM THE BOARD

Right of appointment of the additional Directors

Pursuant to the Subscription Agreement, the parties further agreed if any of the following events occurs:

1. the net profit of the Company for the year ending 31 March 2016 being lower than RMB50 million;
2. the net profit of the Company for the year ending 31 March 2017 being lower than RMB100 million; or
3. the net profit of the Company for the year ending 31 March 2018 being lower than RMB180 million,

the Subscribers shall be jointly entitled to nominate an additional Director to the Board and appoint managerial staff.

In the event of any wilful misconduct, gross negligence or fraud of the existing Boardmembers resulting in any material adverse change or effect on the business operation and financial position of the Company, the Subscribers (or the Designated Subsidiary) (as the case may be), shall jointly be entitled to nominate an additional Director to the Board and appoint managerial staff.

The Company and/or the Guarantor shall ensure the appointment of the new Directors as well as the relevant managerial staff which shall be in accordance with applicable laws and regulations (including but not limited to the GEM Listing Rules and/or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)).

However, the Company does not have a contractual obligation to appoint whichever specific candidates nominated by the Subscribers as Directors and managerial staff. Upon receipt of the notification of the proposed candidates from the Subscribers as Directors and managerial staff, the Board (and the nomination committee of the Board, in the case of appointment of Directors) shall go through the Company's internal procedures to consider and assess the suitability of the nominees and shall ensure all applicable rules and regulations are complied with before making the final decision on such appointment. The Company reserves the right not to proceed with such nominations if the Board considers the proposed candidates are not suitable for such positions.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid up, shall rank equally in all respects among themselves and with all other Shares in issue on the date of their allotment and issue.

LETTER FROM THE BOARD

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION ON THE SUBSCRIBERS

LJF is a state-owned enterprise incorporated in the PRC with limited liability with a registered capital of RMB 8 billion. 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.

LJZ Fund is a fund partnership established in the PRC with limited liability having a total registered capital of RMB416 million. LJZ Fund is under the control and management of LJF as at the Latest Practicable Date. Prior to signing of the Subscription Agreement, LJZ Fund has already made investments exceeding RMB400 million, mainly in finance industry and high-quality financial assets, and seeks to create value for partnering companies by providing diverse value-added services.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in pan-Asian payment, internet finance and cross-border e-commerce business and possesses one of the only six business licences to operate a nationwide prepaid and internet payment network in the PRC.

The Directors are of the view that the 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 Subscription can provide the Group with the following:

- (a) **An opportunity to increase the attractiveness of the Group's payment business by integrating with a diverse array of financial services offered by LJF**

The Group's payment service can serve as a unified connection point for various kinds of financial services offered by LJF's group companies on one hand, and can provide clients of LJF's financial services (money market funds, fund management products, banking products or trust products, etc.) with a single service solution and a single user interface on the other hand to facilitate seamless movement of client's funds across different financial service products. After the Group's payment product has become the unified connection point of LJF's financial services, the Group's existing customers will in turn have the choice to enjoy access to a variety of financial services products offered by LJF using the prepaid funds kept with the Group thereby increasing the attractiveness of the Group's payment product itself.

- (b) **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**

The PRC government is currently in the process of deepening reform and views the internationalization of Renminbi as a key policy goal. It is envisaged that many of the initiatives will be first experimented at Shanghai Free Trade Zone, a special area designated for such kind of reform initiatives. As one of the leading state-owned financial holdings companies in Shanghai Free Trade Zone, LJF is more likely than most of the PRC companies to first participate in such reform initiatives thereby gaining valuable experience and first mover advantage. On the other hand, many of the Renminbi internationalization initiatives of the PRC government will increase the demand for cross-border payment services while the Group will be positioned as the only holder of payment service licence with developed payment business in which LJF has a substantial stake. Moreover, as disclosed in the announcement of the Company dated 5 May 2015, the Group was granted approval by The People's Bank of China, Guangzhou Branch to conduct cross-border Renminbi settlement services for trading of goods and services by corporations and individuals in the PRC. Therefore, the Group will enjoy a better strategic position to become the cross-border payment service partner of LJF in the Shanghai Free Trade Zone and thus share the first mover advantage of LJF.

LETTER FROM THE BOARD

- (c) **A strong and inexpensive financing pool supported by LJF and its group companies that is essential for the Group's planned internet finance business.**

The Group is currently (i) researching the industry landscape and market participants; (ii) evaluating possible strategies in the internet finance sector; and (iii) exploring possible targets for partnerships, investments or acquisitions.

The gross proceeds of the Subscription will be approximately HK\$803 million and the net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$802 million, representing a net issue price of approximately HK\$1.898 per Subscription Share.

The Group intends to use the funds raised from the Subscription (i) as to approximately 40% to pursue acquisition in the payment, internet finance and e-commerce industries in the PRC and (ii) as to approximately 60% as general working capital of the Group (where 40% of which is intended to be applied for the expansion of current businesses especially in payment and e-commerce, and the remaining 20% is intended to be applied towards expansion of the acquired businesses). As at the Latest Practicable Date, there is no definitive plan or timing determined for these activities, and the Group 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. The Group strives to finalize the intended acquisitions in the near future. Before the acquisition targets were identified, the Group intends to deposit a larger portion of the unused proceeds with liquid cash accounts whereas a smaller portion thereof towards short-term investments such as term deposit in order to maximize the return on capital. If there is any development, further announcement will be made as and when appropriate.

The Directors consider that the Subscription represents a good opportunity to (i) raise a substantial amount of additional funds for the Group as well as enhance the shareholder base of the Company; (ii) improve the financial and liquidity position of the Group; and (iii) provide the Group 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 Directors consider that the terms of the Subscription Agreement (including the Subscription Price) to be fair and reasonable and the Subscription, if consummated, are in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company as at the Latest Practicable Date and after Completion are as follows:

	As at the Latest Practicable Date		Immediately after Completion	
	No. of Shares	% (Approximately)	No. of Shares	% (Approximately)
Substantial Shareholders				
Mr. Cheng Nga Ming Vincent (Note 1)	174,500,000	13.76	174,500,000	10.32
The Subscribers (or the Designated Subsidiary (as the case may be)) (Note 2)	–	–	422,809,720	25.00
(A) Sub-total of Substantial Shareholder(s)	174,500,000	13.76	597,309,720	35.32
Directors				
Dr. Cao Guoqi (Note 3)	56,930,000	4.49	56,930,000	3.37
Mr. Zhang Huaqiao	5,310,000	0.42	5,310,000	0.31
(B) Sub-total of Directors	62,240,000	4.91	62,240,000	3.68
Public Shareholders				
Public Shareholders	1,031,689,159	81.33	1,031,689,159	61.00
(C) Sub-total of public Shareholders	1,031,689,159	81.33	1,031,689,159	61.00
Total (A) + (B) + (C)	1,268,429,159	100.00	1,691,238,879	100.00

Notes:

1. 174,500,000 Shares are held by Tian Li Holdings Limited (“**Tian Li**”) which in turn is owned as to 70% and 30% by Mr. Cheng Nga Ming Vincent (“**Mr. Cheng**”) and Ms. Cheng Nga Yee (“**Ms. Cheng**”) respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 174,500,000 Shares held by Tian Li under the SFO.
2. This represents the aggregate shareholding interests in the Company to be held by the Subscribers, namely, LJF and LJZ Fund (or the Designated subsidiary (as the case may be)) upon Completion. LFZ Fund is currently under the control and management of LJF.
3. Of 56,930,000 Shares, 55,560,000 are held by Probest Limited (“**Probest**”) which in turn is wholly-owned by Dr. Cao Guoqi (“**Dr. Cao**”), an executive Director. As Dr. Cao is the sole shareholder of Probest, he is deemed to be interested in these 55,560,000 Shares held by Probest under the SFO. The other 1,370,000 Shares were held by Ms. Zheng Lu who is the spouse of Dr. Cao. Accordingly, Dr. Cao is deemed to be interested in these 1,370,000 Shares held by Ms. Zheng Lu under the SFO.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

Set out below is the summary of the equity fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date:

Date of Announcement	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
12 April 2015	<p>(i) Subscription of the 6 % convertible bonds of the Company in the principal amount of US\$10 million (equivalent to approximately HK\$77.55 million) due on 30 April 2018 convertible into a maximum of 41,918,918 Shares at the initial conversion price of HK\$1.85 per Share;</p> <p>(ii) Subscription of the 6 % convertible bonds of the Company in the principal amount of US\$10 million (equivalent to approximately HK\$77.55 million) due on 30 April 2018 convertible into a maximum of 41,918,918 Shares at the initial conversion price of HK\$1.85 per Share;</p> <p>(iii) Placing of the 6% convertible bonds of the Company in the principal amount of US\$20 million (equivalent to approximately HK\$155.1 million) due on 30 April 2018 convertible into a maximum of 83,837,837 Shares at the initial conversion price of HK\$1.85 per Share.</p>	Approximately HK\$307 million	<p>(i) to pursue acquisition in the payment and internet finance industry in the PRC;</p> <p>(ii) to fund the co-brand payment card cooperation projects in the PRC as disclosed in the circular of the Company dated 5 February 2015;</p> <p>(iii) as general working capital of the Group.</p>	<p>(i) approximately HK\$90 million was used in the acquisition of a high-end benefit cards business and an internet payment business;</p> <p>(ii) approximately HK\$100 million was used to repay a bank loan;</p> <p>(iii) approximately HK\$102 million was used as general working capital of the Group;</p> <p>(iv) the remaining unutilized balance of approximately HK\$15 million will be used as general and administrative expenses and sale and distribution expenses in the coming months.</p>

LETTER FROM THE BOARD

Date of Announcement	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
20 April 2015	(i) Subscription of 63,953,488 new Shares at a subscription price of HK\$2.15 per Share.	Approximately HK\$137.4 million	(i) to develop the benefits card business of the Group as disclosed in the circular of the Company dated 12 June 2015; (ii) to pursue further acquisition and investment in the payment and internet finance industry in the PRC; (iii) to fund the co-brand payment card cooperation projects in the PRC as disclosed in the circular of the Company dated 5 February 2015; (iv) as general working capital of the Group.	Approximately HK\$137.4 million was used in the acquisition of a high-end benefit cards business.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong at 11:00 a.m. on Monday, 14 December 2015 for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including grant of the Specific Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

A notice convening the EGM is set out on pages 19 to 20 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

The resolutions proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that completion of the Subscription is subject to fulfillment of the Conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

RECOMMENDATION

Having noted and considered the reasons stated under the sections "REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS", the Board considered that the terms of the Subscription Agreement and the transactions contemplated thereunder, including grant of the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

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



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of China Smartpay Group Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Monday, 14 December 2015 at Office No. 01, 31st Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Subscription Agreement (as defined in the circular of the Company dated 27 November 2015 (the “**Circular**”)) (a copy of the which has been produced to this meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) dated 20 October 2015 entered into among (i) the Company; (ii) 上海陸家嘴金融發展有限公司 (transliterated as Shanghai Lujiazui Financial Development Company Limited*) and 上海陸家嘴股權投資基金合夥企業（有限合夥）(transliterated as Shanghai Lujiazui Equity Investment Fund Limited Partnership*) as subscribers (together, the “**Subscribers**”); and (iii) Dr. Cao Guoqi as guarantor, in relation to the subscription by the Subscribers (and/or the Designated Subsidiary (as defined in the Circular)) for a total number of 422,809,720 new ordinary shares of the Company (the “**Subscription Share(s)**”) at the subscription price of HK\$1.90 per Subscription Share(s), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (“**Specific Mandate**”) to exercise the powers of the Company to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement, where such Subscription Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue and the Specific Mandate is in addition to, and shall not prejudice nor revoke, any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

* For identification purpose only

NOTICE OF EGM

- (c) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

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

Hong Kong, 27 November 2015

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*
Office No. 01
31st Floor, Hong Kong Plaza
188 Connaught Road West
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) Delivery of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy will be deemed to be revoked.
- (3) To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such power or authority), must be deposited at the office of the Hong Kong Share Registrar of the Company, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.