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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)

**FORMATION OF A JOINT VENTURE COMPANY WITH
HTI FINANCIAL SOLUTIONS**

THE JOINT VENTURE AGREEMENT

Reference is made to the announcement dated 19 May 2016.

As set out in the Announcement, the Company has received an approval granted by Chongqing Liang Jiang new area modern services industry bureau for UE Investment, a wholly-owned subsidiary, allowing it to prepare to co-invest in internet micro-credit business on a nation-wide basis in collaboration with HTI Financial Solutions.

The Board is pleased to announce that on 30th July 2016, UE Investment, entered into the Joint Venture Agreement with HTI Financial Solutions pursuant to which UE Investment and HTI Financial Solutions agreed to form the JV Company to be principally engaged in internet micro-credit business in the PRC. Pursuant to the Joint Venture Agreement, the registered capital of the JV Company will be RMB300,000,000. Each of UE Investment and HTI Financial Solutions will contribute RMB270,600,000 and RMB29,400,000 representing 90.2% and 9.8% of the registered capital of the JV Company respectively.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the capital commitment of UE Investment under the Joint Venture Agreement are more than 5% but less than 25%, the entering into of the Joint Venture Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements.

Reference is made to the announcement dated 19 May 2016 (the “**Announcement**”) in relation to the receipt of an approval granted by Chongqing Liang Jiang new area modern services industry bureau for UE Investment, allowing it to prepare to co-invest in internet micro-credit business on a nationwide basis in collaboration with HTI Financial Solutions.

The Board is pleased to announce that on 30th July 2016, UE Investment, an indirect wholly owned subsidiary of the Company, entered into the Joint Venture Agreement with HTI Financial Solutions pursuant to which UE Investment and HTI Financial Solutions agreed to form the JV Company to be principally engaged in internet micro-credit business in the PRC. The major terms of the Joint Venture Agreement are set out below.

THE JOINT VENTURE AGREEMENT

Date: 30th July 2016

Parties: (1) UE Investment; and
(2) HTI Financial Solutions

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, HTI Financial Solutions is a third party independent of the Company and its connected persons.

Scope of business and term of operation

The JV Company will be principally engaged in various forms of money lending, notes redemption, asset transfer, equity investment, and nationwide online self-funded money lending business. The term of operation of the JV Company is 50 years.

Registered capital and capital contribution

The total registered capital of the JV Company is RMB300,000,000 (equivalent to approximately HK\$349,854,227.41), which will be contributed by the parties in cash in RMB or HKD equivalent as follows:

	Amount of contribution (RMB)	(%)
UE Investment	270,600,000	90.2
HTI Financial Solutions	<u>29,400,000</u>	<u>9.8</u>
Total	<u><u>300,000,000</u></u>	<u><u>100</u></u>

It is expected that a one-off capital contribution will be paid by each of the JV Partners based on their agreed amount of contribution within thirty days from the date of incorporation of the JV Company. The capital contribution to be made by the Company will be funded by internal resources and outside financing.

Each of the JV Partners shall obtain consent from the other JV Partner and approval from the relevant government department in the PRC if any of the JV Partners intends to transfer the entire or part of their equity interests in the JV Company to third party other than the JV Partners (the “**Transfer Interests**”). Each of the JV Partners shall have the pre-emptive right to acquire the Transfer Interests.

Board composition and the management structure of the JV Company

The board of directors of the JV Company will consist of five members. UE Investment is entitled to nominate four directors and HTI Financial Solutions is entitled to nominate one director. The chairman, who will also act as the legal representative of the JV Company, will be appointed by UE Investment. The board of directors of the JV Company shall decide the appointment of the senior management of the JV Company which shall comprise one general manager and two vice general managers, who will be mainly responsible for the management of the operation of the JV Company, budgeting and formulating investment proposals. As the Group has control over the board of directors and 90.2% of the equity interest of the JV Company, the JV Company shall account for as a subsidiary of the Company.

INFORMATION ABOUT HTI FINANCIAL SOLUTIONS

HTI Financial Solutions is a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Haitong International Securities Group Limited and is principally engaged in provision of financial solutions services.

REASONS FOR AND BENEFIT OF ENTERING INTO THE JOINT VENTURE AGREEMENT

The Group offers a wide range of value-added and internet payment services to its customers and 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. It has always been the Company’s intention to complement the existing payment, merchant O2O and e-commerce business with robust internet finance operation, to create a holistic small- and micro-finance ecosystem. Therefore, in 2015, the Board made the decision to apply for an internet micro-credit licence with the Government of Chongqing (the “**Chongqing Internet Micro-credit Licence**”).

Upon receiving the approval granted by Chongqing Liang Jiang new area modern services industry bureau for UE Investment, allowing it to prepare to co-invest in internet micro-credit business on a nation-wide basis in collaboration with HTI Financial Solutions, the Company has started the preparation work for the internet micro-credit business and entered into the Joint Venture Agreement with HTI Financial Solutions.

The Board further noted that the Chongqing Internet Micro-credit Licence enjoys considerable advantage over similar licences issued by other regional governments. For instance, the Chongqing Internet Micro-credit Licence not only allows the licensee to operate off-line micro-credit business in Chongqing, but more importantly, it allows the licensee to provide online micro-credit services throughout China. It also allows more flexibility in terms of leverage ratio, partnering financial institutions and interest rate, etc. Consequently, several top Chinese companies such as the Alibaba Group, JD.com, Suning Commerce Group, Haier Group have obtained the Chongqing Internet Micro-credit Licence according to the Board's understanding.

The Board believes that the formation of the JV Company 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 formation of the JV Company is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the capital commitment of UE Investment under the Joint Venture Agreement are more than 5% but less than 25%, the entering into of the Joint Venture Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors;
“Company”	China Smartpay Group Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the GEM;
“connected persons”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“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;
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong;
“HTI Financial Solutions”	Haitong International Financial Solutions Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Venture Agreement”	the agreement entered into between UE Investment and HTI Financial Solutions on 30th July 2016 in relation to the formation of the JV Company;
“JV Company”	Massnet Microcredit Company (Chongqing) Limited (重慶市眾網小額貸款有限公司) a company to be incorporated in the PRC pursuant to the Joint Venture Agreement;
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency in the PRC;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“UE Investment”	Union Evernew Investment Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company;
“%”	per cent.

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

Hong Kong, 30th July 2016

As at the date of this announcement, the Board comprises (i) five executive Directors, namely, Mr. Zhang Huaqiao, Dr. Cao Guoqi, Mr. Fung Weichang, Mr. Xiong Wensen and Mr. Song Xiangping; and (ii) four independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng, Dr. Zhou Jinhuang 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.