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China Smartpay Group Holdings Limited

中國支付通集團控股有限公司

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 8325)

A. CLARIFICATION IN RELATION TO THE PREVIOUS ANNOUNCEMENT

B. COMPLETION OF SUBSCRIPTION OF THE ORIGINAL BONDS

C. PROPOSED ISSUE OF (I) FIXED RATE SENIOR SECURED BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF US\$16,000,000 AND (II) FIXED RATE SENIOR SECURED CONVERTIBLE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF US\$4,000,000

Reference is made to the Previous Announcement in relation to the subscription of the Original Bonds and the Original Convertible Bonds. Unless otherwise defined, all capitalised terms used herein shall have the same meanings as defined in the Previous Announcement.

A. CLARIFICATION IN RELATION TO THE PREVIOUS ANNOUNCEMENT

The Board would like to make the following clarifications in relation to the Previous Announcement:

1. The Original Bonds Completion and Original Convertible Bonds Completion will take place on the respective Issue Date, which shall be a date as early as practicable after the respective conditions precedent are fulfilled (or waived), or such other date as the Placing Agent, the Original Subscribers and the Company may agree.

2. The Original Subscribers were listed under substantial Shareholders on page 16 due to clerical error. The Original Subscribers should be listed under public Shareholders instead as follows:

| Immediately after the issue of the Original Convertible Bonds and assuming full conversion of the Original Convertible Bonds into Shares at the initial Conversion Price | | |
|---|-----------------------------|--|
| | <i>No. of Shares</i> | <i>% of enlarged issued share capital of the Company (approximately)</i> |
| Public Shareholders | | |
| The Original Subscribers | 32,631,578 | 2.22% |
| Other Public Shareholders | <u>1,006,619,159</u> | <u>68.54%</u> |
| Sub-total of Public Shareholder(s) | <u>1,039,250,737</u> | <u>70.76%</u> |

B. COMPLETION OF SUBSCRIPTION OF THE ORIGINAL BONDS

The Board is pleased to announce that the conditions precedent to the Original Bonds Completion have been fulfilled and the Original Bonds Completion has taken place on 1 August 2016, save as the payment of the Issue Price of the Original Bonds from the Original Subscribers to the Company, which has been delayed due to the issuance of tropical cyclone warning no. 8.

C. PROPOSED ISSUE OF FURTHER BONDS AND FURTHER CONVERTIBLE BONDS

The Board is pleased to announce that on 2 August 2016, the Company entered into a Further Subscription Agreement with the Further Subscriber, pursuant to which the Further Subscriber has agreed to subscribe for (i) the Further Bonds in the aggregate principal amount of US\$16,000,000 (which shall be consolidated and form a single series with the Original Bonds); and (ii) the Further Convertible Bonds in the aggregate principal amount of US\$4,000,000 (which shall be consolidated and form a single series with the Original Convertible Bonds).

FURTHER SUBSCRIPTION AGREEMENT

Date

2 August 2016

Parties to the Further Subscription Agreement

- (a) the Company; and
- (b) the Further Subscriber

The Further Subscriber is a limited liability company incorporated in the British Virgin Islands. It is indirectly and wholly-owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is indirectly and wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Further Subscriber is an independent third party and not a connected person of the Company.

The Further Bonds and the Further Convertible Bonds have not been, and will not be, registered under the U.S. Securities Act. Accordingly, the Further Bonds and the Further Convertible Bonds are being offered or sold outside the United States in accordance with Regulation S under the U.S. Securities Act. The Further Bonds and the Further Convertible Bonds will not be offered to the public in Hong Kong.

The Further Bonds and the Further Convertible Bonds shall be consolidated and form a single series with the Original Bonds and the Original Convertible Bonds, respectively.

Completion Conditions

- (1) Further Bonds Completion is conditional upon the following conditions being fulfilled (or waived in accordance with (4) below) to the satisfaction of the Further Subscriber:
 - (a) the same completion conditions upon which Original Bonds Completion is conditional (except for conditions (k) and (p) as stipulated in the Previous Announcement), including but not limited to (i) the Company shall have obtained all necessary consents, authorisations and approvals in relation to the Transaction Documents and transactions contemplated thereunder (except for the approval of the Stock Exchange for the listing of and permission to deal in the Conversion Shares which shall be obtained prior to the Further Convertible Bonds Issue Date) and such consents, authorisations and approvals shall remain in full force and effect and shall not have been revoked or amended in a manner not acceptable to the Further Subscriber;
 - (b) the Issue Price (including 100% of the principal amount of the Further Convertible Bonds as contemplated by the Convertible Bonds Transaction Documents) and the principal amount of the Original Bonds and/or the Original Convertible Bonds issued and outstanding shall be no less than US\$45,000,000 (for the avoidance of doubt, the entering into of the Further

Subscription Agreement confirming the agreement of the Company and the Further Subscriber that the aggregate principal amounts of the Further Bonds and the Further Convertible Bonds shall be US\$20,000,000, shall be deemed to have satisfied and/or fulfilled this condition and nothing in this condition shall be deemed to be construed that the Further Bonds Completion and the Further Convertible Bonds Completion shall have to take place simultaneously for the purpose of fulfillment of this condition notwithstanding that the Issue Price under the Further Bonds Completion may amount to less than US\$45,000,000);

- (c) the supplemental Bonds Instrument and the supplemental Convertible Bonds Instrument are in substantially agreed form as set out in the Further Subscription Agreement; and
 - (d) the consent shall have been obtained from each Holder of the Original Bonds issued and outstanding approving the issue of the Further Bonds to the Further Subscriber.
- (2) Further Convertible Bonds Completion is conditional upon the following conditions being fulfilled (or waived in accordance with (4) below) to the satisfaction of the Further Subscriber:
- (a) the same completion conditions upon which Original Convertible Bonds Completion is conditional, including but not limited to (i) the Company shall have obtained all necessary consents, authorisations and approvals in relation to the Convertible Bonds Transaction Documents and transactions contemplated thereunder, including but not limited to the approval of the Stock Exchange for the listing of and permission to deal in Conversion Shares and such consents, authorisations and approvals shall remain in full force and effect and shall not have been revoked or amended in a manner not acceptable to the Further Subscriber; and
 - (b) the consent shall have been obtained from each Holder of the Original Convertible Bonds issued and outstanding approving the issue of the Further Convertible Bonds to the Further Subscriber.
- (3) The Company shall use its best endeavours to procure and ensure due fulfilment of each and all of the conditions.
- (4) The Further Subscriber may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the conditions set out above on such terms as it may decide (save for the conditions set out in (1)(a)(i) and (2)(a)(i) above, which cannot be waived).

The Further Bonds Completion and Further Convertible Bonds Completion will take place on the respective Issue Date, which shall be a date as early as practicable after the respective conditions precedent are fulfilled (or waived), or such other date as the Placing Agent, the Further Subscriber and the Company may agree.

PRINCIPAL TERMS OF THE FURTHER BONDS

Further Bonds Offered

Subject to certain conditions to completion, the Company will issue the Further Bonds in an aggregate principal amount of US\$16,000,000 which will mature on the third anniversary of the Issue Date unless redeemed prior to their maturity pursuant to the terms thereof.

Principal Amount

Honour Grace Investments Limited US\$16,000,000

The remaining principal terms of the Further Bonds are substantially the same as the corresponding principal terms of the Original Bonds, as set out in the Previous Announcement.

PRINCIPAL TERMS OF THE FURTHER CONVERTIBLE BONDS

Further Convertible Bonds Offered

Subject to certain conditions to completion, the Company will issue the Further Convertible Bonds in an aggregate principal amount of US\$4,000,000 which will mature on the third anniversary of the Issue Date unless redeemed or converted prior to their maturity pursuant to the terms thereof.

Principal Amount

Honour Grace Investments Limited US\$4,000,000

Conversion Price

The Conversion Price at which the Company shall issue Conversion Shares to the Holder of the Further Convertible Bonds upon conversion will initially be HK\$1.90 per Share but will be subject to adjustment same as the Original Convertible Bonds as stipulated in the Previous Announcement.

The initial Conversion Price of HK\$1.90 represents:

- (1) a premium of approximately 52% over the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 52% over HK\$1.25 which is the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (3) a premium of approximately 48.4% over HK\$1.28, which is the average of closing price per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Further Subscriber with reference to the closing price of the Shares quoted on the Stock Exchange on the Last Trading Day.

The remaining principal terms of the Further Convertible Bonds are substantially the same as the corresponding principal terms of the Original Convertible Bonds, as set out in the Previous Announcement.

Fund Raising Exercise by the Company in the Past Twelve Months

The Company conducted the following equity fund raising activities in the 12 months immediately before the date of this announcement:

| Date of announcement | Fund raising activity | Estimated net proceeds (approximately) | Proposed use of proceeds | Actual use of proceeds as at the date of this announcement |
|-----------------------------|---|---|---|--|
| 25 October 2015 | Subscription of 422,809,720 new Shares under specific mandate at the subscription price of HK\$1.90 per Share | <p>The net proceeds had been estimated to be HK\$802 million where:</p> <p>(i) Approximately HK\$350 million was actually received;</p> <p>(ii) For the remaining approximately HK\$453 million, please refer to the announcement of the Company dated 31 May 2016.</p> | <p>(i) pursue acquisition in the payment, internet finance and e-commerce industry in the PRC;</p> <p>(ii) as general working capital of the Group.</p> | <p>(i) approximately HK\$69 million was used in the subscription of new shares issued by Zhi Cheng Holdings Limited (Stock code: 8130);</p> <p>(ii) approximately HK\$61 million was used to invest in internet micro credit business;</p> <p>(iii) approximately HK\$95 million was used to invest in payments and prestige benefits business;</p> <p>(iv) approximately HK\$90 million was used as general working capital of the Group;</p> <p>(v) the remaining will continue to be utilised for the proposed use.</p> |

Effect on the share capital of the Company as a result of conversion of the Convertible Bonds

Based on the initial Conversion Price of the HK\$1.90 per Share and assuming full conversion of the Original Convertible Bonds and the Further Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into a total of 48,947,367 Shares, representing approximately

3.41% of the issued share capital of the Company on the Last Trading Day and approximately 3.30% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

The following table illustrates (i) the existing shareholding structure of the Company; (ii) the shareholding structure immediately after the issue of the Convertible Bonds and assuming no conversion of the Convertible Bonds into Conversion Shares; and (iii) the shareholding structure immediately after the issue of the Convertible Bonds and full conversion of the Convertible Bonds.

| | Existing (as at the date of this announcement) | | Immediately after the issue of the Convertible Bonds and assuming no conversion of any Convertible Bonds | | Immediately after the issue of the Convertible Bonds and assuming full conversion of the Convertible Bonds into Shares at the initial Conversion Price | |
|--|--|---|---|---|--|---|
| | No. of Shares | % of issued share capital of the Company (approximately) | No. of Shares | % of issued share capital of the Company (approximately) | No. of Shares | % of enlarged issued share capital of the Company (approximately) |
| Substantial Shareholder | | | | | | |
| LJF Payment Company Limited | 184,210,000 | 12.83% | 184,210,000 | 12.83% | 184,210,000 | 13.40% |
| Mr. Cheng Nga Ming Vincent (<i>Note 1</i>) | 174,500,000 | 12.15% | 174,500,000 | 12.15% | 174,500,000 | 11.75% |
| (A) <i>Sub-total of Substantial Shareholder(s)</i> | <u>358,710,000</u> | <u>24.98%</u> | <u>358,710,000</u> | <u>24.98%</u> | <u>358,710,000</u> | <u>24.16%</u> |
| Directors | | | | | | |
| Dr. Cao Guoqi | 64,260,000 | 4.47% | 64,260,000 | 4.47% | 64,260,000 | 4.33% |
| Mr. Zhang Huaqiao | 6,460,000 | 0.45% | 6,460,000 | 0.45% | 6,460,000 | 0.44% |
| (B) <i>Sub-total of Director(s)</i> | <u>70,720,000</u> | <u>4.92%</u> | <u>70,720,000</u> | <u>4.92%</u> | <u>70,720,000</u> | <u>4.76%</u> |
| Public Shareholders | | | | | | |
| The Original Subscribers | — | — | — | — | 32,631,578 | 2.20% |
| The Further Subscriber | — | — | — | — | 16,315,789 | 1.10% |
| Other Public Shareholders | 1,006,619,159 | 70.10% | 1,006,619,159 | 70.10% | 1,006,619,159 | 67.79% |
| (C) <i>Sub-total of Public Shareholder(s)</i> | <u>1,006,619,159</u> | <u>70.10%</u> | <u>1,006,619,159</u> | <u>70.10%</u> | <u>1,055,366,526</u> | <u>71.08%</u> |
| Total (<i>Note 2</i>) | <u>1,436,049,159</u> | <u>100.00%</u> | <u>1,436,049,159</u> | <u>100.00%</u> | <u>1,484,996,526</u> | <u>100.00%</u> |

Note 1: 174,500,000 Shares are held by Tian Li Holdings Limited (“**Tian Li**”), which is in turn owned as to 70% and 30% by Mr. Cheng Nga Ming Vincent (“**Mr. Cheng**”) and Ms. Cheng Nga Yee (“**Ms. Cheng**”). 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Note 2: The percentages of the Shares are rounded to the nearest two decimal places, and the total number of the percentages may not add up to 100% due to rounding.

General Mandate

By an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 10 August 2015, the Shareholders granted the general mandate to the Directors to allot and issue up to 20% of the issued share capital of the Company as at the date of passing such resolution, being 1,268,429,159 Shares (the “**General Mandate**”).

As at the date of this announcement, the Directors have not exercised the power to allot and issue any Shares pursuant to the General Mandate. Accordingly, as at the date of this announcement, the Company is entitled to issue up to 253,685,831 Shares pursuant to the General Mandate. The Conversion Shares will be issued under the General Mandate,. The issue of Conversion Shares is not subject to the Shareholders’ approval.

Listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon conversion of the Further Convertible Bonds. No listing application will be made for the listing of the Further Convertible Bonds.

UNDERTAKING OF THE COMPANY

The Company agrees to provide an undertaking that, among others, for as long as any Bonds or Convertible Bonds remain outstanding and until all Liabilities have been discharged (unless with the prior consent of the majority creditors, which consent shall not be unreasonably withheld or delayed), Joy Grand Investment Limited (a wholly owned subsidiary of the Company) shall deposit those shares in the capital of Zhi Cheng Holdings Limited (智城控股有限公司), a company whose shares are listed on GEM of the Stock Exchange, currently held by Joy Grand Investment Limited in a custody account and shall not dispose of or create encumbrance over such shares.

SECURITY

The obligations of the Company under the Bonds Instrument and the Convertible Bonds Instrument are secured by the Share Charge.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS AND CONVERTIBLE BONDS

After evaluating the current position of the Company, in order to extend its positive momentum, the Board considers that the issue of the Bonds and Convertible Bonds presents an opportunity to solidify the Company capital base and financial position to ensure an on-going development and better execution of its business plans.

The proceeds of the issue would be primarily used to fund the establishment of the Internet micro-credit company in Chongqing that the company obtained preliminary approval to set up, as disclosed in the Company’s announcement dated 19 May 2016.

The development of the Company's Internet micro-credit capability, as a result of the issue, would create synergy with the Company's other payment service activities by leveraging an ever-growing potential customer base, which would complement the Company's current payment systems with merchant O2O, e-commerce business and robust internet finance operation. Having considered that, the Board regards the terms of the Transaction Documents are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The estimated net proceeds from the issue of the Bonds and the Convertible Bonds, after giving effect to Placing Agent's underwriting commissions (but before giving effect to certain transaction-related expenses) will be around US\$59.1 million.

The proceeds of the Bonds and the Convertible Bonds are to be applied for:

- (i) first, the payment of the fees, costs and expenses reasonably incurred under, or in connection with, the Transaction Documents; and
- (ii) Secondly, the capital of the micro-credit company in Chongqing and business expansion and other acquisitions of the Group.

Completion of the Further Subscription Agreement is subject to fulfillment or waiver of the conditions precedent set out therein. Accordingly, the issue of the Further Bonds or the issue of the Further Convertible Bonds may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

- “Bonds” : the Original Bonds and the Further Bonds;
- “Bonds Transaction Documents” : the Bonds Instrument, the Subscription Agreement, the Further Subscription Agreement, the certificates of the Original Bonds and the Further Bonds, the Share Charge, the Intercreditor Agreement and any other documents relating to the transactions contemplated therein which may be entered into from time to time;
- “Convertible Bonds” : the Original Convertible Bonds and the Further Convertible Bonds;

| | | |
|---|---|--|
| “Convertible Bonds Transaction Documents” | : | the Convertible Bonds Instrument, the Subscription Agreement, the Further Subscription Agreement, the certificates of the Original Convertible Bonds and the Further Convertible Bonds, the Share Charge, the Intercreditor Agreement and any other documents relating to the transactions contemplated therein which may be entered into from time to time; |
| “Further Bonds” | : | 9% senior secured bonds in the aggregate principal amount of US\$16,000,000 proposed to be issued by the Company (which shall be consolidated and form a single series with the Original Bonds); |
| “Further Bonds Completion” | : | the completion of the subscription of the Further Bonds; |
| “Further Convertible Bonds” | : | 4% senior secured convertible bonds in the aggregate principal amount of US\$4,000,000 (which shall be consolidated and form a single series with the Original Convertible Bonds); |
| “Further Convertible Bonds Completion” | : | the completion of the subscription of the Further Convertible Bonds; |
| “Further Subscriber” | : | Honour Grace Investments Limited (譽美投資有限公司); |
| “Further Subscription Agreement” | : | the subscription agreement dated 2 August 2016 between the Company and the Further Subscriber relating to the subscription of the Further Bonds and the Further Convertible Bonds; |
| “Issue Date” | : | (i) 1 August 2016 in relation to the Original Bonds and the date agreed by the Company and the Further Subscriber in relation to the issue of the Further Bonds; and (ii) the dates agreed by the Haitong International Investment Fund SPC (acting on behalf of and for the account of Haitong International Investment Fund SPC — Fund I SP), Hai Tong Asset Management (HK) Limited, Sun Create Richly Holdings (Asia) Limited (陽光創富控股(亞洲)有限公司) in relation to the issued of the Original Convertible Bonds and the date agreed by the Company and the Further Subscriber in relation to the issue of the Further Convertible Bonds; |

| | | |
|------------------------------|---|--|
| “Issue Price” | : | 100% of the aggregated principal amount of the Further Bonds, or as the case may be, 100% of the aggregated principal amount of the Further Convertible Bonds; |
| “Last Trading Day” | : | 1 August 2016, being the last full trading day immediately before the date of this announcement; |
| “Liabilities” | : | all present and future moneys, debts and liabilities due, owing or incurred by the Company under or in connection with the Bonds, the Convertible Bonds, the Bonds Instrument and the Convertible Bonds Instrument (in each case, whether alone or jointly, or jointly or severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise); |
| “Original Bonds” | : | 9% senior secured bonds in the aggregate principal amount of US\$32,000,000 issued by the Company on 1 August 2016; |
| “Original Bonds Completion” | : | the completion of the subscription of the Original Bonds; |
| “Original Convertible Bonds” | : | 4% senior secured convertible bonds in the aggregate principal amount of US\$8,000,000 issued by the Company on 1 August 2016; |
| “Original Subscribers” | : | (i) Haitong International Investment Fund SPC (acting on behalf of and for the account of Haitong International Investment Fund SPC — Fund I SP); (ii) Hai Tong Asset Management (HK) Limited; and (iii) Sun Create Richly Holdings (Asia) Limited (陽光創富控股(亞洲)有限公司); |
| “Previous Announcement” | : | the announcement of the Company dated 31 July 2016 in relation to, among others, the proposed issue of the Original Bonds and the Original Convertible Bonds; |

“Transaction Documents” : the Bonds Transaction Documents, the Convertible Bonds Transaction Documents and any other documents relating to the transactions contemplated therein which may be entered into from time to time (and any reference to any Transaction Document shall include that Transaction Document as amended, varied or supplemented from time to time and any document which amends, varies or supplements that Transaction Document).

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

Hong Kong, 2 August 2016

As 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. Yuan Shumin and Dr. Zhou Jinhuang.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 GEM of the Stock Exchange 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.