

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Smartpay Group Holdings Limited (the "Company"), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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)

PROPOSED REFRESHMENT OF GENERAL MANDATE, PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



**Independent Financial Adviser
to the Independent Board Committee and
the Independent Shareholders**



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 25 of this circular.

A notice convening the EGM to be held at 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong on Wednesday, 25 February 2015 at 11:00 a.m. in respect of the Proposed Refreshment of General Mandate is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return them to the office of 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 but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page and the Company's website at <http://www.ocg.com.hk> for at least seven (7) days from the date of its posting.

5 February 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 otherwise requires:

“AGM”	the annual general meeting of the Company held on 25 July 2014;
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Beijing Weike”	微科睿思在線（北京）科技有限公司(Wei Ke Rui Si Online (Beijing) Technology Company Limited*), a company established in the PRC with limited liability, being the shareholder holding 90% of the equity interests in the Licence Company as at the Latest Practicable Date, which is a wholly-owned subsidiary of Shanghai Yongle as at the Latest Practicable Date;
“Board”	the board of Directors;
“BW Option”	the exclusive option to acquire 67% of the equity interests in Beijing Weike granted by Mr. Zhang to Shanghai Yongle pursuant to the terms of the relevant agreement dated 9 July 2014;
“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;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held on Wednesday, 25 February 2015 for approving, among other things, the Proposed Refreshment of General Mandate, and the Refreshment of Scheme Mandate Limit;
“Existing General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to allot, issue and otherwise deal with the Shares up to 20% of the Company’s issued share capital as at the date of the AGM;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM, as amended, supplemented and/or otherwise modified from time to time;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board comprising Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin, all being the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Proposed Refreshment of General Mandate;
“Independent Financial Adviser”	Proton Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity as defined under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Refreshment of General Mandate;
“Independent Shareholders”	Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates;
“Latest Practicable Date”	3 February 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“LC Acquisition”	The acquisition of the Licence Company via contractual arrangement, details of which are set out in the circulars of the Company dated 1 September 2014 and 29 December 2014;
“Licence Company”	開聯通網路技術服務有限公司 (Open Union Network Technology Services Limited*), a company established in the PRC with limited liability which holds the licence to conduct the prepaid card business and internet payment services in the PRC;
“Mr. Zhang”	Mr. Zhang Zebin, a PRC citizen who was the previous controlling shareholder of Beijing Weike;
“New General Mandate”	the general mandate which, if approved, would authorize the Directors to exercise the power of the Company to allot, issue and otherwise deal with the Shares up to 20% of the Company’s issued share capital as at the date of the EGM;

DEFINITIONS

“Option(s)”	options(s) to subscribe for Shares granted under the Share Option Scheme;
“Option Framework Agreement”	the framework agreement dated 15 October 2014 entered into among Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders, Shenzhen Yongle in relation to the exercise of the BW Option;
“Possible Acquisition”	a possible acquisition of interests in the issued share capital of a target company, together with its subsidiary, which is principally engaged in the payment card business in the PRC (details of which are set out in the announcements of the Company dated 26 February 2013, 12 April 2013, 13 May 2013, 28 May 2013, 28 June 2013, 28 August 2013, 2 September 2013, 1 November 2013, 31 December 2013, 28 February 2014, 30 May 2014 and 29 August 2014 respectively);
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Proposed Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate and the grant of the New General Mandate;
“Refreshment of Scheme Mandate Limit”	the proposed refreshment of Scheme Mandate Limit and the grant of Scheme Mandate limit;
“Scheme Mandate Limit”	the maximum number of Shares which may be issued pursuant to the exercise of Options granted under the Share Option Scheme or (following refreshment) the maximum number of Shares which may be issued pursuant to the exercise of Options granted under the Share Option Scheme following the date of refreshment of the Scheme Mandate Limit;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time;
“Shanghai Yongle”	上海雍勒信息技術有限公司 (Shanghai Yongle Information Technology Limited*), a company established on 27 May 2014 in Shanghai, the PRC with limited liability, which is owned by Mr. Lin and Mr. Wu as to 90% and 10% respectively;

DEFINITIONS

“Shanghai Yongle Shareholders”	Mr. Lin Xiaofeng, the senior vice president overseeing investment of the Company, holding 90% of the equity interests in Shanghai Yongle and Mr. Wu Mianqing, an employee of the Company, holding 10% of the equity interests in Shanghai Yongle as at the Latest Practicable Date;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company on 14 August 2009;
“Shareholder(s)”	registered holder(s) of issued share(s) of the Company;
“Shenzhen Yongle”	深圳前海雍勒信息技術服務有限公司 (Shenzhen Qianhai Yongle Information Services Limited*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong;
“%”	per cent.

** for identification purpose only*

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. Cheng Nga Ming Vincent
Mr. Cao Guoqi
Mr. Fung Weichang
Mr. Xiong Wensen
Mr. Song Xiangping

Registered Office:

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KY1-1111
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Non-executive Director:

Mr. Joe Zhang Huaqiao (*Chairman of the Board*)

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

Office No. 15, 38th Floor,
Hong Kong Plaza,
188 Connaught Road West,
Hong Kong

Independent Non-executive Directors:

Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin

5 February 2015

To the Shareholders,

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE
AND
PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME**

INTRODUCTION

The purpose of this circular is to provide you with: (i) details of the Proposed Refreshment of General Mandate and Refreshment of Scheme Mandate Limit; (ii) the recommendation from the Independent Board Committee relating to the Proposed Refreshment of General Mandate; (iii) a letter of advice from the Independent Financial Adviser, setting out, among other things, its advice and recommendation to the Independent Board Committee and the Independent Shareholders on the Proposed Refreshment of General Mandate; and (iv) the notice of EGM at which resolutions will be proposed to consider and, if thought fit, to approve the Proposed Refreshment of General Mandate and Refreshment of Scheme Mandate Limit.

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF GENERAL MANDATE

The Existing General Mandate

At the AGM held on 25 July 2014, an ordinary resolution was passed by the Shareholders for granting to the Directors the Existing General Mandate to allot, issue and otherwise deal with a maximum of 172,800,000 Shares, representing 20% of the then total nominal amount of the share capital of the Company in issue on the date of passing such resolution.

Reasons for the Proposed Refreshment of General Mandate

The Board announces that the Existing General Mandate given to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with up to 172,800,000 Shares, representing 20% of the then issued share capital of the Company as at 25 July 2014 (being the date of AGM) has been fully utilised after completion of the top-up placing of Shares and the subscription of new Shares announced on 24 September 2014 and 8 October 2014 respectively. If the Company does not propose for the refreshment of the general mandate, the Company can only seek for a new general mandate in the coming annual general meeting which is expected to be held at a date of around six months from the Latest Practicable Date.

On 15 October 2014 (after trading hours), Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle entered into the Option Framework Agreement to formalise the structure for the exercise of the BW Option to acquire 67% of the equity interests in Beijing Weike (which would result in controlling 90% equity interests in 開聯通網路技術服務有限公司 (Open Union Network Technology Services Limited*) (For details, please refer to the circular of the Company dated 29 December 2014). The acquisition of the Licence Company has been completed on 27 January 2015 and the Company plans to make quick progress in three strategic areas thereafter. Firstly, the Company can leverage on the nationwide Payment Service Licence, management and technology skills of the Licence Company to develop a standardized prepaid card platform to attract partnership with those small and medium-sized regional card issuers. Secondly, the Company can rapidly expand the acceptance network as well as its issuance channels introducing co-brand card programs with different partners in various industries. The Company has entered into various co-brand partnership arrangements with a number of partners such as 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.*) (“**Zhongchao Hismart**”), 易聯眾信息技術股份有限公司 (YLZ Information Technology Co., Ltd*, “**YLZ**”), and 北京七樂康科技有限公司 (Beijing Qilekang Technology Limited*, the “**Qilekang**”). In particular, in the coming six months, the Company will invest approximately RMB20 million and approximately RMB40 million into the Guangdong TourismCard project and other prepaid card projects respectively in collaboration with Zhongchao Hismart. The Company will also invest approximately RMB20 million and RMB5 million into a joint venture company in collaboration with YLZ (“**YLZ JV**”) and a joint venture company in collaboration with Qilekang (“**Healthcare Payment JV**”) respectively during the coming six-month period. The Company intends to seek further co-brand partnership opportunities in the future. Thirdly, with the Payment Service Licence of the Licence Company, the Company intends to develop personal and virtual prepaid card service business with a projected investment of approximately RMB10 million in the coming six months. Should the aforementioned strategies be implemented and materialized, the Company may require additional funding to support these developments and the Board would like to seek funding flexibility in order to seize the market opportunity as soon as possible.

* For identification purpose only

LETTER FROM THE BOARD

If approved by the Independent Shareholders at the EGM, the New General Mandate will authorise the Directors to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of the EGM. As at the Latest Practicable Date, the Company is not in any negotiation with any placing agent or parties for the utilization of the new general mandate. The Company intends to commence negotiation with placing agent(s) when definitive agreements are signed for further strategic cooperations or other potential future investment opportunities which requires significant capital to be contributed by the Group.

As of the Latest Practicable Date, the number of Shares in issue was 1,036,800,000 Shares. If the New General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Directors will be empowered to allot, issue and otherwise deal with up to 207,360,000 new Shares, representing 20% of the issued share capital of the Company as at the date of passing of such resolution. Any issue of new Shares is however subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

Sets out below is the capital fund raising activity conducted by the Company in the past twelve (12) months prior to the Latest Practicable Date:

Date of Announcements	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
28 March 2014	Placing of 144,000,000 existing shares at a placing price of HK\$1.46 per placing Share on a best effort basis and top-up subscription of 144,000,000 new Shares at a subscription price of HK\$1.46 per subscription Share	Approximately HK\$204 million	To finance the LC Acquisition and/or Possible Acquisition or otherwise as general working capital of the Group or towards other lucrative business and investment opportunities or as general working capital of the Group	(i) approximately HK\$175 million was used towards the LC Acquisition; (ii) approximately HK\$25 million was used as investment in Shanghai Koolcloud Technology Company Limited; and (iii) the remaining balance of HK\$4 million was used as general working capital (as to approximately HK\$3 million was used for legal and professional fees and as to approximately HK\$1 million was used to pay for salaries)

LETTER FROM THE BOARD

Date of Announcements	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
10 September 2014	(i) Placing of 104,310,000 existing shares at a placing price of HK\$1.46 per placing Share on a best effort basis and top-up subscription of 104,310,000 new Shares at a subscription price of HK\$1.46 per subscription Share; (ii) subscription of 68,490,000 new Shares at a subscription price of HK\$1.46 per Share	Approximately HK\$248 million	To finance the LC Acquisition, capital may be required under the strategic cooperation agreement between 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.*) and the Company or otherwise as general working capital of the Group or towards other lucrative business and investment opportunities or as general working capital of the Group	(i) approximately HK\$224 million was used to fund the LC Acquisition; (ii) approximately HK\$6 million was used as investment deposit for a company in China's payment industry; and (iii) approximately HK\$18 million was used as general working capital (as to approximately HK\$4 million was used to purchase IT equipment in support of PRC payment business, as to approximately HK\$5 million was used to pay for legal and professional fees, as to approximately HK\$6 million was used to pay for salaries and as to approximately HK\$3 million was used as prepayment for MCONE's suppliers)

Save as and except for the above, the Company had not conducted any other capital fund raising activities in the past twelve (12) months immediately prior to the Latest Practicable Date.

The Directors consider that it is in the interests of the Group and the Shareholders as a whole to grant the New General Mandate so as to maintain the financial flexibility necessary for the Company to raise funds through the issue of new Shares for its general working capital and/or future investment as and when the Directors think appropriate in the future. Apart from equity financing, the Group has also considered debt financing, such as bank borrowings, to be other possible fund raising alternatives available to the Group. However, the ability of the Group to obtain bank borrowings usually depends on its profitability and financial position as well as the prevailing market condition. Furthermore, such alternatives may be subject to lengthy due diligence by and negotiations with banks. In light that debt financing will usually incur interest burden on the Group, the Company considers debt financing to be relatively more uncertain and time-consuming as compared to equity financing through issue of new Shares under the

LETTER FROM THE BOARD

general mandate of the Company to obtain additional funding. With regard to equity financing, although both open offer and rights issue would allow the Shareholders to maintain their respective prorata shareholdings in the Company, such fund raising exercises would be relatively more time-consuming as compared with the placing of new Shares. Further, the Company has approached three placing agents in respect of possible rights issue or open offer and was informed that all three of the placing agents are unwilling to participate and thus, the Board believes it is not easy to procure placing agents or third party as underwriter. Besides, in light of the fact that the previous placements have been very successful, the Company was told that the placing agent(s) would prefer undertaking share placement over rights issue or open offer. Under such circumstances, the Company, after due and careful consideration, considers that issue of new Shares under the general mandate of the Company is the most practicable financing method available to the Company. On the other hand, the maximum dilution effect on the shareholding of the Company is limited to 20% of its issued share capital as at the date of the EGM and approximately 16.67% of its enlarged issued share capital immediately upon full utilisation of the New General Mandate. Therefore, the Board proposes to seek the approval of the Independent Shareholders in relation to the Proposed Refreshment of General Mandate at the EGM. However, notwithstanding the aforesaid, the Board would not preclude the possibility of undertaking a rights issue or open offer should market conditions and other circumstances change in future. As at the Latest Practicable Date, a total of 1,036,800,000 Shares were in issue. Subject to the passing of the ordinary resolution to be proposed for the Proposed Refreshment of General Mandate and on the basis that no Share will be issued or repurchased by the Company since the Latest Practicable Date and up to the date of the EGM, the Company will be allowed under the New General Mandate to issue a maximum of 207,360,000 new Shares.

The New General Mandate will, if granted, remain effective until the earliest of

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within the next annual general meeting of the Company is required to be held by the articles of association of the Company or any applicable law; and
- (iii) its revocation or variation by ordinary resolution of the Shareholders in general meeting.

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT UNDER SHARE OPTION SCHEME

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed on 14 August 2009 (the “**Adoption Date**”). Apart from the Share Option Scheme, the Company has no other share option scheme currently in force. Since the Adoption Date, a total of 132,000,000 Options have been granted. The Company has refreshed the scheme mandate limit of 72,000,000 Options on 20 December 2013 but the Company has utilised such limit in full on 22 September 2014 and no Options could be granted under the Scheme Mandate Limit.

As at the Latest Practicable Date, a total of 1,036,800,000 Shares were in issue and a total of 132,000,000 share option is outstanding since the adoption of Share Option Scheme. In view of the increase in issued share capital of the Company, the Refreshment of Scheme Mandate Limit will provide more flexibility to the Company. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the date of the EGM and that no further Options will be granted under the Share Option Scheme prior to the date of the EGM, the number of Shares that may fall to be allotted and issued upon exercise in full of the options that may be granted, after the relevant resolution is passed at the EGM, would be 103,680,000 Shares.

Pursuant to the terms of the Share Option Scheme and the GEM Listing Rules, the Scheme Mandate Limit shall not in any event result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company exceeding 30% of the Shares in issue from time to time.

As at the Latest Practicable Date, options carrying rights to subscribe for 132,000,000 Shares have been granted, of which 132,000,000 Option remained outstanding under the Share Option Scheme. Upon exercise of all outstanding options, 132,000,000 Shares would fall to be issued, representing approximately 12.7% of the existing issued share capital of the Company as at the Latest Practicable Date.

The Refreshment of Scheme Mandate Limit is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Refreshment of Scheme Mandate Limit; and
- (ii) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares that may be issued pursuant to the exercise of any share options that may be granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, any Shares, representing 10% of the issued share capital of the Company as at the date of the EGM approving the Refreshment of Scheme Mandate Limit, to be issued upon the exercise of the options granted under the refreshed Scheme Mandate Limit.

LETTER FROM THE BOARD

The Company proposes to seek the approval by the Shareholders on the Refreshment of Scheme Mandate Limit with a view to allowing the Company more flexibility to provide incentives or rewards to eligible participants for their contribution to the Group. The Directors consider that it will be for the benefit of the Company and the Shareholders as a whole that the eligible participants of the Share Option Scheme are granted rights to obtain equity holdings of the Company through the grant of Options. This will motivate the eligible participants to contribute to the success of the Group. For these reasons, the Directors will propose the passing of an ordinary resolution at the EGM for the Refreshment of Scheme Mandate Limit.

POTENTIAL DILUTION TO SHAREHOLDING OF THE INDEPENDENT SHAREHOLDERS

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purpose, upon the full utilisation of the New General Mandate (assuming no further Shares are issued or repurchased by the Company after the Latest Practicable Date and up to the date of the EGM):

	As at the Latest Practicable Date		Upon full utilisation of the Proposed Refreshed General Mandate	
	<i>No. of Shares</i>	<i>Approximate per cent.</i>	<i>No. of Shares</i>	<i>Approximate per cent.</i>
Mr. Cheng Nga Ming Vincent (<i>Note 1</i>)	174,500,000	16.83	174,500,000	14.03
Mr. Cao Guoqi (<i>Note 2</i>)	52,040,000	5.02	52,040,000	4.18
Existing Public Shareholders	810,260,000	78.15	810,260,000	65.12
Maximum number of new shares which may be issued under the New General Mandate	—	—	207,360,000	16.67
Total	<u>1,036,800,000</u>	<u>100.00</u>	<u>1,244,160,000</u>	<u>100.00</u>

Notes:

- 174,500,000 Shares were held by Tian Li Holdings Limited (“**Tian Li**”) which in turn is owned as to 70% and 30% by 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.
- Of 52,040,000 Shares, 51,270,000 were held by Probest Limited (“**Probest**”) which in turn is wholly-owned by Mr. Cao Guoqi (“**Mr. Cao**”), an executive Director. As Mr. Cao is the sole shareholder of Probest, he is deemed to be interested in these 51,270,000 Shares held by Probest under the SFO. The other 770,000 Shares were held by Ms. Zheng Lu who is the spouse of Mr. Cao. Accordingly, Mr. Cao is deemed to be interested in these 770,000 Shares held by Ms. Zheng Lu under the SFO.

LETTER FROM THE BOARD

Assuming that (i) the Proposed Refreshment of General Mandate is approved at the EGM; and (ii) no Shares are repurchased and no new Shares are issued from the Latest Practicable Date up to the date of the EGM (both dates inclusive), 172,800,000 Shares, which represent approximately 16.67% of the issued share capital of the Company as enlarged by the issue of such Shares, are to be issued upon full utilisation of the New General Mandate. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 78.15% to approximately 65.12% upon full utilisation of the New General Mandate.

IMPLICATION UNDER THE LISTING RULES

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Proposed Refreshment of General Mandate requires the approval of the Independent Shareholders at the EGM at which any controlling Shareholders (as defined under the GEM Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Proposed Refreshment of General Mandate. Accordingly, Mr. Cheng Nga Ming Vincent and Mr. Cao Guoqi and their respective associates, who in aggregate control or are entitled to exercise control over the voting right in respect of 226,540,000 Shares, representing approximately 21.85% of the total Shares in issue as at the Latest Practicable Date, will abstain from voting in favour of the resolution to approve the Proposed Refreshment of General Mandate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder have material interest in the proposed refreshment of the Scheme Mandate Limit and accordingly, no Shareholder is required to abstain from voting in the EGM to approve the Refreshment of Scheme Mandate Limit.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except for purely procedural or administrative matters. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement regarding the poll results will be published by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

The Independent Board Committee comprising Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Proposed Refreshment of General Mandate.

Proton Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate.

LETTER FROM THE BOARD

EGM

The notice convening the EGM to be held at 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong on Wednesday, 25 February 2015 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.chinasmartpay.com>). Whether or not you intend to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, to the share registrar of the Company in Hong Kong in Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding 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 if you so wish and in such event, the proxy form shall be deemed to have been revoked.

RECOMMENDATION

The Directors (including independent non-executive Directors having considered the advice from the Independent Financial Adviser on the Proposed Refreshment of General Mandate) consider that the Proposed Refreshment of General Mandate and Refreshment of Scheme Mandate Limit are in the interests of the Group and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM for approving the Proposed Refreshment of General Mandate and Refreshment of Scheme Mandate Limit.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers the Proposed Refreshment of General Mandate is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the relevant resolution to be proposed at the EGM to approve the Proposed Refreshment of General Mandate.

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 16 to 25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Proposed Refreshment of General Mandate and the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders in relation to the Proposed Refreshment of General Mandate.

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
Joe Zhang Huaqiao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the granting of the New General Mandate.

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)

5 February 2015

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated 5 February 2015 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the Proposed Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Proton Capital Limited has been appointed as the independent financial adviser to advise us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice and recommendation of the Independent Financial Adviser as set out in its letter of advice to us on pages 16 to 25 of the Circular, we are of the opinion that the terms of the Proposed Refreshment of General Mandate are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Refreshment of General Mandate.

Yours faithfully,

For and on behalf on the Independent Board Committee

Mr. Wang Yiming

Mr. Lu Dongcheng

Dr. Yuan Shumin

Independent non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Proton Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Proposed Refreshment of General Mandate for the purpose of inclusion in this circular.



Unit 1001, 10th Floor, Chuang's Tower,
30-32 Connaught Road Central, Hong Kong

5 February 2015

*To: The independent board committee and the independent shareholders
of China Smartpay Group Holdings Limited*

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with Proposed Refreshment of General Mandate, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 5 February 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, the Existing General Mandate given to the Directors to exercise the powers of the Company to issue up to 172,800,000 Shares, representing 20% of the then issued share capital of the Company as at 25 July 2014 (being the date of the AGM) has been fully utilized after completion of the top-up placing of Shares and subscription of new Shares announced on 24 September 2014 and 8 October 2014 respectively. Therefore, the Board proposes to seek approval of the Independent Shareholders to refresh the Existing General Mandate such that the Directors will be granted the authority to allot, issue and otherwise deal with the Shares up to 20% of the Company’s issued share capital as at the date of passing the relevant resolution at the EGM. Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Proposed Refreshment of General Mandate requires the approval of the Independent Shareholders at the EGM at which any controlling Shareholders (as defined in the GEM Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Proposed Refreshment of General Mandate and under Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by way of poll except for purely procedural or administrative matters. Accordingly, Mr. Cheng Nga Ming Vincent and Mr. Cao Guoqi and their respective associates, who in aggregate control or are entitled to exercise control over the voting right respect of 226,540,000 Shares, representing approximately 21.85% of the total Shares in issue as at the Latest Practicable Date, will abstain from voting in favour of the resolution to approve the Proposed Refreshment of General Mandate.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Proposed Refreshment of General Mandate. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect.

We are not connected with the directors, chief executive and substantial shareholders of the Company, the Group or their respective associates and do not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser (the “**Previous Engagement**”) in respect of the Company’s proposed refreshment of general mandate in December 2013 (for details please refer to the circular of the Company dated 4 December 2013) and May 2015, in which the latter had not been proceeded and our engagement lapsed accordingly. Under the Previous Engagement, we were required to express our opinion on and give recommendation to the Independent Board Committee and Independent Shareholders in respect of the aforesaid transaction. Apart from normal professional fees payable to us by the Company in connection with the Previous Engagement and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of their subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Directors have collectively and individually accepted full responsibility for the information contained in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 the Circular misleading.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the grant of New General Mandate. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital Limited is to ensure that such information has been correctly and fairly presented, extracted and reproduced from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Refreshment of General Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the grant of New General Mandate

The Group is principally engaged in operating electronic payment, trading and settlement platforms in the PRC, Hong Kong and Thailand.

At the annual general meeting of the Company held on 25 July 2014, the Directors were authorised to allot, issue and otherwise deal with up to 172,800,000 Shares, representing 20% of the then issued share capital of the Company as at 25 July 2014 (being the date of the AGM). The Existing General Mandate has been fully utilized after completion of the top-up placing of Shares and the subscription of new Shares announced on 24 September 2014 and 8 October 2014 respectively. If the Company does not propose for the refreshment of the general mandate, the Company can only seek for a new general mandate in the coming annual general meeting which is expected to held at a date of around six months from the Latest Practicable Date.

If the New General Mandate is not granted, no more new Share may be further allotted and issued by the Directors under the Existing General Mandate. Given that the Existing General Mandate has been fully utilised, the Board proposes to seek approval of the Independent Shareholders for the Proposed Refreshment of General Mandate such that the Directors will be granted the authority to allot, issue and deal with Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution at the EGM.

As at the Latest Practicable Date, the number of Shares in issue was 1,036,800,000 Shares. If the New General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Directors will be empowered to allot, issue and otherwise deal with up to 207,360,000 new Shares, representing 20% of the issued share capital of the Company as at the date of passing of such resolution. Any issue of new Shares is however subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(2) Reasons for the grant of New General Mandate

With reference to the Board Letter, on 15 October 2014 (after trading hours), Beijing Weike, Mr. Zhang, Shanghai Yongle, the Shanghai Yongle Shareholders and Shenzhen Yongle entered into the Option Framework Agreement to formalise the structure for the exercise of the BW Option to acquire 67% of the equity interests in Beijing Weike (which would result in controlling 90% equity interests in 開聯通網路技術服務有限公司 (Open Union Network Technology Services Limited*), details of the aforesaid were set out in the circular of the Company dated 29 December 2014. The acquisition of the Licence Company has been completed on 27 January 2015 and the Company plans to make quick progress in three strategic areas thereafter. Firstly, the Company can leverage on the nationwide Payment Service Licence, management and technology skills of the Licence Company to develop a standardized prepaid card platform to attract partnership with those small and medium-sized regional card issuers. Secondly, the Company can rapidly expand the acceptance network as well as its issuance channels introducing co-brand card programs with different partners in various industries. The Company has entered into various co-brand partnership arrangements with a number of partners such as Zhongchao Hismart, YLZ and Qilekang. In particular, in the coming six months, the Company will invest approximately RMB20 million and approximately RMB40 million into the Guangzhou TourismCard project and other prepaid card projects respectively in collaboration with Zhongchao Hismart. The Company will also invest approximately RMB20 million and RMB5 million into the YLZ JV in collaboration with YLZ and the Healthcare Payment JV in collaboration with Qilekang respectively during the coming six-month period. The Company intends to seek further co-brand partnership opportunities in the future. Thirdly, with the Payment Service Licence of the Licence Company, the Company intends to develop personal and virtual prepaid card service business with a projected investment of approximately RMB10 million in the coming six months. Should the aforementioned strategies be implemented and materialized, the Company may require additional funding to support these developments and the Board would like to seek funding flexibility in order to seize the market opportunity as soon as possible.

If approved by the Independent Shareholders at the EGM, the New General Mandate will authorise the Directors to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of the EGM. As at the Latest Practicable Date, the Company is not in any negotiation with any placing agent or parties for the utilization of the new general mandate. The Company intends to commence negotiation with placing agent(s) when definitive agreements are signed for further strategic co-operations or other potential future investment opportunities which requires significant capital to be contributed by the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having considered the above reasons from the Directors and the funding needs of the Company in respect of the above-mentioned projects in the next six months of RMB95 million in aggregate and based on our review of the budget and documents in relation to the above-mentioned projects as provided by the Company as well as the confirmation from the Company to us, we concur with the Directors that the Proposed Refreshment of General Mandate would allow the Directors to allot, issue and deal with Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution at the EGM and hence provide the necessary funding to the Group to finance the proposed acquisition upon exercise of the BW Option and general working capital. Accordingly, we are of the view that the Proposed Refreshment of the General Mandate and the grant of New General Mandate are in the interests of the Company and the Shareholders as a whole.

(3) Fund raising activities in the past twelve months

Sets out below is the capital fund raising activity conducted by the Company in the past twelve (12) months prior to the Latest Practicable Date:

Date of Announcements	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
28 March 2014	Placing of 144,000,000 existing shares at a placing price of HK\$1.46 per placing Share on a best effort basis and top-up subscription of 144,000,000 new Shares at a subscription price of HK\$1.46 per subscription Share	Approximately HK\$204 million	To finance the LC Acquisition and/or Possible Acquisition or otherwise as general working capital of the Group or towards other lucrative business and investment opportunities or as general working capital of the Group	(i) approximately HK\$175 million was used towards the LC Acquisition; (ii) approximately HK\$25 million was used as investment in Shanghai Koolcloud Technology Company Limited; and (iii) the remaining balance of HK\$4 million was used as general working capital (as to approximately HK\$3 million was used for legal and professional fees and as to approximately HK\$1 million was used to pay for salaries)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of Announcements	Description of the fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
10 September 2014	(i) Placing of 104,310,000 existing shares at a placing price of HK\$1.46 per placing Share on a best effort basis and top-up subscription of 104,310,000 new Shares at a subscription price of HK\$1.46 per subscription Share; (ii) subscription of 68,490,000 new Shares at a subscription price of HK\$1.46 per Share	Approximately HK\$248 million	To finance the LC Acquisition, capital may be required under the strategic cooperation agreement between 中鈔海思信息技術(北京)有限公司 (Zhongchao Hismart Information Technology (Beijing) Co., Ltd.*) and the Company or otherwise as general working capital of the Group or towards other lucrative business and investment opportunities or as general working capital of the Group	(i) approximately HK\$224 million was used to fund the LC Acquisition; (ii) approximately HK\$6 million was used as investment deposit for a company in China's payment industry; and (iii) approximately HK\$18 million was used as general working capital (as to approximately HK\$4 million was used to purchase IT equipment in support of PRC payment business, as to approximately HK\$5 million was used to pay for legal and professional fees, as to approximately HK\$6 million was used to pay for salaries and as to approximately HK\$3 million was used as prepayment for MCONE's suppliers)

Save as and except for the above, the Company had not conducted any other capital fund raising activities in the past twelve (12) months immediately prior to the Latest Practicable Date.

(4) Flexibility in financing

As advised by the Directors, given that no further Shares could be issued under the Existing general Mandate, the Directors believe that the grant of New General Mandate will provide the Group with the flexibility in financing upon exercise of the BW Option, which is in the interests of the Company and the Shareholders as a whole.

We consider that the grant of the New General Mandate would provide the Company with the flexibility as allowed under the Listing Rules to allot and issue Shares for equity fund raising activities, such as placing of Shares as and when such opportunities arise. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the grant of New General Mandate is in the interests of the Company and the Shareholders as a whole.

(5) Other financing alternatives

We have enquired with and understand from the Company that apart from equity financing, the Group has also considered debt financing, such as bank borrowings, to be other possible fund raising alternatives available to the Group. However, the ability of the Group to obtain bank borrowings usually depends on its profitability and financial position as well as the prevailing market condition. Furthermore, such alternatives may be subject to lengthy due diligence by and negotiations with banks. In light that debt financing will usually incur interest burden on the Group, the Company considers debt financing to be relatively more uncertain and time-consuming as compared to equity financing through issue of new Shares under the general mandate of the Company to obtain additional funding. With regard to equity financing, although both open offer and rights issue would allow the Shareholders to maintain their respective prorata shareholdings in the Company, such fund raising exercises would be relatively more time-consuming as compared with the placing of new Shares. We further enquired with and understand from the Company it has approached three placing agents in respect of possible rights issue or open offer and the Company was informed that all three of the placing agents are unwilling to participate and thus, the Board believes it is not easy to procure placing agents or third party as underwriter. Besides, in light of the fact that the previous placements have been very successful, the Company was told that the placing agent(s) would prefer undertaking share placement over rights issue or open offer. Under such circumstances, the Company, after due and careful consideration, considers that issue of new Shares under the general mandate of the Company is the most practicable financing method available to the Company. However, notwithstanding the aforesaid, the Board would not preclude the possibility of undertaking a rights issue or open offer should market conditions and other circumstances change in future.

The Directors confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief. With this being the case and in view that (i) the success of a rights issue/open offer exercise will depend on, among others, the Company's ability to secure an underwriter; (ii) the Company's unsuccessful experience in approaching certain placing agents in respect of possible rights issue or open offer; (iii) the grant of New General Mandate will provide the Company with an additional alternative; and (iv) it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the New General Mandate, which is intended to be utilized of for the acquisition of Beijing Weike, working capital for the Licence Company and prepare itself for any future business opportunities, is in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(6) Potential dilution to shareholding of the Independent Shareholders

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purpose, upon the full utilisation of the New General Mandate (assuming no further Shares are issued or repurchased by the Company after the Latest Practicable Date and up to the date of the EGM):

	As at the Latest Practicable Date		Upon full utilisation of the Proposed Refreshed General Mandate	
	<i>No. of Shares</i>	<i>Approximate per cent.</i>	<i>No. of Shares</i>	<i>Approximate per cent.</i>
Mr. Cheng Nga Ming Vincent (<i>Note 1</i>)	174,500,000	16.83	174,500,000	14.03
Mr. Cao Guoqi (<i>Note 2</i>)	52,040,000	5.02	52,040,000	4.18
Existing Public Shareholders	810,260,000	78.15	810,260,000	65.12
Maximum number of new shares which may be issued under the New General Mandate	—	—	207,360,000	16.67
Total	<u>1,036,800,000</u>	<u>100.00</u>	<u>1,244,160,000</u>	<u>100.00</u>

Notes:

1. 174,500,000 Shares were held by Tian Li Holdings Limited (“**Tian Li**”) which in turn is owned as to 70% and 30% by 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. Of 52,040,000 Shares, 51,270,000 were held by Probest Limited (“**Probest**”) which in turn is wholly-owned by Mr. Cao Guoqi (“**Mr. Cao**”), an executive Director. As Mr. Cao is the sole shareholder of Probest, he is deemed to be interested in these 51,270,000 Shares held by Probest under the SFO. The other 770,000 Shares were held by Ms. Zheng Lu who is the spouse of Mr. Cao. Accordingly, Mr. Cao is deemed to be interested in these 770,000 Shares held by Ms. Zheng Lu under the SFO.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The table above illustrates that the shareholdings of the existing public Shareholders would decrease from approximately 78.75% as at the Latest Practicable Date to approximately 65.12% upon full utilisation of the New General Mandate (assuming no other Shares are issued or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, both dates inclusive). Such potential dilution to the shareholdings of the existing public Shareholders represents a dilution of approximately 13.60 percentage point.

We have noted that the Company has conducted certain fund raising exercises under general mandate in the past 15 months (the “**Former Fund Raising Activities**”) and all the general mandates were almost fully utilized. If all of these fund raising dilution impact and the New General Mandate is considered together, the dilution effect is more than 50%. We also noted that the Former Fund Raising Activities has enhanced the asset base and improve the liquidity level of the Group, strengthened the financial position of the Group and provided the Group with important funding for its business development.

Having considered the benefits of the Former Fund Raising Activities as stated above and further taking into account that (a) the Company’s unsuccessful experience in approaching certain placing agents in respect of possible rights issue or open offer but the success of a rights issue/open offer exercise will depend on, among others, the Company’s ability to secure an underwriter; (b) the possible funding needs of the Company in the next few months as detailed in the section headed “Reasons for the grant of New General Mandate” in this letter; and (c) above and further taking into account that the grant of the New General Mandate (i) would provide an alternative to increase the amount of capital which may be raised under the New General Mandate; (ii) would provide more options of financing to the Group; (iii) the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate; and (iv) would ensure the Company having sufficient general mandate to raise fund by equity means, if so required, to finance its expansion and development until the general mandate is approved in the next annual general meeting, we are of the opinion that the potential dilution to the shareholdings of the existing public Shareholders is acceptable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Proposed Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Refreshment of General Mandate and we recommend the Independent Shareholders to vote in favour of the ordinary resolution in this regard.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Josephine Lau
Director – Corporate Finance

Note: Ms. Josephine Lau has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2012 and 2007, respectively. She has more than 13 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of capital fund raising exercises and refreshment of general mandate of listed companies in Hong Kong.

NOTICE OF EGM

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 “**Meeting**”) of China Smartpay Group Holdings Limited (the “**Company**”) will be held at 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong on Wednesday, 25 February 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) subject to paragraph (c), the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company (“**Shares**”) and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period (as defined in paragraph (d) below) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to
 - (i) a Rights Issue (as defined in paragraph (d) below);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) scrip dividend scheme or similar arrangement of the Company; or
 - (iv) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares,

NOTICE OF EGM

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the articles of association of the Company or any applicable law; and
- (iii) the revocation or variation of this resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

2. “**THAT** the maximum number of options (the “**Scheme Mandate Limit**”) for Shares of HK\$0.01 each in the share capital the Company which could be granted pursuant to the share option scheme of the Company adopted on 14 August 2009 (the “**Share Option Scheme**”) be refreshed provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10 per cent. of the issued share capital of the Company as at the date of passing of this resolution.”

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

Hong Kong, 5 February 2015

NOTICE OF EGM

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. 15, 38th Floor,
Hong Kong Plaza,
188 Connaught Road West,
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxies to attend and to vote on a poll in his/her stead. On a poll, votes may be given either in person (or in case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the Meeting in person or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of 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 not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the Meeting if he/she so wishes. In the event that a shareholder who has lodged the form of proxy attends the Meeting, his/her form of proxy will be deemed to have been revoked.
5. The resolution set out in this notice of Meeting will be voted by way of a poll.