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China Innovationpay Group Limited

中國創新支付集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

**PLACING OF NEW SHARES UNDER GENERAL MANDATE
AND
RESUMPTION OF TRADING**



THE PLACING AGREEMENT

After the trading hours of the Stock Exchange on 12 February 2014, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavours basis, up to 200,000,000 Placing Shares, to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties at a price of HK\$0.64 per Placing Share which represents (i) a discount of approximately 18.99% to HK\$0.79 which is the closing price of the Shares as quoted on the Stock Exchange as at the Last Trading Day; and (ii) a discount of approximately 15.79% to the average closing price of HK\$0.76 per Share for the five consecutive trading days immediately prior to and including the Last Trading Day. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 30 April 2013.

The maximum number of 200,000,000 Placing Shares represent (i) approximately 4.2% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.0% of the issued share capital of the Company as enlarged by the Placing (assuming the Placing is placed in full). The aggregate nominal value of the Placing Shares under the Placing (assuming the Placing is placed in full) will be HK\$2,000,000. It is expected that no Placee will become a substantial shareholder (as defined under the GEM Listing Rules) of the Company immediately upon completion of the Placing.

Assuming all the Placing Shares to be placed under the Placing Agreement have been placed, the maximum gross proceeds from the Placing will be approximately HK\$128,000,000 and the maximum net proceeds will be approximately HK\$126,940,000 (after deduction of commission and other expenses of the Placing). On such basis, the net issue price will be approximately HK\$0.6347 per Placing Share.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Tuesday, 11 February 2014 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Thursday, 13 February 2014.

Completion the Placing is subject to the fulfilment of the condition(s) as set out in the Placing Agreement and the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

12 February 2014 (after the trading hours of the Stock Exchange)

Issuer

The Company

Placing Agent:

CCB International Capital Limited

The Placing Agent has conditionally agreed to place up to 200,000,000 Placing Shares, on a best endeavours basis, to the Placees. The Placing Agent will receive a placing commission of 0.75% of the aggregate Placing Price of the Placing Shares placed by or on behalf of the Placing Agent on behalf of the Company pursuant to its obligations under the Placing Agreement or HK\$500,000, whichever is higher. The commission will be paid upon completion of the Placing. Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market condition.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Placing Agent is an Independent Third Party (other than, as at the date of this announcement, 199,500,000 Shares which represent approximately 4.2% of the issued share capital of the Company is held by CCB International Asset Management Limited. Chance Talent Management Limited will, upon request made to Mighty Advantage Enterprises Limited, the substantial shareholder (as defined

under the GEM Listing Rules) of the Company, be entitled to convertible bonds pursuant to which a maximum of 38,360,000 Shares can be allotted and issued upon full conversion of the same. The Placing Agent, CCB International Asset Management Limited and Chance Talent Limited are wholly-owned subsidiaries of CCB International Holdings Limited, which is a wholly-owned subsidiary of China Construction Bank Corporation).

Placees:

The Placing Shares are to be placed to not less than six Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties. None of the Placees to be procured by the Placing Agent will, immediately upon completion of the Placing, become a substantial shareholder (as defined under the GEM Listing Rules) of the Company. If any of the Placees becomes a new substantial shareholder of the Company following the completion of the Placing, further announcement will be made by the Company.

Placing Price:

The Placing Price of HK\$0.64 per Placing Share represents:

- (i) a discount of approximately 18.99% to HK\$0.79 which is the closing price of the Shares as quoted on the Stock Exchange as at the Last Trading Day; and
- (ii) a discount of approximately 15.79% to the average closing price of HK\$0.76 per Share for the five consecutive trading days immediately prior to and including the Last Trading Day.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to, among other matters, the prevailing market prices of the Shares and the capital requirement for the future development of the Group.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Assuming all the Placing Shares to be placed under the Placing Agreement have been placed, the maximum gross proceeds from the Placing will be approximately HK\$128,000,000 and the maximum net proceeds will be approximately HK\$126,940,000 (after deduction of commission and other expenses of the Placing). On such basis, the net issue price will be approximately HK\$0.6347 per Placing Share.

Placing Shares:

The maximum number of 200,000,000 Placing Shares represented (i) approximately 4.2% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.0% of the issued share capital of the Company as enlarged by the Placing (assuming the Placing is placed in full). The aggregate nominal value of the Placing Shares under the Placing (assuming the Placing is placed in full) will be HK\$2,000,000.

Ranking of the Placing Shares:

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

Conditions of the Placing:

Completion of the Placing is conditional upon (unless otherwise waived by the Placing Agent):

- (i) trading in the Shares on the Stock Exchange not having been suspended for any single consecutive period of more than three Business Days during any time prior to completion of the Placing (save for any temporary suspension for the purpose of issuing the announcement(s) in respect of the Placing (if any));
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares to be placed pursuant to the Placing Agreement on or before 20 February 2014 or such later date as the Company and the Placing Agent may agree in writing ("**Long Stop Date**");
- (iii) there being no breach of any of the warranties, representations and/or undertakings given by the Company under the Placing Agreement.

If the above conditions shall not be satisfied on or before the Long Stop Date (unless otherwise waived by the Placing Agent), the obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the Placing Agent or the Company shall have any claim against the other in relation to the Placing Agreement (save in respect of any antecedent breaches of any obligation thereunder).

Completion:

Completion of the Placing shall take place on the next Business Day after the fulfilment of the above conditions or on such other date as the Company and the Placing Agent may agree in writing.

Mandate to allot and issue the Placing Shares:

The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 30 April 2013. Under the General Mandate, the Company is authorised to issue up to 941,427,891 Shares. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the date of the Placing Agreement. The allotment and issue of the Placing Shares is not subject to the Shareholders' approval.

Other term:

The Company undertakes to the Placing Agent save for the Placing as contemplated under the Placing Agreement not to offer, issue, sell or contract or agree to issue or sell, issue options or contract or agree to issue or grant options in respect of or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares or any other securities exercisable or exchangeable for or convertible into, or substantially similar to, the Shares or enter into any transaction with the same economic effect as any of the foregoing or to repurchase any securities of the Company for the period commencing on the date of the Placing Agreement and expiring on a date not less than three months from the completion date of the Placing, without the prior written consent of the Placing Agent (which consent shall not be unreasonably withheld).

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Placing (assuming there will not be any change in the issued share capital of the Company from the date of this announcement to the completion of the Placing save for the allotment and issue of the Placing Shares):

	As at the date of this announcement		Immediately after completion of the Placing	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Mighty Advantage Enterprises Limited	1,158,950,000	24.4	1,158,950,000	23.4
Public Shareholders	3,591,771,457	75.6	3,591,771,457	72.6
Placees	—	—	200,000,000	4.0
Total:	<u>4,750,721,457</u>	<u>100%</u>	<u>4,950,721,457</u>	<u>100%</u>

Note: Mighty Advantage Enterprises Limited (“Mighty Advantage”) is a limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Guan Guisen, an executive Director and the chairman of the Company.

In addition to the 1,158,950,000 Shares currently held by Mighty Advantage, Mighty Advantage is also deemed to be interested in 1,533,950,000 Shares as a result of its interest in a maximum of 375,000,000 Shares to be allotted and issued by the Company upon full conversion of the convertible bonds in the outstanding principal amount of HK\$120,000,000 issued by the Company on 29 March 2012. In aggregate, Mighty Advantage is deemed to be interested in 1,533,950,000 Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is an investment holding company. Its subsidiaries are principally engaged in three segments, namely (i) General trading: trading of electronic products, network hardware equipment, financial equipment and communication products; (ii) Prepaid card business: the operations of prepaid card business, including the issuance of various prepaid cards, part of which have multiple functions, in the PRC and recently in Hong Kong and sale of mobile recharge cards; (iii) Others: development and operation of tourism VIP card products, online booking services of air tickets and hotels for individual and corporate customers.

The Company intends to use the proceeds of approximately HK\$128 million before expenses from the Placing in the following manner:

- (1) as to approximately HK\$70 million for the operation and expansion of the “高匯通•微樂付卡”;
- (2) as to approximately HK\$30 million for the development and operation of the comprehensive merchant services system;
- (3) the balance of the net proceeds, being approximately HK\$28 million as working capital of the Company.

The Directors are of the view that the Placing can provide working capital to the Group for the operation and expansion of “高匯通•微樂付卡” and the development and operation of the comprehensive merchant services system. The Placing also represents good opportunities to broaden the shareholders’ base and the capital base of the Company. The Directors consider that the Placing is in the interest of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not completed any fund raising activities in the past 12 months immediately preceding the date of this announcement.

GENERAL

The Placing Shares will be issued under the General Mandate and therefore the Placing will not be subject to any Shareholders’ approval.

Applications will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Placing Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Tuesday, 11 February 2014 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Thursday, 13 February 2014.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 30 April 2013 at which, among other things, the General Mandate was granted to the Directors
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	China Innovationpay Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue or otherwise deal with additional Shares not exceeding 20% of the aggregate nominal amount of the then issued share capital of the Company as at the date of AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) not connected with the Company and any of its connected persons or their respective associates as defined in the GEM Listing Rules
“Last Trading Day”	10 February 2014, being the last trading day of the Shares on the Stock Exchange before the suspension of trading in the Shares pending the publication of this announcement
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange

“Placees”	any individuals, corporate, institutional investors or other investors to be procured by or on behalf of the Placing Agent under the Placing
“Placing”	the offer by way of placing of the Placing Shares by or on behalf of the Placing Agent to the Placee(s), on a best endeavours basis, on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	CCB International Capital Limited, a licensed corporation with the Securities and Futures Commission to carry out businesses in type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in Hong Kong
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 12 February 2014 in relation to the Placing under General Mandate
“Placing Price”	HK\$0.64 per Placing Share
“Placing Shares”	a maximum of 200,000,000 new Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board of
China Innovationpay Group Limited
Guan Guisen
Chairman

Hong Kong 12 February 2014

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Guan Guisen, Dr. Lei Chunxiong and Mr. Cao Chunmeng; and three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Wang Zhongmin and Mr. Gu Jiawang.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the Company’s website at www.innovationpay.com.hk.