

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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Innovationpay Group Limited (the “Company”), you should at once hand this circular, together with the enclosed 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, 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 (the “GEM”) of the Stock Exchange 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.



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)

ISSUE OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of the Company (the “SGM”) to be held at Yue Function Room, First Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Monday, 29 June 2015, is set out on pages 34 to 35 of this circular. A form of proxy for use by the shareholders of the Company at the SGM (or any adjournment thereof) is also enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Secretary of the Company at the Company’s principal place of business and head office in Hong Kong at Unit 2708, 27/F., The Center, 99 Queen’s Road Central, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) in person if you so wish. This circular will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.innovationpay.com.hk.

9 June 2015

CHARACTERISTICS OF THE 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.

TABLE OF CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	4
2. Issue of Unlisted Warrants under Specific Mandate	4
3. Special General Meeting	18
4. Voting by Poll	18
5. Recommendation	19
Appendix I – Valuation Report	20
Appendix II – Adjustments of Subscription Price	26
Notice of SGM	34

DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company as may be amended from time to time
“Company”	China Innovationpay Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Warrants”	the non-listed warrants issued by the Company on 27 July 2012 which entitle the holder thereof to subscribe for the Existing Warrant Shares at any time during a period of five (5) years commencing from the date of issue of the Existing Warrants (i.e. 27 July 2012). For details, please refer to the announcements dated 16 July 2012 and 27 July 2012 issued by the Company. As at the Latest Practicable Date, all Existing Warrants have been exercised
“Existing Warrant Shares”	the new Shares to be allotted and issued by the Company upon the exercise of the subscription rights by the holder thereof attaching to the Existing Warrants
“First Supplemental Agreement”	the supplemental agreement dated 5 March 2015 to the Subscription Agreement entered into between the Company and the Subscriber
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto in the GEM Listing Rules

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and is/are not connected persons of the Company
“Issue Price”	HK\$0.002 per Warrant to be issued pursuant to the Warrant Subscription
“Last Trading Day”	6 February 2015, being the last trading day of the Shares before the date of the announcement issued by the Company on 6 February 2015
“Latest Practicable Date”	5 June 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Notice”	the notice convening the SGM as set out on pages 34 to 35 of this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second Supplemental Agreement”	the supplemental agreement dated 29 May 2015 to the Subscription Agreement (as amended and supplemented by the First Supplemental Agreement) entered into between the Company and the Subscriber
“SGM”	the special general meeting of the Company to be held at Yue Function Room, First Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Monday, 29 June 2015, the Notice of which is set out on pages 34 to 35 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the mandate to be sought at the SGM for the allotment and issue of the Warrants and the Warrant Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Greater China Select Fund, the subscriber of the Warrants
“Subscription Agreement”	the subscription agreement dated 6 February 2015 entered into between the Company and the Subscriber, as amended and supplemented by the Supplemental Agreements
“Subscription Period”	five (5) years commencing from the date on which the Warrants are issued
“Subscription Price”	HK\$0.72 per Warrant Share (subject to adjustments)
“Supplemental Agreements”	the First Supplemental Agreement and the Second Supplemental Agreement
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Valuation Report”	the valuation report dated 5 June 2015 issued by the Valuer on the Warrants
“Valuer”	Grant Sherman Appraisal Limited, an independent valuer appointed by the Company for the valuation of the Warrants
“Warrant(s)”	the non-listed warrants constituted by the warrant instrument which entitle the Subscriber to subscribe for the Warrant Shares at the Subscription Price
“Warrant Share(s)”	the new Share(s) to be allotted and issued by the Company upon the exercise by the Subscriber of its subscription rights attaching to the warrants
“Warrant Subscription”	the issue by the Company of, and the subscription by the Subscriber for, the Warrants
“%”	per cent



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)

Executive Directors:

Guan Guisen
Lei Chunxiong
Cao Chunmeng
Yan Xiaotian

Registered office:

Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

Independent Non-Executive Directors:

Fong Chi Wah
Wang Zhongmin
Gu Jiawang

*Principal place of business
and head office in Hong Kong:*

Unit 2708, 27/F
The Center
99 Queen's Road Central
Hong Kong

9 June 2015

To the Shareholders

Dear Sir or Madam,

**ISSUE OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to give you Notice of the SGM and to provide you with information regarding certain resolutions to be proposed at the SGM to enable you to make an informed decision on whether to vote for or against those resolutions at the SGM.

2. ISSUE OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE

Reference is made to the announcements of the Company dated 6 February 2015, 5 March 2015 and 29 May 2015 (the "February Announcement", the "March Announcement" and the "May Announcement", respectively). As disclosed in the February Announcement, the Company and the Subscriber entered into the Subscription Agreement whereby the Company agreed to issue and the Subscriber agreed to subscribe for the Warrants at the Issue Price of HK\$0.002 per Warrant.

LETTER FROM THE BOARD

As stated in the February Announcement, the Warrant Shares will be allotted and issued under the general mandate to issue Shares granted to the Directors by the Shareholders at the annual general meeting of the Company held on 5 May 2014 (the “**General Mandate**”). However, subsequent to the issue of the February Announcement and as disclosed in the March Announcement, the Stock Exchange has decided to impose a number of additional conditions to approving the issue of the Warrants and the listing application of the Warrant Shares, requiring the Company to (i) put the Warrant Subscription to the Shareholders for prior approval; (ii) engage an independent valuer to conduct a valuation of the Warrants; (iii) include the valuation report in this circular and account for any significant difference between the valuation and the Issue Price; and (iv) declare in this circular whether the Company has entered, or proposed to enter, into any other agreements, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with the Subscriber.

In light of the decision of the Stock Exchange requiring the Company to put the Warrant Subscription to the Shareholders for approval at the SGM, the Company intends to take the opportunity to seek for the Shareholders’ approval to have the Warrant Shares to be issued under Specific Mandate instead of the General Mandate. Accordingly, on 5 March 2015, the Company and the Subscriber entered into the First Supplemental Agreement pursuant to which, among others, the Subscription Agreement is amended to the effect that completion of the Warrant Subscription shall be subject to, in addition to two other conditions, the Shareholders passing the resolution(s) at a general meeting of the Company to approve (i) the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Warrants; and (ii) the grant of the Specific Mandate. For details, please refer to the March Announcement.

Further details of the Warrants are set out below and the Valuation Report in respect of the Warrants prepared by the Valuer is set out in Appendix I hereto.

THE SUBSCRIPTION AGREEMENT

Below is a summary of the principal terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreements):

Date

The Subscription Agreement, the First Supplemental Agreement and the Second Supplemental Agreement were entered into between the Company and the Subscriber on 6 February 2015, 5 March 2015 and 29 May 2015, respectively.

Issuer

The Company

Subscriber

Greater China Select Fund

LETTER FROM THE BOARD

Conditions

Completion of the Warrant Subscription shall be subject to and conditional upon, the following conditions:

- (1) (if required) the GEM Listing Committee shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object and the satisfaction of such conditions;
- (2) the GEM Listing Committee shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and the permission to deal in, the Warrant Shares; and
- (3) the Shareholders passing the resolution(s) at a general meeting of the Company to approve the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Warrants and the grant of the Specific Mandate for the allotment and issue of the Warrant Shares.

If the above conditions are not fulfilled at or before 5:00 p.m. (Hong Kong time) on 31 July 2015 or such later date as may be agreed between the Company and the Subscriber, the Subscription Agreement will lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liabilities for any antecedent breaches of the provisions in the Subscription Agreement

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Shareholders and potential investors should note that completion of the Warrant Subscription is subject to the fulfillment of the above conditions. As the issue of Warrants may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Completion

Completion of the Warrant Subscription shall take place within three (3) business days after the date on which all conditions set out in the paragraph headed "Conditions" above have been fulfilled.

LETTER FROM THE BOARD

Principal terms of the Warrants

A summary of the principal terms of the Warrants is set out as follows:

- Number of Warrants : The Warrants, to be issued by the Company at the Issue Price, conferring the rights to the holders thereof to subscribe for up to HK\$381.60 million in aggregate for the Warrant Shares. Based on the initial Subscription Price of HK\$0.72 per Warrant Share (subject to adjustments) and assuming that there will not be any change in the issued share capital of the Company before the exercise of the subscription rights attaching to the Warrants in full (other than the issue of the Warrant Shares), upon exercise of the subscription rights attaching to the Warrants in full, a maximum of 530,000,000 Warrant Shares will be allotted and issued, representing approximately 9.32% of the existing issued share capital of the Company and approximately 8.53% of the issued share capital as enlarged by the issue of the Warrant Shares.
- Status and Form : The Warrants will be issued in registered form and constituted by a deed poll and they will rank *pari passu* in all respects among themselves.
- Issue Price : The Issue Price is HK\$0.002 per Warrant payable in cash.
- Adjustment of the Subscription Price and the number of Warrant Shares issuable : Both the Subscription Price and the aggregate number of the Warrant Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants in full are subject to adjustment based on the prescribed formulas as set out in the instrument constituting the Warrants upon occurrence of the following adjustment events:
- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

LETTER FROM THE BOARD

- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution in cash or in specie other than out of distributable profits of the Company being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such); or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 90 per cent. of the market price of one Share on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Shares or other persons) (the “**Market Price**”);
- (v) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for shares, if in any case the total effective consideration per new Share is less than 90 per cent. of the Market Price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 90 per cent. of such Market Price; and
- (vi) an issue of Shares being made wholly for cash at a price less than 90 per cent. of the market price.

Every adjustment to the Subscription Price shall be certified either (at the option of the Company) by the auditors of the Company or by an approved merchant bank.

LETTER FROM THE BOARD

For more details in relation to the adjustments of Subscription Price, please refer to “Appendix II – Adjustments of Subscription Price” to this circular.

It is expected that the exercise price of the Company’s outstanding share options would not be subject to adjustment upon completion of the Warrant Subscription.

- Subscription Period : The subscription rights attaching to the Warrants may be exercised at any time during the Subscription Period of five (5) years commencing from the date of issue of the Warrants at integral multiples of 10,000,000 Warrants.
- Transferability : The Warrants shall be transferable in integral multiples of 10,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 10,000,000, the whole but not in part of the outstanding Warrants) by instrument of transfer in any usual or common form or such other form as may be approved by the Directors. In the event of a transfer of the Warrants to a connected person of the Company, prior approval from the Company and the Stock Exchange shall be obtained.
- Rights of holders of the Warrants : The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.
- Listing : The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the GEM or any other stock exchanges.
- Specific Mandate to issue the Warrants : The Warrants and the Warrant Shares will be allotted and issued pursuant to the Specific Mandate. The Company will seek the grant of the Specific Mandate from the Shareholders at the SGM.

LETTER FROM THE BOARD

Use of proceeds

The gross proceeds from the Warrant Subscription is HK\$1,060,000 and the net proceeds from the Warrant Subscription, after deduction of related expenses, is estimated to be approximately HK\$860,000. It is intended that the net proceeds from the Warrant Subscription of approximately HK\$860,000 will be applied as general working capital of the Group.

The additional gross proceeds and net proceeds from the exercise of the subscription rights attaching to the Warrants in full will be approximately HK\$381.60 million and HK\$381.40 million respectively. The additional net proceeds from the exercise of the subscription rights attaching to the Warrants in full are intended to be utilised by the Group for its general working capital and as funds for future business development.

As at the Latest Practicable Date, the Company confirmed that it has not identified any material investment opportunity which requires the use of the aforesaid additional proceeds from the exercise of the subscription rights attaching to the Warrants.

Assuming the subscription rights attaching to the Warrants are exercised in full, the total net proceeds to be raised, including the net proceeds raised by the Warrant Subscription, would amount to approximately HK\$382.26 million.

As at 31 December 2014, the Group had net current asset of approximately HK\$225,695,000 and cash and bank balance of approximately HK\$162,595,000. The Company currently expects that the Group will have sufficient working capital in the next twelve months in the event that the Subscriber does not exercise the Warrants.

The net price per Warrant Share, which is calculated by dividing the aggregate net proceeds from the issue and full exercise of the Warrants at the initial Subscription Price by the initial maximum number of Warrant Shares, is approximately HK\$0.719.

Information of the Subscriber

The Subscriber is Greater China Select Fund, which is managed by OP Investment Management Limited (“OPIM”), a hedge fund manager based in Hong Kong with over US\$200 million in assets under management. The management of the Company made its acquaintance with OPIM, the investment manager of the Subscriber, through the Company’s investor relation activities conducted over the years.

To the best of Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber, OP Investment Management Limited (its investment manager) and their respective ultimate beneficial owners is an Independent Third Party who is independent of and not connected with the Company and its connected persons.

Save for the entering into of the Subscription Agreement and the Supplemental Agreements, the Subscriber has not entered into and does not propose to enter into any other agreements, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with the Company and its connected persons. To the best knowledge, information and belief of the Directors, as at the date of the Subscription Agreement, save for publicly available information in connection with the Company (if any), the Subscriber is not in possession of any potential deal or inside information about the Company that might crystallise during the Subscription Period.

LETTER FROM THE BOARD

Having noted that the Company had issued 300 million Existing Warrants in July 2012 and only 80 million Existing Warrants remain outstanding in January 2015, OPIM approached the Company in late January 2015 for its interest in subscribing for new warrants of the Company based on terms similar to those of the Existing Warrants.

The Subscription Price is already at a premium of 20% to 30% of the then prevailing closing prices before the date of the Subscription Agreement, the Company has not approached any other potential investor for the Warrant Subscription. In addition, given the terms of the Warrant Subscription are identical to those of the Existing Warrants in all material respects and that OPIM is a professional investment manager comparable to Senrigan Capital Group Limited, the investment manager of the subscriber of the Existing Warrants, the Company is of the view that the Subscriber can bring in stated benefit to the Company.

Issue Price

The Issue Price is HK\$0.002 per Warrant payable in cash. The net Issue Price per Warrant, after deduction of the related expenses, is approximately HK\$0.0016.

The Issue Price is HK\$0.002 is determined based on arm's length negotiations between the Company and the Subscriber after considering the following:

1. pricing of warrant issuances of other companies listed on the Stock Exchange in the past 6 months prior to the Subscription Agreement;
2. financial impact of issue price of the Company; and
3. the issue price of the Existing Warrants.

The Company has identified 11 warrant placement transaction comparables (i) announced by other companies that are listed on the Stock Exchange during the six months immediately before the date of the Subscription Agreement which have not been terminated or lapsed up to the date of the Subscription Agreement; (ii) which are not listed on the Stock Exchange; and (iii) are not attached to any other securities, for reference (refer to collectively as the “**Comparables**”).

	Company name	Stock code	Date of announcement	Issue price per warrant as disclosed in the announcement (HK\$)	Theoretical value of each warrant according to Bloomberg (HK\$)	Discount/ (premium) of the issue price to the theoretical value
1	National Agricultural Holdings Limited	1236	28-Jan-15	0.189	1.09	82.66%
2	Tian Shan Development (Holdings) Limited	2118	21-Jan-15	0.43	0.43	0.00%
3	Ping Shan Tea Group Limited	364	2-Dec-14	0.01	0.06	83.33%

LETTER FROM THE BOARD

	Company name	Stock code	Date of announcement	Issue price per warrant as disclosed in the announcement (HK\$)	Theoretical value of each warrant according to Bloomberg (HK\$)	Discount/ (premium) of the issue price to the theoretical value
4	China Creative Home Group Limited	1678	13-Nov-14	0.105	0.16	34.38%
5	China Putian Food Holdings Limited (Note (i))	1699	31-Oct-14	0.01	0.21	95.24%
6	PPS International (Holdings) Limited (Note (ii))	8201	29-Oct-14 20-Nov-14	0.01 0.02	0.87 0.18	98.85% 88.89%
7	Synertone Communication Corporation	1613	28-Aug-14	0.01	0.45	97.78%
8	China Natural Investment Company Limited	8250	18-Aug-14	0.01	0.05	80.00%
9	Labixiaoxin Snacks Group Limited	1262	18-Aug-14	0.01	0.55	98.18%
10	Global Link Communications Holdings Limited	8060	5-Aug-14	0.001	0.08	98.75%
11	Honworld Group Limited	2226	1-Aug-14	0.1	1.80	94.44%
				Maximum		0%
				Minimum		98.85%
				Average		79.38%
	The Company	8083	6-Feb-15	0.002	0.34	99.42%

Source: the website of the Stock Exchange, Bloomberg

Notes:

- (i) Subsequent to the execution of the Subscription Agreement, it is noted that China Putian Food Holdings Limited announced on 3 March 2015 that the warrant issue has been terminated.
- (ii) PPS International (Holdings) Limited issued an announcement on 20 November 2014 disclosing that it has entered into a supplemental agreement on the even date with the subscriber to amend the subscription price and the exercise price and number of warrants to be issued on the basis that it has completed a share subdivision of each issued and unissued share into ten subdivided shares on 17 November 2014.

As shown in the above table, save for Tian Shan Development (Holdings) Limited whose issue price is the same as the theoretical value applying the Black-Scholes Model quoted on Bloomberg, the issue prices of the Comparables ranged from a discount of approximately 80% to 98.85% to the theoretical value applying Black-Scholes Model quoted on Bloomberg (the “**Market Range**”), and discount of the Issue Price over the theoretical value of the Warrant applying Black-Scholes Model quoted by Bloomberg (the “**Black-Scholes Value**”) approximates the low end range of the Market Range of approximately 98.85% and is above the average Market Range of approximately 79.38%.

LETTER FROM THE BOARD

The Directors consider the pricing of the Warrants at the Issue Price of HK\$0.002 is comparable to those of the Comparables (which represent a deep discount to the theoretical value quoted by Bloomberg) and is consistent with the Directors' observation that theoretical value using valuation model like Black-Scholes Model quoted by Bloomberg as a pricing benchmark is not common in Hong Kong capital market for unlisted warrant issuance.

The Company issued 300,000,000 Existing Warrants in July 2012 at the issue price of HK\$0.002 (same as the Issue Price) each. Subsequent to the issue of the Existing Warrants, all the Existing Warrants have been exercised up to the Latest Practicable Date and raised some gross proceeds for the Group. Based on this, the Directors consider that the Issue Price is appropriate. In addition, the issue of the Warrants enables the Group to have an immediate net cash inflow in the form of net proceeds from Warrant Subscription of approximately HK\$860,000, and the Directors do not foresee any material adverse impact to the financial or business operation of the Group due to the issue of the Warrants.

The Company has commissioned the Valuer to conduct a valuation of the Warrants, and the relevant Valuation Report has been included in Appendix I to this circular, at the request of the Stock Exchange. The Valuer, in preparing the Valuation Report, adopted the Binominal Option Pricing model to achieve the value of the Warrants (the "**Binominal Value**"). It is noted that the Binominal Value is HK\$0.27, which represents a discount of approximately 20.59% to the Black-Scholes Value.

Given that the two pricing models yield two different results, and together with the Directors' observation that theoretical value as a pricing benchmark is not common in Hong Kong capital market for unlisted warrant issuance, the Directors consider that the theoretical value of the Warrant based on valuation models such as Black-Scholes Model adopted by Bloomberg and Binominal Option Pricing Model are of little commercial relevance other than in situations where it is a prescribed methodology for a specific purpose, e.g. compliance with financial reporting standards.

Subscription Price

The initial Subscription Price is HK\$0.720 per Warrant Share (subject to adjustments). The net Subscription Price per Warrant Share, after deduction of relevant expenses, is approximately HK\$0.719.

The initial Subscription Price of HK\$0.72 represents:

- (i) a premium of approximately 30.91% over the closing price of HK\$0.55 per Share as quoted on the GEM on the Last Trading Day;
- (ii) a premium of approximately 22.45% over the average closing price of HK\$0.588 per Share as quoted on the GEM for the last five trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a premium of approximately 17.46% over the average closing price of HK\$0.613 per Share as quoted on the GEM for the last ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 44.19% over the closing price of HK\$1.29 per Share as quoted on the GEM on the Latest Practicable Date; and
- (v) a premium of approximately 300% over the latest published audited net asset value per Share of approximately HK\$0.18 ^(Note 1) as at 31 December 2014.

The aggregate of the Issue Price and the initial Subscription Price of HK\$0.722 represents:

- (i) a premium of approximately 31.27% over the closing price of HK\$0.55 per Share as quoted on the GEM on the Last Trading Day;
- (ii) a premium of approximately 22.79% over the average closing price of HK\$0.588 per Share as quoted on the GEM for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 17.78% over the average closing price of HK\$0.613 per Share as quoted on the GEM for the last ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 44.03% over the closing price of HK\$1.29 per Share as quoted on the GEM on the Latest Practicable Date; and
- (v) a premium of approximately 301% over the latest published audited net asset value attributable to the Shareholders per Share of approximately HK\$0.18 ^(Note 1) as at 31 December 2014.

The initial Subscription Price was determined with reference to the prevailing market price of the Shares and were negotiated on an arm's length basis between the Company and the Subscriber.

Having considered that the aggregate of the Issue Price and the initial Subscription Price represents a substantial premium over the trading prices of the Shares prior to the entering into of the Subscription Agreement, the Board is of the view that both the initial Subscription Price and the aggregate of it with the Issue Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Note 1: The calculation is based on the net asset value of the Group as at 31 December 2014 as shown in the annual report of the Company for the year ended 31 December 2014 divided by the number of Shares as at 31 December 2014.

LETTER FROM THE BOARD

Reasons for and Benefits of the Warrant Subscription

The Company is an investment holding company and its subsidiaries are principally engaged in four 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, as well as the sales of prepaid phone cards; (iii) the development and operations of travel VIP card products and the provision of online air-tickets and hotel reservation services for individual and corporate customers; and (iv) others.

The Directors are of the view that the Warrant Subscription represents a good opportunity to broaden the Shareholders' base of the Company and to raise further capital which will strengthen the financial position of the Group for its future business development and general working capital requirement. Though the Company has not identified any material investment opportunity which requires the use of the net proceeds from the exercise of the subscription rights attaching the Warrants as at the Latest Practicable Date and that the Company currently expects that the Group will have sufficient working capital in the next twelve months in the event that the Subscriber does not exercise the Warrants, the Directors consider that it is not desirable to raise funds only when there is immediate need of funds as the cost of fund raising by then may be higher, and/or there are uncertainties as to whether the Group will be able to raise the amount of funding required for its business development by then, which may depend on the then prevailing market sentiments. In addition, the Company does not rule out the possibility of conducting further fundraising exercise when it has specific funding needs. The Board considers that issuance of the Warrants is appropriate as the Warrants do not have any immediate dilution effect on the shareholding of the existing Shareholders and they are non-interest bearing in nature.

As disclosed in the paragraph headed "The Subscription Agreement – Issue Price" above, the Company issued the Existing Warrants in July 2012 with the issue price of HK\$0.002 (same as the Issue Price). Subsequent to the issue of the Existing Warrants, all Existing Warrants issued have been exercised up to the Latest Practicable Date, raising some gross proceeds for the Group. Based on the Directors' experience that the exercise of the Existing Warrants with its issue price which is the same as the Issue Price enables the Group to raise further capital (in addition to the capital raised upon completion of the issue of the Existing Warrants) and their observations that warrant issue is not an uncommon fund raising method based on the Comparables that they have identified during the six months immediately before the date of the Subscription Agreement, the Board considers that the issue of Warrants is an appropriate and effective fund raising exercise for the Group.

Based on the aforesaid, the Directors also consider the terms of the Subscription Agreement (including the Issue Price and the initial Subscription Price) are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

The Directors confirm that as at the Latest Practicable Date, the Company has not entered or propose to enter into any other agreement, arrangement, understanding or understanding (whether formal or informal and whether exposed or implied) with the Subscriber.

LETTER FROM THE BOARD

Changes in shareholding structure of the Company

As at the Latest Practicable Date, the Company has 5,685,506,457 Shares in issue. Below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon exercise of the subscription rights attaching to the Warrants in full based on the best knowledge of the Directors and on the assumption that there will be no further issue or repurchase of Shares from the Latest Practicable Date up to and including the date of exercise of the subscription rights attaching to the Warrants in full.

	As at the Latest Practicable Date		Immediately after the exercise of the subscription rights attaching to the Warrants in full	
	<i>Shares</i>	%	<i>Shares</i>	%
Directors				
Mr. Guan Guisen (<i>Note</i>)	1,300,200,000	22.87	1,300,200,000	20.92
Dr. Lei Chunxiong	159,290,000	2.80	159,290,000	2.56
Mr. Cao Chunmeng	47,620,000	0.84	47,620,000	0.77
Mr. Wang Zhongmin	600,000	0.01	600,000	0.01
Mr. Gu Jiawang	600,000	0.01	600,000	0.01
Mr. Yan Xiotian	21,640,000	0.38	21,640,000	0.34
Public Shareholders				
The Subscriber	–	–	530,000,000	8.53
Other public Shareholders	4,155,556,457	73.09	4,155,556,457	66.86
Total	<u>5,685,506,457</u>	<u>100.00</u>	<u>6,215,506,457</u>	<u>100.00</u>

Note: The Shares are held by Mighty Advantage Enterprises Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by Mr. Guan Guisen.

Implications under the GEM Listing Rules

Pursuant to Rule 21.02(1) of the GEM Listing Rules, the Warrant Shares to be allotted and issued upon exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 23 of the GEM Listing Rules, convertible preference shares and convertible bonds are excluded for the purpose of such limit.

As at the Latest Practicable Date, the Company does not have any securities with subscription rights outstanding and not yet exercised and which are required to be aggregated with the Warrant Shares in accordance with Rule 21.02(1) of the Listing Rules.

LETTER FROM THE BOARD

The 530,000,000 Warrant Shares to be allotted and issued represents approximately (i) 9.32% of the existing issued share capital of the Company; and (ii) 8.53% of the issued share capital as enlarged by the issue of the Warrant Shares under the Warrants. Accordingly, the issue of the Warrants is in compliance with Rule 21.02(1) of the GEM Listing Rules.

Fund Raising Activities in the Past Twelve Months

Save as disclosed below, the Company has not carried out any fund raising activities during the past twelve months immediately preceding the February Announcement.

Date of announcement	Event	Net proceeds	Intended use of proceeds as disclosed in the announcement	Actual use of proceeds as at the Latest Practicable Date
12 February 2014	Placing of new Shares under general mandate	HK\$126,940,000	<ol style="list-style-type: none"> 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; and 	<ol style="list-style-type: none"> (1) as to approximately HK\$62.3 million has been applied to contribute to the registered capital of 海爾消費金融, details of which are set out in the announcement of the Company dated 10 December 2014; (2) as to approximately HK\$3.3 million has been applied to purchase computer software; and (3) as to approximately HK\$5.99 million has been applied for selling, marketing and administration expenses.
				<ol style="list-style-type: none"> (1) as to approximately HK\$10 million has been applied to invest in 北京一鳴神州科技有限公司 (Beijing ONECOMM Technology Company Limited), details of which are set out in the announcement of the Company dated 10 October 2014; (2) as to approximately HK\$5.48 million has been applied to purchase computer software, furniture and fixtures; (3) as to approximately HK\$8.37 million has been applied for research and development expenses; and (4) as to approximately HK\$3.5 million has been applied for selling, marketing and administration expenses.

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds	Intended use of proceeds as disclosed in the announcement	Actual use of proceeds as at the Latest Practicable Date
			3. the balance of the net proceeds as working capital of the Company.	<p>(1) as to approximately HK\$17.92 million has been applied for salaries;</p> <p>(2) as to approximately HK\$5.11 million has been applied for marketing expenses;</p> <p>(3) as to approximately HK\$1.96 million has been applied for audit, legal and professional expenses;</p> <p>(4) as to approximately HK\$2.21 million has been applied for rental expenses; and</p> <p>(5) as to approximately HK\$0.79 million has been applied for company daily usages.</p>

3. SPECIAL GENERAL MEETING

Notice convening the SGM is set out on pages 34 to 35 of this circular. A form of proxy for use by the Shareholders at the SGM is also enclosed.

Whether or not you intend to attend the SGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Secretary of the Company at its principal place of business and head office in Hong Kong at Unit 2708, 27/F., The Center, 99 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

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

4. VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. Therefore, the resolution proposed at the SGM shall be voted by poll.

An announcement on the poll results will be issued by the Company after the SGM.

LETTER FROM THE BOARD

5. RECOMMENDATION

The Directors consider that the granting of the Specific Mandate and the terms of the Subscription Agreement are in the best interests of the Company and the Shareholders as a whole and so recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM. The Directors will vote all their shareholdings in favour of the resolution.

Yours faithfully,
For and on behalf of the Board
China Innovationpay Group Limited
Guan Guisen
Chairman

GRANT SHERMAN APPRAISAL LIMITED

Unit 1005, 10F, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong

Tel: (852) 2877 8330

Fax: (852) 2877 6718

Website: www.grantsherman.com

5 June 2015

The Board of Directors
 China Innovationpay Group Limited
 Unit 2708, 27/F., The Center,
 99 Queen's Road Central,
 Hong Kong

Dear Sir,

APPRAISAL SUMMARY LETTER

In accordance with our discussions, we have made an appraisal of the fair value of warrants (the "**Warrants**") issued of China Innovationpay Group Limited (the "**Company**" or the "**Issuer**"), to Greater China Select Fund (the "**Subscriber**") on 6 February 2015 (the "**Issue Date**"). Following is a summary of the Warrants being appraised:

Number of the Warrants	530,000,000
Date of Grant	6 February 2015
Validity Period of the Warrants	From 6 February 2015 to 6 February 2020
Initial Subscription Price per Warrant	HK\$0.72

Fair value ("FV") is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This letter identifies the property appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

The purpose of this appraisal is to express an independent opinion of the fair value of the Warrants as at 6 February 2015 (the "**Appraisal Date**"). It is our understanding that this appraisal will be used in connection with the public document.

BASIS OF VALUATION AND ASSUMPTIONS

In our calculation of the fair value of the Warrants, we have made the following assumptions:

1. The Subscriber has no rights to exercise their respective Warrants during the period from grant date to the date before vesting of the Warrants;

2. The Subscriber has rights to exercise the respective Warrants at any time during the remaining time to maturity from the date after the Warrants have been vested and before the expiration of the relevant Warrants (“**Exercisable Period**”);
3. Yield-to-maturity of the Hong Kong Exchange Fund Note with the time-to-maturity similar to that of the Warrants is adopted as the risk-free rate in our valuation model as at the Appraisal Date;
4. The closing stock price of the Company is assumed to be the fair value of the stock of the Company as at the Appraisal Date;
5. The 1300-day annualized historical stock price volatility of the Company as at the Appraisal Date is deemed to be appropriate to serve as the expected volatility of the stock price of the Company and is assumed to be constant and prevailing (Source: Bloomberg); and
6. Numbers of trading days and weeks per year are 260 and 52 respectively.

MAJOR PARAMETERS ASSUMED AND ADOPTED IN THIS APPRAISAL

Risk-free Rate	0.995%
Stock Price	HK\$0.55
Exercise Price	HK\$0.72
Volatility	72.46%
Dividend Yield	0%

For the purpose of this valuation, we were furnished with records and documents by the management of the Company (the “**Management**”). We have reviewed and examined the said information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent upon such data, records, documents, financial and business information from other sources, as well as a number of assumptions that are subjective and uncertain in nature. Any variation to these assumptions could seriously affect the fair value of the appraised Warrants.

VALUATION METHODOLOGY

Binomial Option Pricing Model

The approach adopted here is the binomial option pricing model developed by Cox, Ross, and Rubinstein in 1979. The model is one of a set of numerical procedures used in derivatives pricing, which is more versatile and especially applicable for pricing American options, exotic derivatives securities and real option. The model is based on a discrete-time framework to trace the evolution of the option’s key underlying variable via a binomial lattice (tree), for a given number of time steps between the Appraisal Date and

the maturity date. Each node of the lattice represents a possible price of the underlying asset and its derivatives at a particular point of time.

The assumptions underlying the binomial option pricing model are as follows:

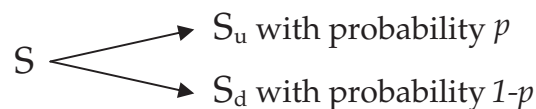
1. The short-term interest rate (both risk-free and credit risk-adjusted) are known and are constant through time;
2. There is no arbitrage opportunity;
3. The stock price follows a random walk in continuous time with a rate of variance in proportion to the square of the stock price;
4. The distribution of possible stock prices at the end of any finite interval is log-normal;
5. The variance of the rate of return on the stock is constant;
6. The early exercise value of the option is examined at every node of the lattice;
7. There are no commissions or other transaction costs in buying or selling the stock or option; and
8. The tax rate, if any, is identical for all transactions and all market participants.

The Lattice

By adopting the closing stock price of the Company as at the Appraisal Date, we firstly model the movement of stock price S by a geometric random walk. At each interval S can increase to S_u with a probability p , or fall to S_d with probability $1-p$. The parameters u and d are chosen so that the geometric random walk is consistent with the geometric Brownian motion described by the stochastic differential equation:

$$\frac{dS}{S} = \mu dt + \sigma dZ$$

Here dZ is a random shock that represents the uncertainty in stock returns over the infinitesimal time interval dt . All rates are based on continuous compounding.



The probability p is set as 0.5 and factors u and d are represented by the following formulas,

$$u = e^{(r_f - q) \frac{\sigma^2}{2} dt + \sigma \sqrt{dt}}$$

$$d = e^{(r_f - q) \frac{\sigma^2}{2} dt - \sigma \sqrt{dt}}$$

In order to incorporate the Company's stock price with the price dilution impact arising from the issuance of the conversion shares, if any, for comparison with the exercise price of the Options, simulated stock price of the Company is adjusted by the following formula:

$$\frac{V_{t,n} + MKX}{N + MK}$$

where $V_{t,n}$ is the value of the Company's equity of node n at time t in the stock price tree, which is reflected by the simulated stock price, M is the number of the Options, K is the conversion ratio, X is the prevailing exercise price of the Options and N is the Company's number of outstanding stocks.

Thus, the value of the call option at the maturity date will either be $\max [0, Su - X]$ (with X being the exercise price of the option) with probability 0.5 or $\max [0, Sd - X]$ with probability 0.5.

$$C \begin{cases} \rightarrow C_u = \max[0, Su - X] \\ \rightarrow C_d = \max[0, Sd - X] \end{cases}$$

Where: C – Theoretical Call Option Price

X – Exercise Price

σ – Volatility

r – Risk-free Rate

S – Simulated Stock Price after Dilution, if applicable

dt – Time interval between tree levels = time to maturity/number of tree levels

The expected value of the call option can be estimated as $C = pC_u + (1-p)C_d$. In the case $p=0.5$, the expected option value is a simple average of C_u and C_d . The binomial option pricing model can take on as many tree levels as required with each node being able to build in different exercise prices or assumptions.

Once we obtained the stock price at the final nodes, we can examine option holder's action (the "**Decision**") to be taken at maturity. The value of call option at the maturity date will either be $\max [0, Su - X]$ (with X being the exercise price of the option) with probability 0.5 or $\max [0, Sd - X]$ with probability 0.5.

The value of option at each node is solely based on maximizing the value between: (1) the benefit arising from holding the option until the next node (the “**Hold Benefit**”); and (2) the intrinsic value coming from exercising the option (the “**Exercise Benefit**”). In other words, the Decision at the each node of the lattice shall be expressed as: (1) when the payoff from the Hold Benefit is greater than the Exercise Benefit, option holder should hold the option until the next time interval; or (2) when the payoff from the Exercise Benefit is greater than the payoff from the Hold Benefit, the option will be exercised to obtain its intrinsic value.

The value of the option is arrived at through the Decision at each node. If the Decision chosen is conversion, the value of the option at any node will be the positive price difference between the stock price and the exercise price. By applying the roll-back procedure at nodes where the Decision is considered to be held by the option holder, the calculated value of the option is equal to $E_N = e^{-rdt}[pE_u + (1-p)E_d]$, where E_u and E_d representing the call option after an up and down move respectively.

Sensitivity Analysis

We have identified the stock price and volatility in our model whose sensitivities on the fair value per Warrant are tested. The following table summarized the test result.

Variables		Fair Value per Warrant (HK\$)	Percentage Change (%)
Stock Price	Volatility		
Unchanged	Unchanged	0.27	Unchanged
+10%	Unchanged	0.31	+14.18%
-10%	Unchanged	0.23	-13.80%
Unchanged	+10%	0.29	+9.30%
Unchanged	-10%	0.24	-9.88%

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that the fair value of the Warrant as at 6 February 2015 is reasonably stated as follows:

Number of Warrants	530,000,000
Fair Value per Warrant	HK\$0.27
Total Fair Value	HK\$142,526,000

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Company and its subsidiaries, the Subscriber, the Warrants appraised, or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Keith C.C. Yan, ASA
Managing Director

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation/Intangible Assets) and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, the PRC and the Asian region for various purposes since 1988.

Investigation and report by:
Keith C.C. Yan, ASA
Derek T.Y. Wong, CFA, FRM
Alex T.M. Cheng, FRM, MSc

Details of adjustments of Subscription Price pursuant to the Subscription Agreement are as follows:

Subject as hereinafter provided, the Subscription Price shall from time to time be adjusted in accordance with the following provisions (but shall however not be adjusted below the nominal value of Shares) and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of paragraphs (1) to (6) inclusive, it shall be taken to fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:

- (i) If and whenever there shall be an alteration to the nominal amount of each of the Shares by reason of any consolidation or subdivision, the Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business on the business day immediately preceding the date on which the relevant consolidation or subdivision (as the case may be) becomes effective, provided that, where the subscription date in respect of a particular exercise of any of the subscription rights attaching to a Warrant shall fall on or before the said business day but the Company shall not by the close of business on the said business day have allotted the relative Shares in accordance with its obligations hereunder, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the holder of the Warrant exercising the said subscription rights, be deemed to have become effective before such subscription date.

- (ii) If and whenever the Company shall issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of the Shares in issue immediately before such issue; and

D = the aggregate nominal amount of the ordinary capital issued in connection with and as a result of such capitalisation.

Provided that if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Subscription Price shall be adjusted in such manner as an approved merchant bank or the auditors (at the option of the Company) shall certify to be appropriate, having regard to the relative interests of the persons affected thereby taken as a whole and such other matters as the approved merchant bank shall consider relevant. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (iii) If and whenever the Company shall make (whether on a reduction of capital or otherwise) any capital distribution to all holders of Shares other than the issue of Shares credited as fully paid or partly paid out of profits or reserves and issued in lieu of a cash dividend (in their capacity as such) (including, but not limited to, such a distribution pursuant to a reduction or redemption of share capital, share premium account or capital redemption reserve fund or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Subscription Price in force immediately prior to such capital distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the closing price per Share on the Stock Exchange on the dealing day immediately preceding the date on which the capital distribution or, as the case may be, the grant is announced (whether or not such capital distribution or grant is subject to the approval of the holders of Shares or other persons) or (if there is no such announcement) immediately preceding the date on which the Share is traded *ex* such capital distribution or, as the case may be, the grant (or, where there is no closing price on such dealing day, the closing price on the dealing day on which there was a closing price immediately preceding the relevant date); and

F = the amount calculated by dividing the fair market value on the day of such announcement or (as the case may require) the day immediately preceding the date on which the Share is traded *ex* such capital distribution or, as the case may be, the grant, as determined in good faith by an approved merchant bank or the auditors (at the option of the Company), of such capital distribution or of such rights by the number of Shares participating in such capital distribution or, as the case may be, in the grant of such rights.

Provided that:

- (a) if in the opinion of the relevant approved merchant bank or the Auditors (as the case may be), the use of the fair market value as aforesaid produces a result which, having regard to the relative interests of the persons affected thereof taken as a whole, is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if F meant) the portion of the said closing price which should, in its opinion, properly be attributed to the value of the relevant capital distribution or rights in question; and
- (b) the provisions of this paragraph (iii) shall not apply in relation to the issue of Shares credited as fully paid or partly paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant capital distribution or grant.

- (iv) If and whenever the Company shall offer to all holders of Shares new Shares for subscription by way of rights, or shall grant to all holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 90 per cent. of the market price on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Shares or other persons), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Shares in issue immediately before the date of such announcement;

- H = the number of Shares which the aggregate of the two following amounts would purchase at such market price:
- (a) the total amount (if any) payable for the rights, options or warrants being offered or granted by the Company; and
 - (b) the total amount payable for all of the new Shares being offered for subscription by way of rights or comprised in the options or warrants being granted; and
- I = the aggregate number of Shares being offered for subscription or comprised in the rights, options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant. For the avoidance of doubt, no adjustment shall take effect in accordance with this paragraph (iv) should such offer or grant fail to become effective or unconditional.

- (v) (A) If and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total Effective Consideration per new Share (as defined in sub-paragraph (C) below) initially receivable for such securities is less than 90 per cent. of the market price on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to such issue by the following fraction:

$$\frac{J + K}{J + L}$$

where:

- J = the number of Shares in issue immediately before the date of the issue of such securities;
- K = the number of Shares which the total Effective Consideration receivable for such securities would purchase at such market price (exclusive of any disbursements incurred in connection therewith); and
- L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by such securities at their relative initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business on the business day immediately preceding the date on which the issuer of the relevant securities determines the conversion or exchange rate or subscription price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of holders of Shares or other persons) and the date of such announcement is earlier than the said date, the business day immediately preceding the date of such announcement.

- (B) If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (A) above of this paragraph (v) are modified so that the total Effective Consideration per new Share initially receivable for such securities shall be less than 90 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to such modification by the following fraction:

$$\frac{M + N}{M + O}$$

where:

- M = the number of Shares in issue immediately before the date of such modification;
- N = the number of Shares which the total Effective Consideration receivable for such securities at the modified conversion or exchange rate or subscription price would purchase at such market price; and
- O = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the purposes of this sub-paragraph (v)(B) where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

- (C) For the purposes of this paragraph (v):
- (x) the “total Effective Consideration” receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and
 - (y) the “Effective Consideration per new Share” initially receivable for such securities shall be the total Effective Consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial subscription price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.
- (vi) If and whenever the Company shall issue wholly for cash any Shares at a price which is less than 90 per cent. of the market price on the date of the announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{-P + R}$$

where:

- P = the number of Shares in issue immediately before the date of such announcement;
- Q = the number of Shares which the aggregate amount payable for the Shares allotted pursuant to such issue would purchase at such market price (exclusive of expenses); and
- R = the number of Shares allotted and issued pursuant to such issue.

Such adjustment shall become effective (if appropriate retroactively) on the date of the issue of such Shares.

For the purposes of this Appendix:

“announcement” shall include the release of an announcement to the press or the delivery or transmission by telephone, facsimile transmission or otherwise of an announcement to the Stock Exchange, the “date of announcement” shall mean the date on which the announcement is first so released, delivered or transmitted and “announce” shall be construed accordingly;

“capital distribution” shall (without prejudice to the generality of that phrase) include distributions in cash or specie, and any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a capital distribution, provided that any such dividend shall not be so deemed if:

- (i) it is paid out of the aggregate of the net profits (less losses) and/or contributed surplus attributable to the holders of Shares for all financial periods after that ended 31 December as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period; or
- (ii) to the extent that (i) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the Auditors appropriate in the circumstances and shall be made in the event that the lengths of such periods differ materially;

“issue” shall include allot;

“market price” means the average of the closing prices of one Share on the Stock Exchange for the five consecutive dealing days on each of which there is a closing price ending on the last such dealing day immediately preceding the day on or as of which the market price is to be ascertained;

“Shares” includes, for the purposes of Shares comprised in any issue, distribution, offer or grant pursuant to paragraphs (ii), (iii), (iv), (v) or (vi), any such shares of the Company as, when fully paid, will be Shares;

“reserves” includes unappropriated profits, share premium account and capital redemption reserve fund; and

“rights” includes rights in whatsoever form issued.

The provisions of paragraphs (ii), (iii), (iv), (v) and (vi) shall not apply to:

- (A) an issue of fully-paid Shares upon the exercise of any conversion, exchange or subscription rights attached to securities wholly or partly convertible into or exchangeable for Shares or upon the exercise of any rights (including the subscription rights) to acquire Shares;
- (B) an issue by the Company of Shares or by the Company or any subsidiary of securities wholly or partly convertible into or exchangeable for or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
- (C) an issue of fully-paid Shares by way of capitalisation of all or part of any subscription right reserves, or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or exchangeable for, or carrying rights to acquire, Shares;
- (D) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares in aggregate is not more than 120 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of a Share shall mean the average of the closing prices on the Stock Exchange for the five consecutive dealing days on each of which there is a closing price ending on the last such dealing day immediately preceding the day on or as of which holders of Shares may, pursuant to such scrip dividend scheme, elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
- (E) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or exchangeable for or carrying rights of subscription for Shares pursuant to the share option scheme of the Company.



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)

NOTICE IS HEREBY GIVEN that the special general meeting of China Innovationpay Group Limited (the “**Company**”) will be held at Yue Function Room, First Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Monday, 29 June 2015 for the following purposes:

As special business, to consider and, if thought fit, to pass the following resolution as ordinary resolution of the Company:

“**THAT** subject to and conditional upon the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Warrant Shares (as defined below):

- (a) the creation and issuance the warrants (the “**Warrants**”) to Greater China Select Fund (the “**Subscriber**”) entitling the holder(s) of the Warrants to subscribe in cash up to an aggregate of HK\$381.60 million for new shares of the Company in accordance with the terms and conditions of the subscription agreement dated 6 February 2015 (as supplemented and amended by two supplemental agreements thereto dated 5 March 2015 and 29 May 2015) (the “**Subscription Agreement**”) between the Company and the Subscriber be and is hereby approved;
- (b) the allotment and issuance of new ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Warrant Shares**”) at the initial exercise price of HK\$0.72 per Warrant Share (subject to adjustments) which may fall to be allotted and issued upon exercise of the subscription rights attached to the Warrants be and is hereby approved; and
- (c) any one of the directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be in his or her discretion consider desirable or expedient to give effect to the Subscription Agreement and all the transactions contemplated thereunder as well as in relation to the issue of the Warrants and the allotment and issue of the Warrant Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

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

Hong Kong, 9 June 2015

NOTICE OF SGM

Head Office and Principal Place of Business:

Unit 2708, 27/F.

The Center

99 Queen's Road Central

Hong Kong

Notes:

1. Any member entitled to attend and vote at the SGM is entitled to appoint one or more separate proxies to attend and vote instead of him/her. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company.
2. Where there are joint holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, provided that if more than one of such joint holders be present at the SGM personally or by proxy, the person whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company c/o the Company Secretary at the Company's principal place of business and head office in Hong Kong at Unit 2708, 27/F., The Center, 99 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM and any adjourned meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. A form of proxy for use in connection with the SGM is enclosed and such form is also published on the website of GEM at www.hkgem.com and on the Company's website at www.innovationpay.com.hk.
5. As at the date of this notice, the board of directors of the Company comprises four executive directors, namely Mr. Guan Guisen, Dr. Lei Chunxiong, Mr. Cao Chunmeng and Mr. Yan Xiaotian; and three independent non-executive directors, namely Dr. Fong Chi Wah, Mr. Wang Zhongmin and Mr. Gu Jiawang.