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## **MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION**

This is a voluntary announcement made by China Innovationpay Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 18 July 2016 (after trading hours), the Company (the “**Purchaser**”), the Target Company (as defined below) and the current shareholders of the Target Company (the “**Sellers**”) entered into a memorandum of understanding (the “**MOU**”) indicating, among others, their intention to enter into a definitive legally binding agreement (the “**Definitive Agreement**”) in respect of a possible acquisition (the “**Proposed Acquisition**”) of the 100% interest and the shareholders’ loan (if applicable) of a company incorporated in the Cayman Islands (the “**Target Company**”, together with its subsidiaries, the “**Target Group**”), which is principally engaged in the e-commerce business providing a variety of online and offline solutions proposals and services in relation to mobile retailing.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Sellers and their respective ultimate beneficial owners are third parties independent of the Company and its connected person(s) (as defined under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

## THE MOU

Pursuant to the MOU, the consideration for the Proposed Acquisition is expected to be approximately HK\$4,110,000,000, which shall be determined with reference to, among others, the results of (1) the legal and financial due diligence review conducted by the Company on the Target Group and its assets; and (2) the negotiation between the Company and the Sellers. The consideration shall be satisfied by the allotment and issuance of the shares of the Company to the Sellers (the “**Consideration Shares**”).

Pursuant to the MOU, the Group shall pay to the Target Group RMB30,000,000 on or before 25 July 2016 as earnest money (the “**Earnest Money**”), which shall be returned to the Company by the Target Group if (1) no Definitive Agreement is entered into between the Company, the Sellers and the Target Company by 18 January 2017, being the end of a six-month period from the signing of the MOU (the “**Exclusivity Period**”); or (2) where the Definitive Agreement is entered into between the Company, the Sellers and the Target Company, the Proposed Acquisition fails to complete according to the terms of the Definitive Agreement. If the Definitive Agreement is entered into between the Company, the Sellers and the Target Company and the Proposed Acquisition is completed according to the terms in the Definitive Agreement, the Board shall have the right to determine the utilisation of the Earnest Money.

Pursuant to the MOU, the Definitive Agreement shall provide that completion of the Proposed Acquisition is conditional upon the fulfillment of, including but not limited to, the following conditions:

1. the Company being satisfied with the results of the legal and financial due diligence review on the Target Group and its assets;
2. the Company having complied with the requirements under applicable GEM Listing Rules (including obtaining the approvals from the shareholders of the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (if required)) and other applicable laws, regulations and guidelines in relation to the completion of the Proposed Acquisition and other relevant arrangements under the Definitive Agreement;
3. the parties to the MOU having obtained all necessary approvals from the relevant regulatory authorities in the People’s Republic of China (the “**PRC**”) (if required);
4. the Company having received a valuation report on the Target Company issued by an independent valuer in such form and substance satisfactory to the Company;
5. the Company having obtained the approvals from the Stock Exchange and/or the Securities and Futures Commission in relation to the dealings of the Consideration Shares on the Stock Exchange (if required);

6. the issuance of the legal opinion or due diligence report (contents of which can be based on the reasonable requirements by the Company) by the legal advisers approved by the Company;
7. there are no material breaches in relation to any declarations, guarantees and undertakings provided in the Definitive Agreement by the Company and the Sellers; and
8. there is no indication from the Stock Exchange that the Proposed Acquisition will constitute a reverse takeover or new listing as defined under the GEM Listing Rules.

Save and except for provisions (“**Binding Provisions**”) relating to confidentiality, the Exclusivity Period, the Earnest Money, fees and expenses, and the governing law, the MOU is not legally binding on the relevant parties.

## **REASONS AND BENEFIT OF THE PROPOSED ACQUISITION**

The Group is principally engaged in four segments, namely (i) general trading; (ii) prepaid card business; (iii) travelers related services; and (iv) Onecomm – provision of third party payment system solution and sales of integrated smart point of sales devices. The core business of the Group is third-party payment systems. The Group has obtained the Certificates for Approval for Payment Business issued by the People’s Bank of China (“**PBOC**”), including approval to operate issuance and acceptance of prepaid cards in five geographical areas and online payment, the in-principle approval permitting the operation of a virtual card in the PRC countrywide on a pilot basis from the payment and settlement division of the operations office of the PBOC, and the approval from PBOC Guangzhou Branch permitting the Company to commence the Renminbi settlement services for the cross-border goods and services trading business for enterprises and individuals. With the permissions obtained by the Group and the businesses that have developed through years, the Group has established three business systems based on its core payment system, namely the internet payment system, the virtual prepaid card operating system and the integrated invoicing system. The Group has also developed four service systems, namely the virtual prepaid card operating platform service, internet payment system, merchant integrated invoicing service, and cross-border Renminbi payment service.

With the Group having the corresponding resolutions to tackle any issue that cover hardware to software, online to offline, standard businesses to personal businesses, the Group will promote its services to benchmark enterprises in different industries, such as mobile telephones, chain stores, e-commerce, insurance, logistics, car networking, tourism, agriculture and so on, and further expand its business to customers of the whole industry by leveraging on the demonstration effect of these benchmark enterprises. In light of the abovementioned business expansion plan, the Board has been seeking for merger and acquisition opportunities in order to capture market share of third-party payment business and expand its operating scale.

The Target Group is principally engaged in providing online and offline solutions to mobile retailing in the PRC. Based on the preliminary information obtained from the Sellers, the Target Group has over 450,000 active registered merchants with its e-commerce platform as at the end of March 2016. In addition, the Sellers indicated that the gross merchandise volume transacted on the Target Group's e-commerce platform recorded more than RMB4 billion for the year ended 31 December 2015.

Through leveraging strong merchant network of the Target Group, the Board is of the view that the Proposed Acquisition could create synergies that allow the Group to better complement its existing core business by increasing the transaction volume to be handled via its core payment system, so that the operating scale and revenue stream of its existing third-party payment business could be enhanced. Therefore, the Board believes that the Proposed Acquisition is in line with the Company's business expansion plan and is beneficial to the Group and its shareholders as a whole.

## **POSSIBLE NOTIFIABLE TRANSACTION**

It is expected that the transaction contemplated under the MOU, if materialised, may constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders' approval requirement(s) accordingly where appropriate.

**The Board wishes to emphasise that save and except for the Binding Provisions, the MOU is not legally binding and the Proposed Acquisition may or may not proceed. Shareholders of the Company and/or potential investors are reminded that the Proposed Acquisition is subject to, among other things, the entering into of the Definitive Agreement, the terms of which are yet to be finalised. The Proposed Acquisition is also subject to and conditional upon such conditions as may be agreed by the parties to the Definitive Agreement. The MOU may or may not lead to the entering into of the Definitive Agreement and the Proposed Acquisition may or may not proceed. There is no assurance as to whether and when the Proposed Acquisition will take place. Shareholders of the Company and/or potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 18 July 2016

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Guan Guisen, 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.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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](http://www.innovationpay.com.hk).*