中国创新支付集团
CHINA INNOVATIONPAY GROUP

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)

CONTINUING CONNECTED TRANSACTIONS – (1) THIRD PARTY PAYMENT SERVICES FRAMEWORK AGREEMENT; (2) LOAN AGREEMENT; AND (3) WEBSITE SERVICES AGREEMENT

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 28 March 2017 in relation to, among others, the Acquisition.

THIRD PARTY PAYMENT SERVICES FRAMEWORK AGREEMENT

On 8 April 2017, Beijing Gaohuitong and Hangzhou Youzan entered into the Third Party Payment Services Framework Agreement pursuant to which Beijing Gaohuitong would provide a range of third party payment services to Hangzhou Youzan.

LOAN AGREEMENT

On 8 April 2017, the Company entered into the Loan Agreement with Youzan, pursuant to which the Company has conditionally agreed to grant to Youzan an unsecured loan facility up to HK$200,000,000 (inclusive of the principal loan amount and interest) and subject to the terms and conditions set out therein.

WEBSITE SERVICES AGREEMENT

As mentioned in the paragraph headed "Continuing connected transactions" in the Announcement, Hangzhou Qima and Hangzhou Youzan shall enter into the Website Services Agreement, pursuant to which, Hangzhou Qima shall continue to promote the e-commerce applications on its "youzan.com" in return for services fee of not more than RMB200,000 per year.

IMPLICATIONS UNDER THE GEM LISTING RULES

Upon completion of the Sale and Purchase Agreement, Whitecrow Investment Ltd. and its ultimate shareholder will become a substantial shareholder of the Company, while Youzan would become a non wholly-owned subsidiary of the Company which is owned as to 51% by the Company and 12.8% by Whitecrow Investment Ltd. and its ultimate shareholder. Therefore, Youzan and its subsidiaries, including Hangzhou Youzan, will become connected subsidiaries and connected persons of the Company under Rule 20.07(5) of the GEM Listing Rules. At the same time, Hangzhou Qima, a company owned as to 54.41% by the ultimate shareholder of Whitecrow Investment Ltd., will become a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules.

In respect of the proposed annual caps under each of the Third Party Payment Services Framework Agreement and the Loan Agreement, as one or more applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under each of the Third Party Payment Services Framework Agreement and the Loan Agreement is more than 25% and the annual caps in respect of the transactions contemplated under both the Third Party Payment Services Framework Agreement and the Loan Agreement are expected to be more than HK$10,000,000, the transactions contemplated under each of the Third Party Payment Services Framework Agreement and the Loan Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will seek approval from the Independent Shareholders for the Third Party Payment Services Framework Agreement and the Loan Agreement and the proposed annual caps thereto at the SGM.

In relation to the Website Services Agreement, as each of the applicable percentage ratios in respect of the services fee payable under the Website Services Agreement is less than 5% while the annual aggregate services fee payable by Hangzhou Youzan is expected to be less than HK$3,000,000, the transactions contemplated thereunder are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors, will be established to advise the Independent Shareholders in relation to the Third Party Payment Services Framework Agreement and the Loan Agreement and the proposed annual caps thereto. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders of the same.

The SGM will be convened to consider and, if thought fit, to approve, among other matters, (i) the Third Party Payment Services Framework Agreement and the transactions contemplated thereunder; (ii) the proposed annual caps in respect of the transactions contemplated under the Third Party Payment Services Framework Agreement; (iii) the Loan Agreement and the transactions contemplated thereunder; and (iv) the proposed annual caps in respect of the transactions contemplated under the Loan Agreement.

A circular containing, among other matters, (i) further information on the Third Party Payment Services Framework Agreement; (ii) further information on the Loan Agreement; (iii) a letter from the Independent Board Committee; (iv) a letter from the Independent Financial Adviser; and (v) the notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 28 April 2017.

Reference is made to the announcement of the Company dated 28 March 2017 in relation to, among others, the Acquisition.

As mentioned in the paragraph headed "Continuing connected transactions" in the Announcement, upon completion of the Sale and Purchase Agreement, Whitecrow Investment Ltd. and its ultimate shareholder will become a substantial shareholder of the Company, while Youzan would become a non wholly-owned subsidiary of the Company which is owned as to 51% by the Company and 12.8% by Whitecrow Investment Ltd. and its ultimate shareholder. Therefore, Youzan and its subsidiaries, including Hangzhou Youzan, will become connected subsidiaries and connected persons of the Company under Rule 20.07(5) of the GEM Listing Rules. At the same time, Hangzhou Qima, a company owned as to 54.41% by the ultimate shareholder of Whitecrow Investment Ltd., will become a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules.

As such, it is expected that the transactions which will be entered into between the Group with each of Youzan, Hangzhou Youzan and Hangzhou Qima upon or after completion of the Sale and Purchase Agreement will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

(1) THIRD PARTY PAYMENT SERVICES FRAMEWORK AGREEMENT

Date:

8 April 2017

Parties:

1. Beijing Gaohuitong; and

2. Hangzhou Youzan

Conditions precedent

The commencement of the Third Party Payment Services Framework Agreement is conditional upon fulfillment of (i) completion of the Acquisition; (ii) the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under the Third Party Payment Services Framework Agreement and the related transactions contemplated thereunder in accordance with the GEM Listing Rules; and (iii) the approval from the board of directors of Youzan in relation to the Third Party Payment Services Framework Agreement and the related transactions contemplated thereunder.

Term

The Third Party Payment Services Framework Agreement is of a term commencing from the date on which the above conditions precedent are fulfilled and ending on 31 December 2019 (both days inclusive).

Scope of services

Beijing Gaohuitong shall provide the following types of third party payment services to Hangzhou Youzan subject to the terms and conditions of the Third Party Payment Services Framework Agreement:

1. offline integrated payment transactions services, including but not limited to, point of sales based business handling services for bank cards for offline transactions;

2. online payment services for "WeiMall", including but not limited to express checkout, Wechat Pay and Alipay services;

3. cross-border RMB payment settlement services for "WeiMall" overseas merchants;

4. physical and virtual prepaid cards services for merchants of Youzan Group; and

5. other payment related services.

Pricing policy and payment terms

The provision of the relevant payment services under the Third Party Payment Services Framework Agreement shall only commence upon fulfillment of the conditions precedent as stated above.

The service fee under the Third Party Payment Services Framework Agreement is determined principally by arm's length commercial negotiations between the parties with reference to (i) the upstream channel costs and operating costs incurred in relation to the provision of the similar payment services by Beijing Gaohuitong and (ii) the quotation arrangement of similar payment services by Beijing Gaohuitong to independent third parties. In any event, the service fee charged under the Third Party Payment Services Framework Agreement shall not (i) be less favourable than those available to independent third parties for similar quotation arrangement of similar payment services provided by Beijing Gaohuitong or (ii) be lower than the upstream channel costs and operating costs incurred in relation to the provision of similar payment services by Beijing Gaohuitong plus a markup of 20%.

Proposed annual caps

The proposed annual caps in respect of the transactions contemplated under the Third Party Payment Services Framework Agreement for each of the three years ended 31 December 2019 is RMB50,000,000, RMB110,000,000 and RMB160,000,000 respectively.

Basis of the proposed annual caps

The proposed annual caps for the continuing connected transactions contemplated under the Third Party Payment Services Framework Agreement have been determined based on, among others, Youzan's estimate of its business growth for the three years ending 31 December 2019, in particular the expected gross merchandise volume of Youzan Group derived from the expected number of active registered merchants and expected transaction amount of the active registered merchants; and the Company's current estimation of the price for the provision of major relevant payment services under the Third Party Payment Services Framework Agreement.

Internal control and pricing policy

In order to ensure that the service fee charged under the Third Party Payment Services Framework Agreement shall not (i) be less favourable than those available to independent third parties for similar quotation arrangement of similar payment services provided by Beijing Gaohuitong or (ii) be lower than the upstream channel costs and operating costs incurred in relation to the provision of similar payment services by Beijing Gaohuitong plus a markup of 20%, the Company has adopted the following measures:

1. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. Designated personnel of the operation department of the Company will conduct regular checks to review and assess whether relevant transactions are conducted in accordance with the terms of the Third Party Payment Services Framework Agreement and monitor the changes in the relevant upstream channel costs. The Company will notify such changes in the upstream channel costs to Hangzhou Youzan as soon as practicable and the relevant service fees will be adjusted accordingly on a monthly basis;

2. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;

3. the Company's Audit Committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company; and

4. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and benefits of entering into the Third Party Payment Services Framework Agreement

As mentioned in the paragraph headed "Continuing connected transactions" in the Announcement, it is expected that upon completion of the Acquisition, Youzan Group's "WeiMall" and its other ancillary and specialised e-commerce platforms will integrate with the Group's third party payment services infrastructure, where the Group's third party payment services will be used on all online stores opened with "WeiMall" as the platform's sole authorised payment service provider.

Entering the Third Party Payment Services Framework Agreement could immediately contribute positively and increase the transaction volume using the Group's third party payment services. The Group considers the entering into the Third Party Payment Services Framework Agreement complements the Group's development strategy regarding its third party payment services by expanding the number of merchants and consumers using the Group's payment gateway and processing transaction volume via the Group's payment system.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) are of the view that the Third Party Payment Services Framework Agreement has been entered into after arm's length negotiations on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(2) LOAN AGREEMENT

Major terms

The principal terms of the Loan Agreement are as follows:

Date	8 April 2017
Lender	The Company
Borrower	Youzan
Loan amount	Not exceeding HK$200,000,000 at any time, inclusive of the principal loan amount and interest
Terms	From the Loan Effective Date until 31 December 2019
Interest rate	Youzan shall pay interest on any outstanding principal of the loan at the interest rate of 2% per annum above the Prime Rate from time to time, which shall be calculated and charged on a monthly basis.

Repayment terms	Youzan shall fully repay any outstanding principal and any accrued but unpaid interest and any other monies due under the Loan Agreement on the expiry of the term of the Loan Agreement.
Conditions precedent	The commencement of the Loan Agreement is conditional upon fulfillment of (i) completion of the Acquisition; (ii) the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under the Loan Agreement and the related transactions contemplated thereunder in accordance with the GEM Listing Rules; and (iii) the approval from the board of directors of Youzan in relation to the Loan Agreement and the related transactions contemplated thereunder.

Reasons for and benefits of entering into the Loan Agreement

The Directors expect that the synergetic effect generated by the Acquisition shall bring new business to the Enlarged Group. Therefore, the Directors intended that the proceeds from the loan shall be used to support the business plan and development of Youzan upon completion of the Acquisition.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) are of the view that the Loan Agreement has been entered into after arm's length negotiations on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Proposed annual cap amounts for the Loan Agreement

No transactions were conducted in the past between the Company and Youzan in relation to the provision of loan and financing.

The proposed annual caps in respect of the transactions contemplated under the Loan Agreement for each of the three years ended 31 December 2019 is HK$200,000,000, HK$200,000,000 and HK$200,000,000 respectively.

The abovementioned annual caps are determined with reference to, among others, the current business plan of Youzan Group.

(3) WEBSITE SERVICES AGREEMENT

As mentioned in the paragraph headed "Continuing connected transactions" in the Announcement, Hangzhou Qima and Hangzhou Youzan shall enter into the Website Services Agreement, pursuant to which, Hangzhou Qima shall continue to promote the e-commerce applications on its "youzan.com" in return for services fee of not more than RMB200,000 per year.

As each of the applicable percentage ratios in respect of the services fee payable under the Website Services Agreement is less than 5% while the annual aggregate services fee payable by Hangzhou Youzan is expected to be less than HK$3,000,000, the transactions contemplated thereunder are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INFORMATION OF THE GROUP, BEIJING GAOHUITONG, YOUZAN AND HANGZHOU YOUZAN

The Group consists of the Company, Shenzhen Innovationpay Co., Limited and its subsidiaries, Country Praise Enterprises Limited and its subsidiaries. The Company is an investment holding company. Its subsidiaries are principally engaged in three business segments, namely (i) payment services and related business; (ii) Onecomm – provision of third party payment system solution and sale of integrated smart point of sales devices; and (iii) general trading.

Beijing Gaohuitong is an indirect wholly-owned subsidiary of the Company, principally engaged in the provision of prepaid card and internet payment service in the PRC.

Youzan is an investment holding company which indirectly holds the entire issued share capital of Hangzhou Youzan. As stated in the Announcement, Youzan Group shall undergo internal reorganisation. After completion of such reorganisation, Hangzhou Youzan will be principally engaged in the e-commerce applications related business in the PRC.

IMPLICATIONS UNDER THE GEM LISTING RULES

Upon completion of the Sale and Purchase Agreement, Whitecrow Investment Ltd. and its ultimate shareholder will become a substantial shareholder of the Company, while Youzan would become a non wholly-owned subsidiary of the Company which is owned as to 51% by the Company and 12.8% by Whitecrow Investment Ltd. and its ultimate shareholder. Therefore, Youzan and its subsidiaries, including Hangzhou Youzan, will become connected subsidiaries and connected persons of the Company under Rule 20.07(5) of the GEM Listing Rules. At the same time, Hangzhou Qima, a company owned as to 54.41% by the ultimate shareholder of Whitecrow Investment Ltd., will become a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules.

In respect of the proposed annual caps under each of the Third Party Payment Services Framework Agreement and the Loan Agreement, as one or more applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under each of the Third Party Payment Services Framework Agreement and the Loan Agreement is more than 25% and the annual caps in respect of the transactions contemplated under both the Third Party Payment Services Framework Agreement and the Loan Agreement are expected to be more than HK$10,000,000, the transactions contemplated under each of the Third Party Payment Services Framework Agreement and the Loan Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will seek approval from the Independent Shareholders for the Third Party Payment Services Framework Agreement and the Loan Agreement and the proposed annual caps thereto at the SGM.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors, will be established to advise the Independent Shareholders in relation to the Third Party Payment Services Framework Agreement and the Loan Agreement and the proposed annual caps thereto. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders of the same.

The SGM will be convened to consider and, if thought fit, to approve, among other matters, (i) the Third Party Payment Services Framework Agreement and the transactions contemplated thereunder; (ii) the proposed annual caps in respect of the transactions contemplated under the Third Party Payment Services Framework Agreement; (iii) the Loan Agreement and the transactions contemplated thereunder; and (iv) the proposed annual caps in respect of the transactions contemplated under the Loan Agreement

A circular containing, among other matters, (i) further information on the Third Party Payment Services Framework Agreement; (ii) further information on the Loan Agreement; (iii) a letter from the Independent Board Committee; (iv) a letter from the Independent Financial Adviser; and (v) the notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 28 April 2017.

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the 51% equity interest of Youzan by the Company from the Sellers in accordance with the terms and conditions of the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 28 March 2017 in relation to among others, the Acquisition
"Beijing Gaohuitong"	Beijing Gaohuitong Commercial Management Co., Ltd.（北京高匯通商業管理有限公司）, an indirect wholly-owned subsidiary of the Company, principally engaged in the provision of prepaid card and internet payment service in the PRC
"Board"	the board of Directors
"Company"	China Innovationpay Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the GEM
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hangzhou Youzan"	杭州有贊科技有限公司, a company incorporated in the PRC and is indirectly wholly-owned by Youzan
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising the independent non-executive Directors

"Independent Financial Adviser"	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Third Party Payment Services Framework Agreement, the Loan Agreement and the proposed annual caps thereto
"Independent Shareholders"	the Shareholders other than (i) the Sellers and their respective concert parties; and (ii) the Shareholders who are involved in or interested in the Third Party Payment Services Framework Agreement or the Loan Agreement
"Loan Agreement"	the loan agreement entered into between the Company and Youzan on 8 April 2017
"Loan Effective Date"	the date when the Loan Agreement shall take effect immediately after the satisfaction of the conditions precedent thereunder
"RMB"	Renminbi, the lawful currency of the PRC
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prime Rate"	Hone Kong dollar prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited
"Sale and Purchase Agreement"	the sale and purchase agreement dated 17 March 2017 and entered into between the Sellers and the Company for the acquisition of the 51% equity interest of Youzan
"Sellers"	(i) Whitecrow Investment Ltd.; (ii) Rory Huang Investment Ltd.; (iii) V5.Cui Investment Ltd.; (iv) Youzan Teamwork Inc.; (v) Xincheng Investment Limited; (vi) Aves Capital, LLC; (vii) Tembusu HZ II Limited; (viii) Matrix Partners China III Hong Kong Limited; (ix) Hillhouse KDWD Holdings Limited; (x) E&A Amigne Investments Limited; (xi) Ralston Global Holdings Limited; and (xii) Puhua Investment Ltd. each of them being shareholder of Youzan as at the date of this announcement

"SGM"	a special general meeting of the Company to be convened to approve (i) the Third Party Payment Services Framework Agreement and the transactions contemplated thereunder; (ii) the proposed annual caps in respect of the transactions contemplated under the Third Party Payment Services Framework Agreement; (iii) the Loan Agreement and the transactions contemplated thereunder; and (iv) the proposed annual caps in respect of the transactions contemplated under the Loan Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Third Party Payment Services Framework Agreement"	the framework agreement dated 8 April 2017 and entered into between Beijing Gaohuitong and Hangzhou Youzan in relation to the provision of various third party payment services
"Website Services Agreement"	the website services agreement to be entered into between Hangzhou Youzan and Hangzhou Qima pursuant to which Hangzhou Qima shall promote the E-commerce Applications on "youzan.com"
"Youzan"	Qima Holdings Limited, a company incorporated in the Cayman Islands with limited liability and is wholly owned by the Sellers as at the date of this announcement and the parent company of Youzan Group
"Youzan Group"	Youzan and its subsidiaries
"%"	per cent

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

Hong Kong, 8 April 2017

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.