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COMPLETION OF PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Financial Adviser and Placing Agent to the Company



Reference is made to (i) the circular (“**Circular**”) of China Innovationpay Group Limited (“**Company**”) dated 2 January 2018; (ii) the announcement of the Company dated 26 January 2018 in relation to the poll results of the SGM; and (iii) the announcement of the Company dated 29 March 2018 (“**March Announcement**”) in relation to the supplemental agreement in relation to the further extension of long stop date of and extension of the latest time for fulfillment. Terms used in this announcement shall have the same meanings as those defined in the Circular.

COMPLETION OF THE SM PLACING

The Board is pleased to announce that the conditions set out in the SM Placing Agreement have been fulfilled and the SM Placing was completed on 16 April 2018 in accordance with the terms and conditions of the SM Placing Agreement. A total of 386,000,000 SM Placing Shares have been successfully placed by the Placing Agent to not fewer than six (6) SM Placees at the SM Placing Price of HK\$0.5 per SM Placing Share pursuant to the SM Placing Agreement. The net proceeds from the SM Placing received by the Company, after deducting all related costs, fees, expenses and commission, are expected to be approximately HK\$187,479,500, representing a net issue price of approximately HK\$0.486 per SM Placing Share.

The intended use of net proceeds from the SM Placing are set out as follows:

	Existing business of the Group	Incoming business of Youzan Group
(a) Maintenance and upgrade of the system for (a) Youzan high volume merchants; (b) enhancing the payment channels with banks; and (c) payment risk management system	HK\$26,000,000	HK\$15,000,000
(b) New products development including (a) various software and systems supporting technologies including (i) new payment recognition functions, such as sound recognition, face recognition, fingerprint recognition and new two dimensional barcodes; (ii) large capacity chip cards; and (iii) platform supporting multi-currency settlement; and (b) e-commerce products catering for the specific needs of various industries, such as beauty industry and catering industry	HK\$29,000,000	HK\$45,000,000
(c) Promotion of the products and services: (a) through participating in exhibitions and activities organised by industry associations and sponsoring activities organized by the business partners of the Company; and (b) to offline and unbranded merchants for (i) brand building; (ii) advertising; and (iii) channels establishment	HK\$19,500,000	HK\$45,000,000
(d) General working capital	<u>HK\$2,979,500</u>	<u>HK\$5,000,000</u>
Total	<u>HK\$77,479,500</u>	<u>HK\$110,000,000</u>

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the SM Placees are independent of and not connected with the Company, the connected persons of the Company and their respective associates, and who and whose ultimate beneficial owners are Independent Third Parties and shall not be existing shareholders of the Company.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) immediately before completion of the SM Placing and (ii) immediately after completion of the SM Placing are as follows:

Name of the shareholders of the Company	Immediately before completion of SM Placing (Note 4)		Immediately after completion of SM Placing	
	Number of shares held	Approximate shareholding percentage	Number of shares held	Approximate shareholding percentage
Mighty Advantage Enterprises Limited (Note 1)	1,311,792,000	18.80%	1,311,792,000	17.81%
Cao Chunmeng (Note 2)	67,420,000	0.97%	67,420,000	0.92%
Yan Xiaotian (Note 2)	21,640,000	0.31%	21,640,000	0.29%
Fong Chi Wah (Note 3)	1,000,000	0.01%	1,000,000	0.01%
Gu Jiawang (Note 3)	1,000,000	0.01%	1,000,000	0.01%
Central Huijin Investment Limited (Note 1)	48,640,000	0.70%	48,640,000	0.66%
SM Placees	–	–	386,000,000	5.24%
Other public shareholders (Note 4)	5,527,463,197	79.20%	5,527,463,197	75.05%
Sub-total	<u>5,527,463,197</u>	<u>79.20%</u>	<u>5,913,463,197</u>	<u>80.29%</u>
Total	<u><u>6,978,955,197</u></u>	<u><u>100.00%</u></u>	<u><u>7,364,955,197</u></u>	<u><u>100.00%</u></u>

Notes:

1. Mighty Advantage Enterprises Limited (“**Mighty Advantage**”) is beneficially owned by Mr. Guan Guisen, who is an executive Director. Based on the best knowledge and information of the Directors as at the Latest Practicable Date, Mighty Advantage has a short position of 1,140,000,000 Shares under a legal charge in connection with certain financing provided by Chance Talent Management Limited to Mighty Advantage. Chance Talent Management Limited is a wholly owned subsidiary of the China Construction Bank Corporation which is in turn controlled by Central Huijin Investment Limited.
2. Each of Mr. Cao Chunmeng and Mr. Yan Xiaotian is an executive Director.
3. Each of Dr. Fong Chi Wah and Mr. Gu Jiawang is an independent non-executive Director.
4. As the GM Placing was completed on 26 April 2017, the total number of issued shares of the Company as at the Latest Practicable Date included the 788,600,000 GM Placing Shares. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the GM Placees was not an existing Shareholder immediately before the GM Placing. For further details in relation to completion of the GM Placing, please refer to the announcement of the Company dated 26 April 2017.

COMPLETION OF THE ACQUISITION

Completion and the SM Placing Completion are inter-conditional to each other. The Board is pleased to announce that the conditions set out in the Sale and Purchase Agreement have also been fulfilled. Upon Completion, an additional 5,516,052,632 Shares, representing the Consideration Shares, will be issued and allotted to the Sellers. The Company expects that the Completion shall take place on or around 18 April 2018 and separate announcement will be published by the Company upon Completion.

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

Hong Kong, 16 April 2018

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. Gu Jiawang and Mr. Xu Yanqing.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omissions of which would make any statement in this announcement misleading.

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.