



CHINA INNOVATIONPAY GROUP

China Innovationpay Group Limited  
中國創新支付集團有限公司

Stock Code: 8083

Third Quarterly Report

2016



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors (the “Directors”) of China Innovationpay Group Limited (the “Company”) 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 report 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 report misleading.*



**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)**

## **HIGHLIGHTS**

The Group recorded a turnover of approximately HK\$33,048,000 for the nine months ended 30 September 2016, representing an decrease of 57.8% compared with the same period in 2015.

The Group's operating loss for the nine months period was approximately HK\$64,741,000, whereas a loss of HK\$74,463,000 for same period was recorded in last year.

For the three months ended 30 September 2016, the Group made sales of HK\$15,620,000, representing an decrease of 35.9% over the same period in last year. Gross profit margin decrease from 35% in last year to 31% in current year.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2016.

## FINANCIAL RESULTS

The board of directors (the “Board”) of China Innovationpay Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and the nine months ended 30 September 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

### Condensed Consolidated Statement of Comprehensive Income

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Continue operations</b>					
Revenue	2	15,620	24,370	33,048	78,280
Cost of sales		(10,839)	(15,776)	(15,813)	(49,359)
Gross profit		4,781	8,594	17,235	28,921
Selling and marketing expenses		(5,989)	(5,825)	(14,010)	(28,957)
General & administrative expenses		(19,239)	(15,295)	(67,966)	(43,673)
Equity-settled share-based payments		-	(30,754)	-	(30,754)
		(25,228)	(51,874)	(81,976)	(103,384)
Loss from operations		(20,447)	(43,280)	(64,741)	(74,463)
Other revenue/(expenses)	3	(2,877)	304	1,660	212
Gain on disposal of subsidiaries	4	4,431	-	1,531	-
Finance cost		(69)	-	(1,502)	-
Loss before taxation		(18,962)	(42,976)	(63,052)	(74,251)
Taxation	5	-	(94)	(29)	(320)
Loss from continue operations		(18,962)	(43,070)	(63,081)	(74,571)
Minority interest		(1,007)	(970)	(3,317)	(2,300)
Loss attributable to shareholder		(19,969)	(44,040)	(66,398)	(76,871)
<b>Discontinue operations</b>					
Loss from discontinue operations	7	(1,603)	-	(8,965)	-
Loss for the period		(21,572)	(44,040)	(75,363)	(76,871)

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Attributable to:				
Owners of the Company				
Loss from continue operation	<b>(18,962)</b>	(43,070)	<b>(63,081)</b>	(74,571)
Loss from discontinue operation	<b>(1,603)</b>	-	<b>(8,965)</b>	-
Loss for the period attributable to owners of the Company	<b>(20,565)</b>	(43,070)	<b>(72,046)</b>	(74,751)
Minority Interest	<b>(1,007)</b>	(970)	<b>(3,317)</b>	(2,300)
	<b>(21,572)</b>	(44,040)	<b>(75,363)</b>	(76,871)
Loss per share				
- basic	<b>HK(0.32) cents</b>	HK(0.76) cents	<b>HK(1.05) cents</b>	HK(1.32) cents
- diluted	<b>N/A</b>	N/A	<b>N/A</b>	N/A

Notes:

**1. General information and basis of presentation**

The Company was incorporated in Bermuda on 17 August 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 April 2000.

The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal office in Hong Kong is situated at Unit 2708, 27/F, The Center, 99 Queen’s Road Central, Hong Kong.

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which also includes Hong Kong Accounting Standards (“HKAS”) and Interpretations approved by the HKICPA, and are prepared under the historical cost convention.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the nine-month period ended 30 September 2016 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2015.

The Group’s unaudited consolidated quarterly results has not been audited by the Company’s auditors but has been reviewed by the Company’s audit committee.

Significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

**2. Turnover**

Turnover comprises the net invoiced value of merchandise sold after allowances for returns and discounts and exclusion of value-added tax.

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000
– Payment services and related business	6,141	4,457	14,828	24,171
– General trading	8,739	17,741	16,149	41,911
– Traveller related services	–	1,745	–	6,272
– Onecomm	740	427	2,071	5,926
	<b>15,620</b>	24,370	<b>33,048</b>	78,280

### 3. Other revenue/(expenses)

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Other expenses	(2,877)	-	-	-
Other revenue	-	304	1,660	212
Bank interest income	-	-	-	-
	(2,877)	304	1,660	212

### 4. Goodwill

The management noted that the performance of CGU 2 was a bit lagged behind budget. However, the management decided to take more time to assess the potential effect and will determine the quantum of impairment, if any, at the year end.

### 5. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong during the three-month period and the nine-month period ended 30 September 2016 (2015: Nil).

The amount of taxation for Mainland China subsidiaries was approximately HK\$0 and HK\$29,000 during the three-month period and the nine-month period ended 30 September 2016 respectively (2015: 94,000 and HK\$320,000 for three-month period and nine-month period ended 30 September 2016 respectively).

### 6. Loss per share

The calculation of the basic loss per share for the three-month period and the nine-month period ended 30 September 2016 respectively were based on the unaudited loss attributable to shareholders of approximately 18,962,000 (2015: loss of HK\$43,070,000) for the three-month period ended 30 September 2016 and unaudited loss attributable to shareholders of approximately HK\$63,081,000 (2015: loss of HK\$74,571,000) for the nine-month period ended 30 September 2016 and on the weighted average number of 6,033,572,724 shares (2015: 5,669,931,658 shares) in issue during the three-month period ended 30 September 2016 and 6,062,062,753 shares (2015: 5,713,766,457 shares) in issue during the nine-month period ended 30 September 2016.

### 7. Discontinued operations

Since Traveller related services are non-key business, the Group had completed the disposal during the period.

## 8. Interim dividend

The Board does not recommend the payment of an interim dividend for the three-month period and the nine-month period ended 30 September 2016 (2015: Nil).

## 9. Share Capital

The number of issued shares of the Company was 6,099,310,753 shares as at the date of this report.

## 10. Convertible bonds

As at 30 September 2016, there were not outstanding convertible bonds.

## 11. Warrants

On 6 February 2015 (after trading hours), the Company and Greater China Select Fund (the "Subscriber") entered into the Subscription Agreement. Following obtaining the Shareholders' approval of the Warrant Subscription and issue of the Warrant Shares at the SGM dated 29 June 2015, all conditions set out in the Subscription Agreement have been fulfilled and completion of the Warrant Subscription took place on 6 July 2015. Warrants of an aggregate amount of HK\$381.6 million have been issued to the Subscriber at the Issue Price of HK\$0.002 per Warrant. The Warrants entitle the Subscriber to subscribe a maximum of 530,000,000 Warrant Shares at the initial Subscription Price of HK\$0.72 per Warrant Share for a period of five (5) years commencing from the date of issue of the Warrants.

As at this report date, there were still outstanding 530,000,000 Warrant Shares with an aggregate face value of HK\$381,600,000 to be subscribed.

## 12. Reserves movement

At the beginning of 2016, the Group had consolidated reserves, excluding retained profits, of approximately HK\$1,248,445,000 (2015: HK\$1,076,665,000). For the nine-month period ended 30 September 2016, the Group's reserves increase by approximately HK\$38,685,000 (2015: increase of HK\$64,422,000), representing the increase in share premium reserve of approximately HK\$45,833,000 (2015: increase in share premium reserve HK\$37,982,000), the decrease in cumulative translation adjustment of approximately HK\$16,460,000 (2015: HK\$5,375,000) for the period, the increase in share option reserve of approximately HK\$9,312,000 (2015: increase HK\$30,754,000). As a result, the consolidated reserves, excluding retained profits, of the Group as at 30 September 2016 were approximately HK\$1,287,130,000 (2015: HK\$1,141,087,000).

At the beginning of 2016, the Group had accumulated loss of approximately HK\$263,983,000 (2015: accumulated loss of HK\$110,898,000). During the three-month period ended 30 September 2016, the Group's accumulated loss increase by approximately HK\$18,962,000 (2015: accumulated loss of HK\$43,070,000). For the nine-month period ended 30 September 2016, the Group's accumulated loss increase by approximately HK\$63,081,000 (2015: accumulated loss increase of HK\$74,571,000), representing the total comprehensive income attributable to shareholders for the period. As a result, the accumulated loss of the Group as at 30 September 2016 was approximately HK\$327,064,000 (2015: accumulated loss of HK\$185,469,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group consists of the Company, Shenzhen Innovationpay Co., Limited and its subsidiaries, Country Praise Enterprises Limited (“CPE”) and its subsidiaries (collectively the “CPE Group”). The Company is an investment holding company. Its subsidiaries are principally engaged in four segments. Namely (i) General trading: trading of watches, computers, communication equipments, currency sorters and other goods; (ii) Payment services and related business: provision of third party payment services and consultancy services; and marketing and sale of consumer goods in form of prepaid gift cards in the People’s Republic of China (“the PRC”); and (iii) Onecomm – provision of third party payment system solution and sales of integrated smart point of sales (“POS”) devices.

### Business Review

The third-party payment service business built on the prepaid card business is the core business of the Group. It is also a business segment that the Group has focused its investments. To meet the needs of its future business development, during the year, the Group increased the investments in the research and development of the payment system, and upgraded both its existing prepaid card issuing and handling system as well as the internet payment system.

The Group had established three business systems based on its core payment system, which includes the internet payment system, virtual prepaid card operating system and integrated invoicing service. We have also developed four service systems, namely, the virtual prepaid card operating platform service, internet payment service, merchant integrated invoicing service and cross-border Renminbi payment service.

The financial and investment focus of the Group is to concentrate on its payment business, and the general trading, being non-key businesses, has maintained their normal operation only without any key investment. Traveller related services business had been disposed during the period.

The competition of payment industry was particularly intense in China. With many different M&A and restructuring activities, for industries that possess advantages, they will become stronger and stronger and competition of industry market segments was more and more fierce. The Group’s traditional prepaid cards business confronted a severe situation and it was due to this situation that drove the Group to innovate, expand and upgrade its original businesses. However, the new businesses are subject to market testing and recognition.

The four payment service systems operated by the Group had already laid a good foundation and through the cooperation with key customers in the industry, it will quickly become an industrial norm, penetrate the market and become a sizable business.

## **Financial Review**

The Group recorded a turnover of approximately HK\$33,048,000 for the nine months ended 30 September 2016, representing an decrease of 57.8% compared with the same period in 2015.

The Group's operating loss for the nine months period was approximately HK\$64,741,000, whereas a loss of HK\$74,463,000 for same period was recorded in last year.


For the three months ended 30 September 2016, the Group made sales of HK\$15,620,000, representing an decrease of 35.9% over the same period in last year. Gross profit margin decrease from 35% in last year to 31% in current year.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2016.

## **Major Events**

### *Memorandum of Understanding in Relation to a Possible Acquisition*

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.

The Earnest Money had been paid to the Target Group on 25 July 2016.



For details of the above transaction please refer to the Company's announcement dated 18 July 2016.

### **Liquidity and Financial Resources**

As at 30 September 2016, the Company's cash and cash equivalents amounted to approximately HK\$155,135,000 (2015: HK\$131,711,000).

As at 30 September 2016, the Company did not have any bank borrowings.

### **Capital Commitments, Pledge of Assets and Contingent Liabilities**


As at 30 September 2016, the Group did not have any material capital commitments, substantial pledges on its assets and material contingent liabilities.

### **Foreign Exchange Exposure**

Since the Group's operations are mainly located in the PRC and its transactions, monetary assets and liabilities are primarily denominated in Renminbi, there is minimal exposure to foreign currency risks.

### **Future Plans and Prospects**

With the permissions obtained by the Group and the businesses that have developed through years, the Group has 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.



Under the macro environment that the online financial and payment industry is undergoing robust development, the Group strives to deliver more comprehensive payment services, self-marketing and self-customer management services to merchants based on the prepaid business with continuous innovations. Meanwhile, it will provide more convenient and favorable payment services to consumers.

The Group will expand the market by means of delivering integrated professional and personalized comprehensive payment solutions for different industrial customers. With the Group having sufficient technical knowledge to tackle any issue that cover hardware to software, online to offline, standard businesses to personal businesses. We will promote our services by benchmarking leading enterprises in different industries, such as mobilephones, chain stores, e-commerce, insurance, logistics, car networking, tourism and agriculture, and further expand our business to customers of the whole industry by leveraging on the demonstration effect of these benchmark enterprises.

## **Event after the Reporting Period**

### *Collateral guarantee*

On 8 November 2016, Beijing Tiantongsaibo Information Technology Co. Ltd., an indirect wholly-owned subsidiary of the Company (“Beijing TTSB”) provided a guarantee in favor of Haier Finance Company Limited (“Haier Finance”) for the financing facility granted to Haier Consumer Finance Co., Ltd., (“Haier Consumer Finance”). Pursuant to the Credit Facility Agreement, Haier Finance will grant a financing facility of RMB2.5 billion to Haier Consumer Finance, and Beijing TTSB will provide a guarantee amounted to RMB250 million (equivalent to approximately HK\$286.11 million) on a pro rata basis for the 10% shareholdings in Haier Consumer Finance held by it. Beijing TTSB made its 10% equity interest in Haier Consumer Finance (hereafter referred as “Guarantee”) as Collateral Subject to provide Collateral guarantee for the debts incurred by the Guarantee and Haier Finance.

Details of the above transaction please refer to the Company’s announcement dated 10 November 2016.

## DIRECTORS' INTEREST IN SHARES

As at the date of this report, the interests or short positions of the Directors in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

### Long (Short) position in Shares

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Guan Guisen <i>(Note 1)</i>	1,311,792,000 (L) 940,000,000 (S)	– –	1,311,792,000 (L) 940,000,000 (S)	21.51% 15.41%
Mr. Cao Chunmeng	47,620,000	55,800,000 <i>(Note 2)</i>	103,420,000	1.70%
Mr. Yan Xiaotian	21,640,000	25,000,000 <i>(Note 2)</i>	46,640,000	0.76%
Dr. Fong Chi Wah	–	4,000,000 <i>(Note 2)</i>	4,000,000	0.07%
Mr. Wang Zhongmin	1,000,000	3,000,000 <i>(Note 2)</i>	4,000,000	0.07%
Mr. Gu Jiawang	1,000,000	3,000,000 <i>(Note 2)</i>	4,000,000	0.07%

*Note 1:*

The shares are held by Mighty Advantage Enterprises Limited (“Mighty Advantage”). Mighty Advantage is incorporated in the British Virgin Islands and is beneficially owned by Mr. Guan Guisen.

*Note 2:*

The Company granted the share options under New Share Option Scheme on 6 July 2012 and 11 June 2015.

Save as disclosed above, as at the date of this report, none of the Directors of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the date of this report, there was no other person (other than a director or chief executive officer of the Company) who had any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Long (Short) position in Shares

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Guan Guisen ( <i>Note</i> )	1,311,792,000 (L)	-	1,311,792,000 (L)	21.51%
	940,000,000 (S)	-	940,000,000 (S)	15.41%

*Note:*

These shares are held by Mighty Advantage Enterprises Limited ("Mighty Advantage"). Mighty Advantage is incorporated in the British Virgin Islands and is beneficially owned by Mr. Guan Guisen.

## EMPLOYEE SHARE OPTIONS

The Company has one employee share option scheme namely New Share Option Scheme.

On 6 July 2012, the Company granted certain share options (the "Share Option") to eligible persons of the Group (the "Grantees") which entitles the Grantees to subscribe for an aggregate of 204,390,000 new ordinary share of HK\$0.01 each in the capital of the Company, subject to the acceptance by the Grantees, under the New Share Option Scheme adopted by the shareholders of the Company on 3 May 2012. The Exercise Price of the Share Option is HK\$0.25 per share.

As at the report date, there are still 21,600,000 share options under New Share Option Scheme not been exercised.

On 11 June 2015, the Company granted certain share options (the "Share Option") to eligible persons of the Group (the "Grantees") which entitles the Grantees to subscribe for an aggregate of 202,714,000 new ordinary share of HK\$0.01 each in the capital of the Company, subject to the acceptance by the Grantees, under the New Share Option Scheme adopted by the shareholders of the Company on 3 May 2012. The Exercise Price of the Share Option is HK\$1.25 per share. There are 199,306,000 share options under this Share Option Scheme not been exercised as at the report date.

## COMPETING INTERESTS

The Directors are not aware of, as at 30 September 2016, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine-month period ended 30 September 2016, there were no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.



## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTOR**

The Group adopted the required standard of dealings set out in rules 5.46 to 5.68 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Company's specific enquiry, each director had confirmed that during the period ended 30 September 2016, they had fully complied with the required standard of dealings and there was no event of non-compliance.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied throughout the nine-month period ended 30 September 2016 the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules.

## **CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 30 September 2016.

## **RISK MANAGEMENT COMMITTEE**

### **Purpose of the Risk Management Committee**

The Risk Management Committee was adopted by the Board on 30 May 2016.

The purpose of the Risk Management Committee is to assist the Board in (i) deciding the risk level and risk appetite of the Group; (ii) considering the Group's risk management strategies; and (iii) ensuring the soundness and effectiveness of the Group's internal control system and giving guidelines where appropriate.

For details of the Risk Management Committee's Constitution, authority duties and other matter, please refer to the Company's announcement dated 31 May 2016.

## AUDIT COMMITTEE

The Company has established an audit committee (the “Committee”) in compliance with the GEM Listing Rules. The Committee comprises three independent non-executive Directors, namely Dr Fong Chi Wah, Mr Wang Zhongmin and Mr Gu Jiawang. The Committee is chaired by Dr Fong Chi Wah. The primary duties of the Committee are to review and supervise the financial reporting process and internal control systems of the Group.

The Committee has reviewed and assessed the composition of the Group’s financial reporting team and was satisfied with the performance of the team.

The Committee who was of the opinion that the preparation of the unaudited results for the nine-month period ended 30 September 2016 has complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made. And has reviewed the Company’s unaudited results for the nine-month period ended 30 September 2016 and the draft of this report, and has provided advice and comments thereon.

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

Hong Kong, 10 November 2016

As at the date of this report, the Board comprises the following members:

### ***Executive Directors***

Mr Guan Guisen  
Mr Cao Chunmeng  
Mr Yan Xiaotian

### ***Independent Non-executive Directors***

Dr Fong Chi Wah  
Mr Wang Zhongmin  
Mr Gu Jiawang

*This report will remain on the “Latest Company Announcements” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting and on the website of the Company at [www.innovationpay.com.hk](http://www.innovationpay.com.hk).*