



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

Stock Code: 8083



First
Quarterly
Report

2017



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 revenue of approximately HK\$24,635,000 for the three months period ended 31 March 2017. Of this revenue, (i) approximately HK\$13,193,000 from general trading, representing approximately 54% of the total revenue of the Group; (ii) approximately HK\$9,615,000 from the prepaid card and related operations, representing approximately 39% of the total revenue of the Group; and (iii) approximately HK\$1,827,000 from Onecomm, representing approximately 7% of the total revenue of the Group.

The Group's turnover for the three months ended 31 March 2017 increased 197%, mainly due to seasonal sales increment in general trading and the expansion of third party payment services during the period. The Group recorded an unaudited loss after taxation of approximately HK\$25,578,000.

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 ended 31 March 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

Condensed Consolidated Statement of Comprehensive Income

		For the three months ended 31 March	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	24,635	8,287
Cost of sales		(17,600)	(3,556)
Gross profit		7,035	4,731
Other revenue	3	635	2,686
Selling and marketing expenses		(5,868)	(6,516)
General & administrative expenses		(26,815)	(24,428)
Loss from operations		(25,013)	(23,527)
Finance cost		(129)	(936)
Loss before taxation		(25,142)	(24,463)
Taxation	4	(436)	–
Loss for the period		(25,578)	(24,463)
Other comprehensive income/(loss) for the period, exchange difference on translation of foreign operations		–	–
Total comprehensive income/(loss) for the period, net of tax		(25,578)	(24,463)



**For the three months
ended 31 March**

	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Attributable to:		
Owners of the Company	(22,224)	(21,091)
Minority Interest	(3,354)	(3,372)
	<hr/>	<hr/>
	(25,578)	(24,463)
<hr/>		
Total comprehensive income/(loss) for the period attributed to:		
Owners of the Company	(22,224)	(21,091)
Minority Interest	(3,354)	(3,372)
	<hr/>	<hr/>
	(25,578)	(24,463)
<hr/>		
Loss per share		
– basic	HK\$(0.36) cents	HK\$(0.35) cents
– diluted	N/A	N/A
	<hr/>	<hr/>



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 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 three months period ended 31 March 2017 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2016.

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.

	2017	2016
	HK\$'000	HK\$'000
– Prepaid card and related operations	9,615	5,534
– General trading	13,193	312
– Travellers related services	–	1,347
– Onecomm	1,827	1,094
	24,635	8,287



3. Other revenue

Other revenue for the three months period ended 31 March 2017 consisted of a sundry revenue of approximately HK\$635,000 (2016: HK\$2,686,000).

4. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong during the three months period ended 31 March 2017 (2016: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$436,000 during the three months period ended 31 March 2017 (2016: HK\$Nil).

There was no significant unprovided deferred taxation for the three months period ended 31 March 2017 (2016: Nil).

5. Loss per share

The calculation of the basic loss per share for the three months period ended 31 March 2017 were based on the unaudited loss attributable to shareholders of approximately HK\$22,224,000 (2016: HK\$21,091,000) for the three months period ended 31 March 2017 and on the weighted average number of approximately 6,099,310,753 shares (2016: 6,015,766,457 shares) in issue during the three month period ended 31 March 2017.

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months period ended 31 March 2017 (2016: Nil).

7. Share capital

As at the report date, the number of issued shares of the Company was 6,888,910,753 shares.

8. Reserves movement

At the beginning of 2017, the Group had consolidated reserves, excluding retained profits, of approximately HK\$1,320,500,000 (2016: HK\$1,248,445,000). For the three months period ended 31 March 2017, the Group's reserves decreased by approximately HK\$4,641,000 (2016: decrease of HK\$5,189,000), representing the decrease in exchange reserve adjustment of approximately HK\$4,641,000 (2016: decrease of HK\$5,189,000) for the period. As a result, the consolidated reserves, excluding retained profits, of the Group as at 31 March 2017 were approximately HK\$1,315,859,000 (2016: HK\$1,243,256,000).



At the beginning of 2017, the Group had accumulated loss of approximately HK\$477,696,000 (2016: retained profits of HK\$263,983,000). For the three months period ended 31 March 2017, the Group's accumulated loss increased by approximately HK\$25,578,000 (2016: HK\$24,463,000), representing the total comprehensive loss attributable to shareholders for the period. As a result, the accumulated loss of the Group as at 31 March 2017 was approximately HK\$503,274,000 (2016: HK\$288,446,000).

9. Convertible bonds

As at the date of this report, there were no outstanding convertible bonds.

10. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

CIP at a Glance

China Innovationpay Group Limited (“CIP”; the “Company”; the “Group”) is a renowned investment holding company committed to innovation and technology advancement in payment services. Our Group consists of the Company, Shenzhen Innovationpay Co., Limited and its subsidiaries, Country Praise Enterprises Limited (“CPE”) and its subsidiaries (collectively the “CPE Group”). We mainly operate payment service based business across the People’s Republic of China (the “PRC”). Up to 2016, our operation consists of three operating segments, which are (i) general trading, (ii) third party payment services (Former name as “Prepaid card and related operations”) and (iii) Onecomm. Within the third party payment services, there are four core business sectors which are Prepaid Card Service, Internet Payment Service, Merchant Integrated Payment Service and Cross-border Renminbi Payment Service.

Business Review

With the payment licenses and permissions obtained by the Group and the businesses explored through years, the Group has established three business systems based on its core payment system, namely the internet payment system, the prepaid card operating system and the integrated payment system. The Group has also developed four business segments based on three business systems, namely the prepaid card service, internet payment service, merchant integrated payment service, and cross-border Renminbi payment service.

Prepaid Card Service

Virtual prepaid card service is the main contributor to the business sector about volume of business. This sector’s service products are co-operated by CPE and Moderntimes Payment Limited (the “Moderntimes Payment”). Through the joint confirmed cooperation with our distributors, the prepaid card operating platform establishes an online and offline payment service by a virtual prepaid card product to support the needs under various payment handling conditions, help our distributors to develop and operate their own customers.



Internet Payment Service

This sector's service provides a speedy B2C and B2B mobile payment gateway service to our clients. All China popular payment paths, such as WeChat, AliPay and China Unionpay, have been built into our payment gateway where the end user has no feeling of using our internet payment service.

After its first launch in 2016, this service has contributed to the Group for over RMB22 billion of transaction volume. Credited by the proven success, more products operated in this internet payment platform are under design and to be delivered in the near future.

Cross-border Renminbi Payment Service

The business sector of cross-border Renminbi Payment provides our clients, from international trading, e-trading, tourism, to study abroad consultancy companies, with payment services for their businesses of cross-border trading in goods/services. Compared to the traditional bank, we are able to provide safe accounts with simpler procedure and shorter settlement cycle.

Integrated Payment Service

The business sector of integrated Payment service can provide merchants with all-round membership management, full-channel, self-marketing services.

In a foreseeable future, seeking sizable merchants in this business sector is an important work task for us.

Financial Review

Revenue

The Group recorded a revenue of approximately HK\$24,635,000 for the three months period ended 31 March 2017. Of this revenue, (i) approximately HK\$13,193,000 from general trading, representing approximately 54% of the total revenue of the Group; (ii) approximately HK\$9,615,000 from the prepaid card and related operations, representing approximately 39% of the total revenue of the Group; and (iii) approximately HK\$1,827,000 from Onecomm, representing approximately 7% of the total revenue of the Group.

The Group's turnover for the three months ended 31 March 2017 increased 197%, mainly due to seasonal sales increment in general trading and the expansion of third party payment services during the period. The Group recorded an unaudited loss after taxation of approximately HK\$25,578,000.



Significant Investment and Acquisition

Major Transaction – Acquisition of 51% Equity Interest in Youzan

1. The Acquisition

On 17 March 2017 (after trading hours), the Company and the Sellers entered into the Sale and Purchase Agreement pursuant to which the Sellers have conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares for a total consideration of HK\$2,096,100,000. The Sale Shares represent 51% of the issued share capital of Youzan as at 28 March 2017 assuming all preference shares of Youzan having been converted into ordinary shares.

Youzan Group is principally engaged in the e-commerce business which provides a variety of online and offline solutions and services in relation to virtual wholesaling and retailing in the PRC. Completion is conditional upon, among others, the receipt of orders of subscription by the Placing Agent of not less than 300,000,000 SM Placing Shares.

The Consideration shall be satisfied by the Company by way of allotment and issue of 5,516,052,632 Consideration Shares to the Sellers in proportion to their shareholding in Youzan at the issue price of HK\$0.38 per Consideration Share. The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the SGM.

The 5,516,052,632 Consideration Shares, when all allotted and issued, will represent:

- (i) approximately 90.44% of the issued Shares as at the date of this report;
- (ii) approximately 45.67% of the issued Shares as enlarged by the allotment and issuance of the Consideration Shares and the maximum number of the SM Placing Shares; and
- (iii) approximately 42.51% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares, the maximum number of the SM Placing Shares and the maximum number of the GM Placing Shares.

Upon Completion, Youzan will become a direct non-wholly owned subsidiary of the Company and the financial statements of Youzan Group will be consolidated into the financial statements of the Group.

2. Placing Of New Shares Under Specific Mandate

On 17 March 2017 (after trading hours), the Company entered into the SM Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure, on a best efforts basis, not less than six SM Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 460,000,000 SM Placing Shares at the SM Placing Price of HK\$0.5 to HK\$0.75 per SM Placing Share.

The maximum of 460,000,000 SM Placing Shares represents:


- (i) approximately 7.54% of the existing issued share capital of the Company as at the date of this report;
- (ii) approximately 3.81% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the maximum number of the SM Placing Shares; and
- (iii) approximately 3.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the maximum number of the SM Placing Shares and the maximum number of the GM Placing Shares.

The minimum SM Placing Price of HK\$0.5 per SM Placing Share represents:

- (i) a discount of approximately 9.09% to the closing price of HK\$0.55 per Share as quoted on the Stock Exchange on 17 March 2017, being the date of the SM Placing Agreement; and (ii) a premium of approximately 3.31% over the average closing price of approximately HK\$0.484 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the SM Placing Agreement.

The SM Placing Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the SGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the SM Placing Shares.

Assuming all the SM Placing Shares are fully placed at HK\$0.625 per SM Placing Shares, which is the mid-point of the price range, the gross proceeds from the SM Placing will be approximately HK\$287,500,000. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the SM Placing, assuming the placing commission is 2.5% of the gross proceeds from the SM Placing, of approximately HK\$7,307,500, are estimated to be approximately HK\$280,192,500.



Completion of the SM Placing is conditional upon the obligations of each of the parties to the Sale and Purchase Agreement having become unconditional. The Acquisition and the SM Placing are inter-conditional with each other. However, for the avoidance of doubt, the GM Placing and the SM Placing are not inter-conditional with each other.

3. Placing Of New Shares Under General Mandate


On 17 March 2017 (after trading hours), the Company entered into the GM Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure, on a best efforts basis, not less than six GM Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 900,000,000 GM Placing Shares at the GM Placing Price of HK\$0.5 per GM Placing Share.

The maximum of 900,000,000 GM Placing Shares represents:

- (i) approximately 14.76% of the existing issued share capital of the Company as at the date of this report;
- (ii) approximately 12.86% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of GM Placing Shares; and
- (iii) approximately 6.94% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the maximum number of SM Placing Shares and the maximum number of GM Placing Shares.

The GM Placing Price of HK\$0.5 per GM Placing Share represents: (i) a discount of approximately 9.09% to the closing price of HK\$0.55 per Share as quoted on the Stock Exchange on 17 March 2017, being the date of the GM Placing Agreement; and (ii) a premium of approximately 3.31% over the average closing price of approximately HK\$0.484 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the GM Placing Agreement.

The GM Placing Shares will be allotted and issued pursuant to the General Mandate and is not subject to further Shareholders' approval. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the GM Placing Shares.



Assuming all the GM Placing Shares are fully placed, the gross proceeds from the GM Placing will be approximately HK\$450,000,000. The net proceeds, after deduction of all relevant expenses (including but not limited to the placing commission, legal expenses and disbursements) incidental to the GM Placing of approximately HK\$4,580,000, are estimated to be approximately HK\$445,420,000.

4. Application For Whitewash Waiver And Implications Under The Takeovers Code

The issue of the Consideration Shares to the Sellers will result in the increase in shareholding of the Sellers (together with parties acting in concert with them) in the Company from nil to (i) approximately 45.67% of the issued Shares as enlarged by the allotment and issuance of the Consideration Shares and the maximum number of the SM Placing Shares; and (ii) approximately 42.51% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares, the maximum number of the SM Placing Shares and the maximum number of the GM Placing Shares. Such an increase will give rise to an obligation under Rule 26 of the Takeovers Code for the Sellers to make a mandatory general offer for all the Shares and other securities issued by the Company not already held or agreed to be acquired by the Sellers (together with parties acting in concert with them) unless the Whitewash Waiver is obtained.

A formal application will be made by the Sellers to the Executive for the Whitewash Waiver pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Shareholders at the SGM by way of poll. It is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the conditions (if any) imposed thereon are not fulfilled, the Acquisition will not proceed.

The Independent Board Committee will be formed to advise the Independent Shareholders in relation to the Acquisition (including but not limited to the grant of the Specific Mandate for the allotment and issue of the Consideration Shares) and the Whitewash Waiver. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and an announcement will be made upon its appointment.

Details of the transactions please refer to the Company announcement dated 28 March 2017.



Liquidity and Financial Resources

As at 31 March 2017, the Group's cash and cash equivalents amounted to approximately HK\$231,760,000.

As at 31 March 2017, the Company did not have any bank borrowings (2016: HK\$Nil).

Capital Commitments, Pledge of Assets and Contingent Liabilities

On 12 December 2016, the Group entered into a sale and purchase agreement to obtain 20% equity interest of an investee company by way of capital injection of RMB5,000,000. As at 31 March 2017, the Group paid RMB2,000,000. The remaining balance of RMB3,000,000 is a capital commitment.


As at 31 March 2017, the Group did not have any significant capital commitments.

Foreign Exchange Exposure

Since the Remaining 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

In the coming year, we will continue emphasizing on reinforcement in e-commerce and payment industry. That is in the case, we are moving a step forward, from a market "connector" to an industrial "innovator", as we are going to deliver more comprehensive payment services, self-marketing and self-customer management services to merchants based on the existing prepaid card business with unremitted innovations.



We are going to expand the market by means of delivering integrated professional and personalized comprehensive payment solutions for different industrial customers. With our Group having the corresponding resolutions to tackle any issue that cover hardware to software, online to offline, standard businesses to personal businesses, we will promote our services to benchmark enterprises in different industries, such as mobile telephones, 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. As a consequence, we can classify our expansions into two main categories: Vertical expansion and International Expansion. Vertical expansion will be carrying out in forms of research and development on existing systems and business models, such as e-commerce, commercial management system and consumer finance. We consider to acquire a leading mobile commerce service provider, which commensurate with our long term strategies and vision. We integrated our payment platform with commercial management system, and assist our business partners and merchants to manage their cash flow, their inventories and their customers. We hope that our effort will benefit them with operational efficiency, business magnification and penetration to other segments.

On the other side, international expansion will be carried out through collaboration with overseas authorities, merchants and financial institutions. We figure out that there is a space where tourism and online services overlap. The number of Chinese citizens travelling to Japan has grown dramatically over the last decade amid the relaxation of travel control. It brings in enormous opportunities relating to the spending of Chinese tourists in Japan. In this regard, we are in negotiation with relevant organization about certain campaign to boost the use of our payment services in Japan. Looking ahead, we will continue to pursue suitable opportunities to expand our international footprint.



Event After the Reporting Period

Continuing Connected Transactions


It is related to the Major Acquisition announcement of the Company dated 28 March 2017.

1. **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.
2. **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.
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.

Details of the transactions, please refer to the Company announcement dated 10 April 2017.

Completion of Placing of New Shares under General Mandate

In relation to the announcement of the Company dated 28 March 2017, that the conditions set out in the GM Placing Agreement have been fulfilled and the GM Placing was completed on 26 April 2017 in accordance with the terms and conditions of the GM Placing Agreement. A total of 788,600,000 GM Placing Shares have been successfully placed by the Placing Agent to not fewer than six (6) GM Placees at the GM Placing Price of HK\$0.5 per GM Placing Share pursuant to the GM Placing Agreement. The net proceeds from the GM Placing received by the Company, after deducting all related costs, fees, expenses and commission, amount to approximately HK\$390,156,000.



The Company intends to apply the net proceeds from the GM Placing: (I) approximately HK\$50,000,000 on the expansion of the onshore prepaid cards business of the Company; (II) approximately HK\$80,000,000 on expansion of the internet business of the Company; (III) approximately HK\$70,000,000 on the development of the cross-border payment business of the Company; (IV) approximately HK\$50,000,000 on maintenance and upgrade of the core payment systems of the Company; (V) approximately HK\$70,000,000 in acquiring or investing in companies engaged in the upstream and downstream business of the Company; (VI) approximately HK\$40,000,000 on the expansion of the offshore prepaid cards business of the Company; and (VII) approximately HK\$30,156,000 as the general working capital of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the GM 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.

Details of the transaction please refer to the Company announcement dated 26 April 2017.

Delay In Despatch Of The Circular In Relation To (1) Major Transaction – Acquisition Of 51% Equity Interest In Youzan; (2) Application For Whitewash Waiver; (3) Placing of New Shares under Specific Mandate; and (4) Continuing Connected Transactions

As additional time is required to finalise the financial information and indebtedness statement to be included in the Circular, it is expected that the despatch date of the Circular will be postponed to a date no later than 31 May 2017.

The Company has applied to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code by extending the despatch date of the Circular to no later than 31 May 2017 and the Executive has indicated that it is minded to grant consent to such waiver application.

Details of the transaction please refer to the Company announcement dated 26 April 2017.

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 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) 1,140,000,000 (S)	–	1,311,792,000 (L) 1,140,000,000 (S)	19.04% 16.55%
Mr. Cao Chunmeng	47,620,000	55,800,000 (<i>Note 2</i>)	103,420,000	1.50%
Mr. Yan Xiaotian	21,640,000	25,000,000 (<i>Note 2</i>)	46,640,000	0.68%
Dr. Fong Chi Wah	1,000,000	3,000,000 (<i>Note 2</i>)	4,000,000	0.06%
Mr. Wang Zhongmin	1,000,000	3,000,000 (<i>Note 2</i>)	4,000,000	0.06%
Mr. Gu Jiawang	1,000,000	3,000,000 (<i>Note 2</i>)	4,000,000	0.06%

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 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)	19.04%
	1,140,000,000 (S)		1,140,000,000 (S)	16.55%

Note: 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.

EMPLOYEE SHARE OPTIONS

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.



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.

Details of the Share Options granted are set out on the announcement dated 6 July 2012 and 11 June 2015.

As at the date of this report, there are still 215,098,000 share options to be exercised.

COMPETING INTERESTS

The Directors are not aware of, as at 31 March 2017, 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 three months period ended 31 March 2017, 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 DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors who have confirmed their compliance with required standard set out in the Securities Code during the three months ended 31 March 2017.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the three months period ended 31 March 2017 the board practices and procedures as set out in Chapter 5 of the GEM Listing Rules.



CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As at 31 March 2017, the Company has been in compliance with 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.

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 three months period ended 31 March 2017 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 three months period ended 31 March 2017 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 May 2017

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 for at least 7 days from the day of its posting and on the website of the Company at www.innovationpay.com.hk.