



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



Third
Quarterly
Report

2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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\$136,511,000 for the nine months ended 30 September 2017, representing an increase of 313% compared with the same period in 2016.

The Group's operating loss for the nine months period was approximately HK\$67,483,000, whereas a loss of HK\$63,081,000 for same period was recorded in last year.

For the three months ended 30 September 2017, the Group made sales of HK\$63,521,000, representing an increase of 306.7% over the same period in last year. Gross profit margin decrease from 31% in last year to 21% in current year.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2017.

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

Condensed Consolidated Statement of Comprehensive Income

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Continue operations					
Revenue	2	63,521	15,620	136,511	33,048
Cost of sales		(50,082)	(10,839)	(109,869)	(15,813)
Gross profit		13,439	4,781	26,642	17,235
Selling expenses		(6,646)	(5,989)	(19,622)	(14,010)
Administrative expenses		(32,997)	(19,239)	(100,210)	(67,966)
Other income/(expenses)	3	17,036	(2,877)	25,707	1,660
Loss from operations		(9,168)	(23,324)	(67,483)	(63,081)
Gain on fair value change of contingent consideration payables		-	-	7,639	-
Gain on disposal of subsidiaries		-	4,431	-	1,531
Finance cost		(129)	(69)	(452)	(1,502)
Loss before taxation		(9,297)	(18,962)	(60,296)	(63,052)
Taxation	5	(5)	-	(443)	(29)
Loss from continue operations		(9,302)	(18,962)	(60,739)	(63,081)
Minority interest		3,070	(1,007)	9,430	(3,317)
Loss attributable to shareholder		(6,232)	(19,969)	(51,309)	(66,398)
Discontinue operations					
Loss from discontinue operations		-	(1,603)	-	(8,965)
Loss for the period		(6,232)	(21,572)	(51,309)	(75,363)



	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Attributable to:					
Owners of the Company					
Loss from continue operation		(9,302)	(18,962)	(60,739)	(63,081)
Loss from discontinue operation		-	(1,603)	-	(8,965)
<hr/>					
Loss for the period attributable to					
owners of the Company		(9,302)	(20,565)	(60,739)	(72,046)
Minority Interest		3,070	(1,007)	9,430	(3,317)
<hr/>					
		(6,232)	(21,572)	(51,309)	(75,363)
<hr/>					
Loss per share	<i>6</i>				
- basic		HK(0.10) cents	HK(0.32) cents	HK(0.80) cents	HK(1.05) cents
- diluted		N/A	N/A	N/A	N/A
<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 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 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.

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2017 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000
– Third Party				
Payment Services	50,638	6,141	99,649	14,828
– General trading	11,800	8,739	30,923	16,149
– Onecomm	1,083	740	5,939	2,071
	63,521	15,620	136,511	33,048

3. Other revenue/(expenses)

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other expenses	–	(2,877)	–	–
Other revenue	756	–	1,631	1,660
Amortisation of financial guarantee contract	15,960	–	23,756	–
Bank interest income	320	–	320	–
	17,036	(2,877)	25,707	1,660

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 access 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 2017 (2016: Nil).

The amount of taxation for Mainland China subsidiaries was approximately HK\$5,000 and HK\$443,000 during the three-month period and the nine-month period ended 30 September 2017 respectively (2016: 0 and HK\$29,000 for three-month period and nine-month period ended 30 September 2017 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 2017 respectively were based on the unaudited loss attributable to shareholders of approximately 6,232,000 (2016: loss of HK\$19,969,000) for the three-month period ended 30 September 2017 and unaudited loss attributable to shareholders of approximately HK\$51,309,000 (2016: loss of HK\$66,398,000) for the nine-month period ended 30 September 2017 and on the weighted average number of 6,400,410,077 shares (2016: 6,033,572,724 shares) in issue during the three-month period ended 30 September 2017 and 6,978,955,179 shares (2016: 6,062,062,753 shares) in issue during the nine-month period ended 30 September 2017.



7. 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 2017 (2016: Nil).

8. Share Capital

The number of issued shares of the Company was 6,978,955,197 shares as at the date of this report.

9. Convertible bonds

As at 30 September 2017, there were not 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.

11. Reserves movement

At the beginning of 2017, the Group had consolidated reserves, excluding retained profits, of approximately HK\$1,259,506,000 (2016: HK\$1,248,445,000). For the nine-month period ended 30 September 2017, the Group's reserves increase by approximately HK\$482,427,000 (2016: increase of HK\$38,685,000), representing the increase in share premium reserve of approximately HK\$423,741,000 (2016: increase in share premium reserve HK\$45,833,000), the increase in cumulative translation adjustment of approximately HK\$46,445,000 (2016: decrease HK\$16,460,000) for the period, the increase in share option reserve of approximately HK\$12,241,000 (2016: HK\$9,312,000). As a result, the consolidated reserves, excluding retained profits, of the Group as at 30 September 2017 were approximately HK\$1,741,933,000 (2016: HK\$1,287,130,000).

At the beginning of 2017, the Group had accumulated loss of approximately HK\$477,696,000 (2016: accumulated loss of HK\$263,983,000). During the three-month period ended 30 September 2017, the Group's accumulated loss increase by approximately HK\$6,232,000 (2016: accumulated loss of HK\$21,572,000). For the nine-month period ended 30 September 2017, the Group's accumulated loss increase by approximately HK\$51,309,000 (2016: accumulated loss increase of HK\$75,363,000), representing the total comprehensive income attributable to shareholders for the period. As a result, the accumulated loss of the Group as at 30 September 2017 was approximately HK\$529,005,000 (2016: accumulated loss of HK\$339,346,000).



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”). Our operation consists of three operating segments, which are (i) general trading, (ii) third party payment services 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.

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

The Group recorded a turnover of approximately HK\$136,511,000 for the nine months ended 30 September 2017, representing an increase of 313% compared with the same period in 2016.

The Group's operating loss for the nine months period was approximately HK\$67,483,000, whereas a loss of HK\$63,081,000 for same period was recorded in last year.

For the three months ended 30 September 2017, the Group made sales of HK\$63,521,000, representing an increase of 306.7% over the same period in last year. Gross profit margin decrease from 31% in last year to 21% in current year.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2017.

Major Events

Extension of Long Stop Date in Relation to the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, completion of the Acquisition is conditional upon the fulfillment of the conditions precedent to the Sale and Purchase Agreement on or before 30 June 2017 (the "Long Stop Date"). Since additional time is required for fulfillment of all conditions precedent, including the Company having obtained the approvals from the Shareholders in general meeting by way of a poll in relation to (a) the Acquisition; (b) the allotment and issue of the Consideration Shares; (c) the Whitewash Waiver; and (d) the SM Placing, on 10 July 2017, the Company, the Sellers and the Target Company entered into a supplemental agreement agreeing to extend the Long Stop Date to 31 October 2017.

Save and except for the extension of the Long Stop Date as stated above, all other terms and conditions of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) shall remain unchanged and continue in full force and effect.

Details of the about transaction please refer to the Company announcement dated 10 July 2017.



Liquidity and Financial Resources

As at 30 September 2017, the Company's cash and cash equivalents amounted to approximately HK\$424,264,000 (2016: HK\$155,135,000).

As at 30 September 2017, the Company did not have any bank borrowings.

Capital Commitments, Pledge of Assets and Contingent Liabilities

As at 30 September 2017, 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

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

Payment of Additional Earnest Money in Relation to the Sale and Purchase Agreement

Pursuant to the MOU and the Sale and Purchase Agreement, the Group had paid to the Target Group RMB30,000,000 as earnest money (the “Earnest Money”) on 25 July 2016, which shall be returned to the Company by the Target Group within five working days from the later of (i) 18 March 2017, being the end of a eight-month period from the signing of the MOU; or (ii) the date of termination of the Acquisition by reason that any of the conditions precedent to the Sale and Purchase Agreement has not been fulfilled or waived on or before the Long Stop Date (i.e. 31 October 2017).

In view of the unexpected delays in the despatch of the Circular and to demonstrate the Company’s commitment to proceed with the Acquisition, the Company, the Sellers and the Target Company entered into a further supplemental agreement on 11 October 2017, pursuant to which the Group had paid to the Target Group RMB31,000,000 as additional earnest money (the “Additional Earnest Money”). The Earnest Money and the Additional Earnest Money shall be returned to the Company by the Target Group within five working days from the date of termination of the Acquisition by reason that any of the conditions precedent to the Sale and Purchase Agreement has not been fulfilled or waived on or before the Long Stop Date (i.e. 31 October 2017).

Save and except for the Additional Earnest Money as stated above, all other terms and conditions of the Sale and Purchase Agreement (as supplemented by the supplemental agreements dated 9 June 2017 and 10 July 2017 respectively) shall remain unchanged and continue in full force and effect.



As additional time is required to handle the enquiries from the SFC and to update and finalise the letter from the Independent Financial Adviser and the independent valuation report 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 December 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 December 2017 and the Executive has indicated that it is minded to grant consent to such waiver application.

Please refer to the Company announcements dated 11 October 2017 and 31 October 2017 for further details.

Supplemental Agreement in Relation to Further Extension of Long Stop Date

Pursuant to the Sale and Purchase Agreement, completion of the Acquisition is conditional upon the fulfillment of the conditions precedent to the Sale and Purchase Agreement on or before 31 October 2017 (the “Long Stop Date”). Since additional time is required for fulfillment of certain conditions precedent, on 31 October 2017, the Company, the Sellers and the Target Company entered into a supplemental agreement (“Supplemental Agreement”) agreeing to extend the Long Stop Date to 31 December 2017.

As stated in the Earnest Money Announcement, the Earnest Money and the Additional Earnest Money (collectively, the “Total Earnest Money”) shall be returned to the Company by the Target Group within five working days from the date of termination of the Acquisition by reason that any of the conditions precedent to the Sale and Purchase Agreement has not been fulfilled or waived on or before the Long Stop Date (i.e. 31 October 2017). Pursuant to the Supplemental Agreement, the Total Earnest Money shall be returned to the Company by the Target Group within four months from the date of termination of the Acquisition (“Return Period”) by reason that any of the conditions precedent to the Sale and Purchase Agreement has not been fulfilled or waived on or before the Long Stop Date (i.e. 31 December 2017). If the Total Earnest Money are not fully returned to the Company within the first calendar month of the Return Period, interest on the outstanding amount of the Total Earnest Money shall be payable by the Target Group to the Company.

Save and except for the extension of the Long Stop Date and the Return Period as stated above, all other terms and conditions of the Sale and Purchase Agreement (as supplemented by the supplemental agreements dated 9 June 2017, 10 July 2017 and 1 October 2017) shall remain unchanged and continue in full force and effect.

As stated in the Delay in Despatch Announcements, it was the intention of the Company to despatch the Circular no later than 31 December 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 December 2017 and the Executive has indicated that it is minded to grant consent to such waiver application.

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)	–	1,311,792,000 (L)	18.80%
	1,140,000,000 (S)	–	1,140,000,000 (S)	16.33%
Mr. Cao Chunmeng	67,420,000	36,000,000 (<i>Note 2</i>)	103,420,000	1.48%
Mr. Yan Xiaotian	21,640,000	25,000,000 (<i>Note 2</i>)	46,640,000	0.67%
Dr. Fong Chi Wah	1,000,000	3,000,000 (<i>Note 2</i>)	3,000,000	0.06%
Mr. Wang Zhongmin (Suspended on 4 August 2017)	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 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)	18.80%
	1,140,000,000 (S)	-	1,140,000,000 (S)	16.33%

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, the Share Option had been fully 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 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 nine-month period ended 30 September 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 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 2017, 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 2017 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 2017.

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 Gu Jiawang and Mr Xu Yanqing. 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 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 nine-month period ended 30 September 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 November 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 (Suspended on 4 August 2017)
Mr Gu Jiawang
Mr Xu Yanqing (Appointed on 4 August 2017)

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.