

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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 announcement, 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 announcement.

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$72,990,000 for the six months ended 30 June 2017, representing an increase of 319% compared with the same period in 2016. The increase of turnover was mainly due to expansion of Third Party Payment Services business.

The Group's operating loss for the six months period was approximately HK\$58,315,000, whereas a loss of HK\$39,756,000 was recorded for same period in last year. The increase in operating loss was mainly due to higher cost in general and administrative expenses, and the increase of share-based payment cost.

For the three months ended 30 June 2017, the Group made sales of HK\$48,355,000, representing an increase of 429% over the same period in last year. Gross profit margin decreased from 84% in last year to 13% in current year. As at 30 June 2017, the Group had a total of HK\$503,327,000 cash on hand. The current ratio was at 3.01 times.

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

FINANCIAL RESULTS

The board of directors (the “Board”) of China Innovationpay Group Limited (“Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and the six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

Condensed Consolidated Statement of Comprehensive Income

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
Turnover	2, 14	48,355	9,142	72,990	17,429
Cost of sales		(42,186)	(1,418)	(59,786)	(4,974)
Gross profit		6,169	7,724	13,204	12,455
Other income	3	8,036	1,852	8,671	4,538
Selling expenses		(7,107)	(1,505)	(12,975)	(8,021)
Administrative expenses		(40,400)	(24,300)	(67,215)	(48,728)
Loss from operations		(33,302)	(16,229)	(58,315)	(39,756)
Gain on fair value change of contingent consideration payables		7,639	–	7,639	–
Loss of disposal of a subsidiary		–	(2,900)	–	(2,900)
Finance cost		(194)	(498)	(323)	(1,434)
Loss before taxation	4	(25,857)	(19,627)	(50,999)	(44,090)
Taxation	5	(1)	(29)	(437)	(29)
Loss for the period		(25,858)	(19,656)	(51,436)	(44,119)
Non-controlling interests		3,354	1,062	6,359	(2,310)
Loss attributable to shareholders		<u>(22,504)</u>	<u>(18,594)</u>	<u>(45,077)</u>	<u>(46,429)</u>
Loss per share					
– basic	6	HK(0.34)cents	HK(0.38) cents	HK(0.70) cents	HK(0.73) cents
– diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividend	15	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(25,858)</u>	<u>(19,656)</u>	<u>(51,436)</u>	<u>(44,119)</u>
Other comprehensive income for the period, net of tax	<u>8,198</u>	<u>–</u>	<u>8,198</u>	<u>–</u>
Total comprehensive income for the period, net of tax	<u>(17,660)</u>	<u>(19,656)</u>	<u>(43,238)</u>	<u>(44,119)</u>
Attributable to:				
Owners of the Company	(14,655)	(18,594)	(36,879)	(46,429)
Non-controlling interests	<u>(3,005)</u>	<u>(1,062)</u>	<u>(6,359)</u>	<u>2,310</u>
	<u>(17,660)</u>	<u>(19,656)</u>	<u>(43,238)</u>	<u>(44,119)</u>

Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2016 (Audited) <i>HK\$'000</i>	Movements <i>HK\$'000</i>	As at 30 June 2016 (Unaudited) <i>HK\$'000</i>
Share capital	60,158	463	60,621
Share premium	1,151,475	45,834	1,197,309
Capital reserve	(2,850)	–	(2,850)
Statutory reserve	9,898	–	9,898
Exchange reserve	27,316	5,943	33,259
Share Option reserve	61,606	–	61,606
Warrant reserve	1,000	–	1,000
Accumulated losses	(263,983)	(46,429)	(310,412)
Total	1,044,620	5,811	1,050,431
Non-controlling interests	27,697	(105)	27,592
Total equity	<u>1,072,317</u>	<u>5,706</u>	<u>1,078,023</u>

	As at 1 January 2017 (Audited) <i>HK\$'000</i>	Movements <i>HK\$'000</i>	As at 30 June 2017 (Unaudited) <i>HK\$'000</i>
Share capital	60,993	8,797	69,790
Share premium	1,180,297	419,599	1,599,896
Capital reserve	(1,117)	–	(1,117)
Statutory reserve	9,898	–	9,898
Exchange reserve	(34,009)	8,199	(25,811)
Share Option reserve	103,438	10,922	114,360
Warrant reserve	1,000	–	1,000
Accumulated losses	(477,696)	(45,077)	(522,773)
Total	842,804	402,439	1,245,243
Non-controlling interests	15,525	(6,359)	9,166
Total equity	<u>858,329</u>	<u>396,080</u>	<u>1,254,409</u>

Consolidated Statement of Financial Position

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		12,943	12,882
Intangible assets		8,669	7,154
Long term deposits		254	3,978
Goodwill	7	653,432	653,432
Investments in associates		5,750	–
Available-for-sale financial assets		115,596	100,620
Deposits for investments		35,723	35,723
		<u>832,367</u>	<u>813,789</u>
Current assets			
Inventories		3,782	3,153
Trade receivables	8	20,470	20,507
Prepayments, deposits and other receivables		101,249	54,218
Amount due from an associate		3,450	3,349
Amounts due from non-controlling shareholders of subsidiaries		1,038	855
Bank and cash balances		503,237	185,422
		<u>633,226</u>	<u>267,504</u>
Current liabilities			
Trade payables	9	2,418	2,418
Accruals and other payables		155,814	120,033
Amount due to a director		3	3
Current tax liabilities		2,509	2,453
Contingent consideration payables		33,582	40,278
Financial guarantee		15,960	23,756
		<u>210,286</u>	<u>188,941</u>

		As at 30 June 2017 (Unaudited) <i>HK\$'000</i>	As at 31 December 2016 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Net current assets		<u>422,940</u>	<u>78,563</u>
Total assets less current liabilities		<u><u>1,255,307</u></u>	<u><u>892,352</u></u>
Non-current liabilities			
Contingent consideration payables		–	33,582
Deferred tax liabilities		<u>898</u>	<u>441</u>
		<u>898</u>	<u>34,023</u>
NET ASSETS		<u><u>1,254,409</u></u>	<u><u>858,329</u></u>
Capital and reserves			
Share capital	11	69,790	60,993
Reserves		<u>1,175,453</u>	<u>781,811</u>
Equity attributable to owners of the Company		1,245,243	842,804
Non-controlling interests		<u>9,166</u>	<u>15,525</u>
TOTAL EQUITY		<u><u>1,254,409</u></u>	<u><u>858,329</u></u>

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	(55,292)	(14,914)
Net cash inflow/(outflow) from investing activities	<u>(17,250)</u>	<u>(6,717)</u>
Net cash inflow/(outflow) before financing activities	(72,542)	(21,631)
Net cash inflow/(outflow) from financing activities	<u>390,357</u>	<u>(1,000)</u>
Increase/(decrease) in cash and bank balances	317,815	(22,631)
Cash and bank balances, beginning of the six-month period	<u>185,422</u>	<u>236,608</u>
Cash and bank balances, end of the six-month period	<u><u>503,237</u></u>	<u><u>213,977</u></u>

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 condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the six-month period ended 30 June 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

	For the six months ended 30 June	
	2017	2016
	HK\$’000	HK\$’000
– Third Party Payment Services	49,011	8,687
– General trading	19,123	7,410
– Onecomm	4,856	1,332
	72,990	17,429

3. Other income

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other expenses	–	–	–	–
Other income	240	1,852	875	4,538
Amortisation of financial guarantee contract	7,796	–	7,796	–
Sundries	–	–	–	–
	<u>8,036</u>	<u>1,852</u>	<u>8,671</u>	<u>4,538</u>

4. Loss before taxation

Loss before taxation was determined after charging (crediting):

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1	15	1	15
Interest expense	2	1	2	1
Depreciation	–	–	–	–
Amortisation	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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 six-month period ended 30 June 2017 (2016: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$1,000 and HK\$437,000 during the three-month period and the six-month period ended 30 June 2017 respectively (2016: HK\$29,000 and HK\$29,000).

The amount of deferred tax liabilities for the three-month period and the six-month period ended 30 June 2017 were HK\$898,000 and HK\$898,000 respectively (2016: HK\$734,000).

6. Loss per share

The calculation of the basic loss per share for the three-month period and the six-month period ended 30 June 2017 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$22,504,000 (2016: HK\$18,594,000) for the three-month period ended 30 June 2017 and the unaudited loss attributable to shareholders of approximately HK\$45,077,000 (2016: HK\$46,429,000) for the six-month period ended 30 June 2017 and on the weighted average number of approximately 6,698,200,619 shares in issue during the three-month period ended 30 June 2017 and approximately 6,400,410,078 shares in issue during the six-month period ended 30 June 2017.

7. 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.

8. Trade receivables

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Trade receivables	<u>20,470</u>	<u>20,507</u>

The Group normally grants to its customers credit periods ranging from one to three months.

Aging analysis of trade receivables is as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
0 to 90 days	10,659	10,688
91 to 180 days	4,658	4,662
181 to 365 days	<u>5,153</u>	<u>5,157</u>
	<u>20,470</u>	<u>20,507</u>

9. Trade payables

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Trade creditors	2,418	2,418

Aging analysis of trade payables is as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Current to 90 days	–	17
91 to 180 days	17	–
181 to 365 days	15	15
Over 365 days	2,386	2,386
	2,418	2,418

10. Settlement obligation

The settlement obligations are recognised upon sales of prepaid cards and receipt of respective funds. The amount represents unused fund balances of the prepaid cards that the Group obligates to remit funds to the contracted merchants when cardholders make purchase transactions using the prepaid cards, the settlement basis is normally the next business day of the transaction date, except for certain merchants where settlement term is negotiated on an individual basis.

11. Share Capital

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

12. Convertible bonds

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

13. 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 announcement date, there were still outstanding 530,000,000 Warrant Shares with an aggregate fair value of HK\$381,600,000 to be subscribed.

14. Turnover and segment information

The Group’s turnover and contribution to profit before taxation for the six-month period from 1 January to 30 June 2017, analyzed by principal activity and geographical location, are as follows:

a.

	Turnover		Contribution to loss after taxation	
	2017	2016	2017	2016
	From	From	From	From
	1 January	1 January	1 January	1 January
	to 30 June	to 30 June	to 30 June	to 30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
By principal activity:				
– General trading	19,123	7,410	764	4,192
– Third Party Payment Services	49,011	8,687	10,816	7,297
– Onecomm	4,856	1,332	1,624	966
	<u>72,990</u>	<u>17,429</u>	<u>13,204</u>	<u>12,455</u>
Other income			8,671	4,538
Gain on fair value change of contingent consideration payables			7,639	–
Selling and marketing expenses			(12,975)	(8,021)
General and administrative expenses			(67,215)	(48,728)
Finance cost			(323)	(1,434)
Loss of disposal of a subsidiary			–	(2,900)
Exchange difference on translation of foreign operations			–	–
Taxation			(437)	(29)
Non controlling interests			6,359	(2,310)
			<u>(45,077)</u>	<u>(46,429)</u>

b.

	Turnover		Contribution to loss after taxation	
	2017	2016	2017	2016
	From	From	From	From
	1 January	1 January	1 January	1 January
	to 30 June	to 30 June	to 30 June	to 30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical location:				
– Hong Kong	–	–	–	–
– Mainland China	72,990	17,429	13,204	12,455
	72,990	17,429	13,204	12,455
Other income			8,671	4,538
Gain on fair value change of contingent consideration payables			7,639	–
Selling and marketing expenses			(12,975)	(8,021)
General and administrative expenses			(67,215)	(48,728)
Loss of disposal of a subsidiary			–	(2,900)
Finance cost			(323)	(1,434)
Exchange difference on translation of foreign operations			–	–
Taxation			(437)	(29)
Non controlling interests			6,359	(2,310)
			(45,077)	(46,429)

15. Interim dividend

The Board does not recommend the payment of an interim dividend for the three-month period and the six-month period ended 30 June 2017 (2016: Nil).

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 (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.

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\$72,990,000 for the six months ended 30 June 2017, representing an increase of 319% compared with the same period in 2016. The increase of turnover was mainly due to expansion of Third Party Payment Services business.

The Group's operating loss for the six months period was approximately HK\$58,315,000, whereas a loss of HK\$39,756,000 was recorded for same period in last year. The increase in operating loss was mainly due to higher cost in general and administrative expenses, and the increase of share-based payment cost.

For the three months ended 30 June 2017, the Group made sales of HK\$48,355,000, representing an increase of 429% over the same period in last year. Gross profit margin decreased from 84% in last year to 13% in current year. As at 30 June 2017, the Group had a total of HK\$503,327,000 cash on hand. The current ratio was at 3.01 times.

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

Major Event

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.

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

Further 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 stated in the announcements of the Company dated 26 April 2017 and 31 May 2017 in relation to the delay in despatch of the Circular, it was the intention of the Company to despatch the Circular no later than 30 June 2017. As additional time is required to (i) update and finalise the letter from the Independent Financial Adviser and the independent valuation report; and (ii) update the financial information of Youzan Group to be included in the Circular, in order to provide more updated information in relation to the Acquisition to the Shareholders and potential investor, it is expected that the despatch date of the Circular will be postponed to a date no later than 31 August 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 August 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 30 June 2017.

Financial Resources and Liquidity

As at 30 June 2017, the Group has a cash balance of approximately HK\$503,237,000.

As at 30 June 2017, the total current assets over the total current liabilities is 3.01 times. The ratio of all liabilities to total assets is about 15%.

As at 30 June 2017, the Group has no bank borrowings.

Intellectual Property

As at 30 June 2017, the Group had 24 trademarks registered in mainland China and Hong Kong. At the same time, the Group had 68 software copyrights in China and 6 patents in China.

Treasury Policy

Cash and bank deposits of the Group are either in HK dollars or Renminbi. The Group conducts its core business transaction mainly in RMB and HK dollars, such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Contingent Liabilities

The Group and the Company had no material contingent liabilities as at 30 June 2017.

Employees

As at 30 June 2017, the Group had 270 employees (2016: 286) working in Hong Kong and PRC. Employees are remunerated according to their performance and work experience. In addition to basic salaries and mandatory provident fund, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The Group provides other staff benefits include medical coverage scheme.

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.

Events After the Reporting Period

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.

Please refer to the Company Announcement dated 10 July 2017 for more details.

DIRECTORS' INTEREST IN SHARES

As at the date of this announcement, 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	46,640,000	0.67%
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 11 June 2015.

Save as disclosed above, as at the date of this announcement, 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 announcement, 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 this announcement date, the Share Option had been fully exercised.

As at the date of this announcement, details of the option under New Share Option Scheme were as follows:

Date of grant	Exercise period	Exercise price	At 1 January 2017	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	At the announcement date
New Share Option Scheme							
Directors and Chief Executives							
6 July 2012	6 July 2013 to 5 July 2017	HK\$0.25	6,240,000	–	–	(6,240,000)	–
	6 July 2014 to 5 July 2017	HK\$0.25	6,240,000	–	–	(6,240,000)	–
	6 July 2015 to 5 July 2017	HK\$0.25	8,320,000	–	–	(8,320,000)	–
Other employees							
6 July 2012	6 July 2013 to 5 July 2017	HK\$0.25	–	–	–	–	–
	6 July 2014 to 5 July 2017	HK\$0.25	–	–	–	–	–
	6 July 2015 to 5 July 2017	HK\$0.25	800,000	–	–	(800,000)	–
Total share options			<u>21,600,000</u>	<u>–</u>	<u>–</u>	<u>(21,600,000)</u>	<u>–</u>

On 11 June 2015, the Company granted certain share options (the “New 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 options under New Share Option Scheme granted on 11 June 2015 as at the report date were as follows:

Date of grant	Exercise period	Exercise price	At 1 January 2017	Granted during the year	Cancelled/ lapsed during the period	Exercised during the period	At the announcement date
New Share Option Scheme							
Directors and Chief Executives							
11 June 2015	1 February 2016 to 31 January 2017	HK\$1.25	21,000,000	–	–	–	21,000,000
	1 February 2017 to 31 January 2018	HK\$1.25	21,000,000	–	–	–	21,000,000
	1 February 2018 to 31 January 2019	HK\$1.25	28,000,000	–	–	–	28,000,000
subtotal			<u>70,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>70,000,000</u>
Other employees							
11 June 2015	1 February 2016 to 31 January 2017	HK\$1.25	37,349,000	–	(1,078,800)	–	36,270,600
	1 February 2017 to 31 January 2018	HK\$1.25	373,494,000	–	(1,078,800)	–	36,270,600
	1 February 2018 to 31 January 2019	HK\$1.25	49,799,200	–	(1,438,400)	–	48,360,800
subtotal			<u>124,498,000</u>	<u>–</u>	<u>(3,596,000)</u>	<u>–</u>	<u>120,902,000</u>
Total share options			<u>194,498,000</u>	<u>–</u>	<u>(3,596,000)</u>	<u>–</u>	<u>190,902,000</u>

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 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

As at 30 June 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 June 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 six-month period ended 30 June 2017 the board practices and procedures as set out in Rule 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 six months ended 30 June 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 Wong 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 six-month period ended 30 June 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 six-month period ended 30 June 2017 and the draft of this announcement, and has provided advice and comments thereon.

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

Hong Kong, 2 August 2017

As at the date of this announcement, 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 announcement 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.