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FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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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 revenue of approximately HK\$59,110,000 for the three months period ended 31 March 2018. Of the revenue, (i) approximately HK\$9,741,000 from general trading, representing approximately 16% of the total revenue of the Group; (ii) approximately HK\$49,368,000 from the third party payment services, representing approximately 84% of the total revenue of the Group; and (iii) approximately HK\$1,000 from Onecomm, representing approximately 0% of the total revenue of the Group.

The Group's turnover for the three months ended 31 March 2018 increased 140%, mainly due to the expansion of third party payment services during the period. The Group recorded an unaudited loss after taxation of approximately HK\$29,725,000.

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 2018 together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

Condensed Consolidated Statement of Comprehensive Income

	<i>Notes</i>	For the three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Turnover	2	59,110	24,635
Cost of sales		<u>(51,127)</u>	<u>(17,600)</u>
Gross profit		7,983	7,035
Other revenue	3	309	635
Selling and marketing expenses		(5,244)	(5,868)
General & administrative expenses		<u>(32,773)</u>	<u>(26,815)</u>
Loss from operations		(29,725)	(25,013)
Finance cost		<u>–</u>	<u>(129)</u>
Loss before taxation		(29,725)	(25,142)
Taxation	4	<u>–</u>	<u>(436)</u>
Loss for the period		<u>(29,725)</u>	<u>(25,578)</u>
Other comprehensive income/(loss) for the period, exchange difference on translation of foreign operations		<u>–</u>	<u>–</u>
Total comprehensive income/(loss) for the period, net of tax		<u>(29,725)</u>	<u>(25,578)</u>

	For the three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Attributable to:		
Owners of the Company	(29,113)	(22,224)
Minority Interest	(612)	(3,354)
	<u>(29,725)</u>	<u>(25,578)</u>
Total comprehensive income/(loss) for the period attributed to:		
Owners of the Company	(29,113)	(22,224)
Minority Interest	(612)	(3,354)
	<u>(29,725)</u>	<u>(25,578)</u>
Loss per share		
– basic	HK\$(0.43) cents	HK\$(0.36) cents
– diluted	<u>N/A</u>	<u>N/A</u>

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 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 2018 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2017.

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.

	2018	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>
– Third Party Payment Services	49,368	9,615
– General trading	9,741	13,193
– Onecomm	1	1,827
	59,110	24,635

3. Other revenue

Other revenue for the three months period ended 31 March 2018 consisted of a sundry revenue of approximately HK\$309,000 (2017: HK\$635,000).

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 2018 (2017: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$0 during the three months period ended 31 March 2018 (2017: HK\$436,000).

There was no significant unprovided deferred taxation for the three months period ended 31 March 2018 (2017: Nil).

5. Loss per share

The calculation of the basic loss per share for the three months period ended 31 March 2018 were based on the unaudited loss attributable to shareholders of approximately HK\$29,725,000 (2017: HK\$25,578,000) for the three months period ended 31 March 2018 and on the weighted average number of approximately 6,978,955,197 shares (2017: 6,099,310,753 shares) in issue during the three month period ended 31 March 2018.

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months period ended 31 March 2018 (2017: Nil).

7. Share capital

As at the announcement date, the number of issued shares of the Company was 12,881,007,829 shares.

8. Reserves movement

At the beginning of 2018, the Group had consolidated reserves, excluding retained profits, of approximately HK\$1,825,510,000 (2017: HK\$1,320,500,000). For the three months period ended 31 March 2018, the Group's reserves increased by approximately HK\$13,513,000 (2017: decrease of HK\$4,641,000), representing the increase in exchange reserve adjustment of approximately HK\$13,513,000 (2017: decrease of HK\$4,641,000) for the period. As a result, the consolidated reserves, excluding retained profits, of the Group as at 31 March 2018 were approximately HK\$1,839,023,000 (2017: HK\$1,315,859,000).

At the beginning of 2018, the Group had retained loss of approximately HK\$585,330,000 (2016: retained loss of HK\$477,696,000). For the three months period ended 31 March 2018, the Group's retained loss increased by approximately HK\$29,725,000 (2017: HK\$25,578,000), representing the total comprehensive loss attributable to shareholders for the period. As a result, the accumulated loss of the Group as at 31 March 2018 was approximately HK\$615,055,000 (2017: HK\$503,274,000).

9. Convertible bonds

As at the date of this announcement, 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 announcement 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”) and 51% of Qima Holdings Ltd and its subsidiaries (collectively the “Youzan Group”). We mainly operate payment service based business across the People’s Republic of China (the “PRC”). Up to 2017, 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 the Group’s distributors, the virtual 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 the distributors to develop and operate their own customers.

Internet Payment Service

The business sector of internet payment service is a major profit contributor in 2017. This sector's service provides a speedy B2C and B2B mobile payment gateway service to our clients. All Chinese popular payment paths, such as WeChat, ApplePay, AliPay and China Unionpay, have been built into the Group's payment gateway where the end user has no feeling of using our internet payment service.

Integrated Payment Service

The business sector of integrated payment service can provide merchants all-round membership management, full-channel, self-marketing services. The Company has applied a conservative strategies in developing this business sector due to the relative cost. In a foreseeable future, seeking sizable merchants in this business sector is still challenging for us.

Cross-border Renminbi Payment Service

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

Financial Review

Revenue

The Group recorded a revenue of approximately HK\$59,110,000 for the three months period ended 31 March 2018. Of the revenue, (i) approximately HK\$9,741,000 from general trading, representing approximately 16% of the total revenue of the Group; (ii) approximately HK\$49,368,000 from the third party payment services, representing approximately 84% of the total revenue of the Group; and (iii) approximately HK\$1,000 from Onecomm, representing approximately 0% of the total revenue of the Group.

The Group's turnover for the three months ended 31 March 2018 increased 140%, mainly due to the expansion of third party payment services during the period. The Group recorded an unaudited loss after taxation of approximately HK\$29,725,000.

Significant Investment and Acquisition

Despatch of circular in relation to Major Transaction – Acquisition of 51% Equity Interest in Youzan

On 2 January 2018, the Company despatched the circular in relation to the Major Transaction – Acquisition of 51% equity interest in Youzan.

On 26 January 2018, all of the proposed ordinary resolutions (“Resolutions”) as set out in the notice of the SGM contained in the circular were duly passed at the SGM.

Details of the transaction and the poll results in respect of each of the Resolutions, please refer to the Company announcement dated 2 January 2018 and 26 January 2018 respectively.

Liquidity and Financial Resources

As at 31 March 2018, the Group’s cash and cash equivalents amounted to approximately HK\$343,127,000.

As at 31 March 2018, the Company did not have any bank borrowings (2017: 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 interests of an investee company by way of capital injection of RMB5,000,000. As at 31 December 2016, the Group paid RMB2,000,000. The remaining balance of RMB3,000,000 constituted a capital commitment.

On 31 December 2017, a subsidiary of the Company entered into a capital agreement with a potential investor and other shareholders of the associate, BJ Wallet, conditionally agreed to invest further RMB2,500,000 for maintenance 20% equity interests of the associate. The investment is subject to fulfillment of other conditions precedent.

As at 31 December 2017, available-for-sale financial assets were pledged as security in respect of loan granted to the underlying investee company.

Contingent liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (2017: Nil).

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

Set aside the macro economic factors, indeed the Company has noticed that online purchases as a growing trend changing the conventional trade model in recent years. The trend has positively impacted the e-commerce market in terms of increased transaction volume. Following the past experience and the vision of being the industry connector, the Group has proposed including Youzan to be one of its subsidiary in 2017. The Acquisition was completed on 18 April 2018. Youzan Group currently handles its daily transactions through multiple payment gateways provided by several third-party payment service providers. At present, Youzan Group had engaged six third-party payment service providers servicing its e-commerce platforms.

The intention of the Company is that Beijing Gaohuitong will replace the existing third-party payment service providers of Youzan Group by substituting the applicable third-party payment services currently provided by those existing third-party payment service providers and gradually become the sole third-party payment service provider of Youzan Group. Such an anticipated arrangement includes providing various third-party payment services to Youzan Group, such as offline integrated payment transactions services, online payment services for "WeiMall", cross-border RMB payment settlement services for "WeiMall" overseas merchants, physical and virtual prepaid cards services for merchants of Youzan Group and other payment related services. Accordingly, the GMV of Youzan Group, representing the total value of all confirmed transactions for products and services on Youzan Group's e-commerce platform, regardless of whether the goods are delivered or returned or how such orders are settled, could be translated into the Group's existing principal e-commerce business – third-party payment service, through charging service fee for the third-party payment services to be provided by the Group. The conditional acquisition could immediately contribute positively and expand the Group's number of contracted merchants and increase the transaction volume using the Group's third-party payment services. The Group considers the conditional acquisition complements the Group's development strategy regarding its third-party payment services by expanding the number of merchants and consumers using the Group's payment gateway and processing transaction volume via the Group's payment system.

The expanded merchant and consumer base through the conditional acquisition could also be a pool of potential business for the Group's other business segments, such as use of pre-paid cards, provision of consultancy services, payment solutions, use of cross-border payment gateway, big data analytics enabling etc., which, the Group considers complements and provides growth momentum for the Group's existing business segments.

Through the conditional acquisition, the combination of Youzan Group's third-party ecommerce platform and the Group's third-party payment platform can allow the Group to provide comprehensive one-stop services to the merchants, including opening and operating of their online stores, inventory management, consumer management, marketing management, online store management, coupled with the payment services support and capital management.

With the abovementioned synergetic effects with the existing businesses of the Group, it is also expected that both income from the principal businesses of the Group and the income from Youzan Group's operation of the e-commerce applications related business (which mainly consists of (i) fees charged for use of applications and premium functions; and (ii) transaction fees based on consideration of relevant transactions) could be enhanced through providing a comprehensive one-stop service that will enrich the Group's income stream, which the Group considers is beneficial to and in the interests of the Group and its shareholders as a whole.

Third-party payment as one of the new financial infrastructures, its influence and industry penetration have further underpinned in recent years. In the context of the consumer era, the traditional industries represented by the heavy asset model have gradually taken over and the light asset industries such as science, technology and finance have taken the stage.

Third-party payment competition is stepping into abyssal zone, pushing the evolution of the ecosystem, technology and models. The competition among the third-party payment agencies has gradually evolved from pure product-based to business model competition and it is tend to move to ecosystem competition in the future. From the password payment, the development of biometric fingerprint recognition to face recognition payment, the innovation continues to be accelerated. But as a payment business, relying solely on the channel business itself is far from enough, marketing and other value-added services such as credit payment is a fundamental platform dedicated to providing customers with a seamless and efficient scene-based transaction experience. At the same time, more and more payment enterprises integrate their upstream and downstream industry chains and different financial institutions to build their own ecosystem ensure third-party payment of the core competitiveness of enterprises. Especially as financial industry replaced real estate industry and became the key support of the economic development, its industry ecosystem is under reconstruction. Traditional banks, non-bank financial institutions are under shrinking the balance sheet, P2P, consumer finance and other non-bank financial institutions have also been pressured by a series of tighten regulations. Third-party payment, with transactions as the entry point, relies on data to connect traditional finance and digital inclusion finance, will become the next new important financial infrastructure.

Event After the Reporting Period

Proposed Change of Company Name and Proposed Amendments to Bye-Laws

Proposed Change of Company Name

The Board proposes to change the English name of the Company from “China Innovationpay Group Limited” to “China Youzan Limited” and adopt the Chinese name “中國有贊有限公司” as the secondary name of the Company to replace “中國創新支付集團有限公司”, the existing Chinese name of the Company.

The Proposed Change of Company Name is subject to the passing of a special resolution by the Shareholders at the SGM to be held on 8 May 2018 and the approval by the Registrar of Companies in Bermuda.

Proposed Amendments to Bye-Laws

The Board proposes to amend the bye-laws of the Company to adjust the maximum number of Directors comprising the Board.

As stated in Bye-law 89 of the Bye-laws, the number of Directors shall not be less than two and shall not be more than nine. The existing Board comprises six Directors, including three executive Directors and three independent non-executive Directors. Following the anticipated completion of the Youzan Acquisition, the Company may appoint additional Directors and/or senior managerial staff to cope with the expansion of the Group’s business operations. As such, the Board proposes to adjust the maximum numbers of Directors comprising the Board from nine to fifteen for flexibility purpose (the “Proposed Amendments to Bye-laws”).

The Proposed Amendments to Bye-laws are subject to the passing of a special resolution by the Shareholders at the SGM to be held on 8 May 2018.

Please refer to the Company’s announcement dated 12 April 2018 and the circular dated 13 April 2018 respectively.

Completion of the SM Placing

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

The conditions set out in the SM Placing Agreement have been fulfilled and the SM Placing was completed on 16 April 2018 in accordance with the terms and conditions of the SM Placing Agreement. A total of 386,000,000 SM Placing Shares have been successfully placed by the Placing Agent to not fewer than six (6) SM Placees at the SM Placing Price of HK\$0.5 per 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\$187,479,500.

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

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

Details of the transaction please refer to the Company announcement dated 16 April 2018.

Completion of the acquisition of Youzan Group

The conditions set out in the Sale and Purchase Agreement had been fulfilled and the Acquisition was completed on 18 April 2018 in accordance with the terms and conditions of the Sale and Purchase Agreement.

Upon Completion, 5,516,052,632 Consideration Shares were issued to the Sellers in proportion to their shareholding in Youzan at the issue price of HK\$0.38 per Consideration Share to satisfy the Consideration of HK\$2,096,100,000.

Details of the transaction please refer to the Company announcement dated 18 April 2018.

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 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)	10.18%
	1,140,000,000 (S)		1,140,000,000 (S)	8.85%
Mr. Cao Chunmeng	67,420,000	36,000,000 (<i>Note 2</i>)	103,420,000	0.52%
Mr. Yan Xiaotian	21,640,000	25,000,000 (<i>Note 2</i>)	46,640,000	0.17%
Dr. Fong Chi Wah	1,000,000	3,000,000 (<i>Note 2</i>)	4,000,000	0.01%
Mr. Gu Jiawang	1,000,000	3,000,000 (<i>Note 2</i>)	4,000,000	0.01%

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Zhu Ning	1,440,601,703 <i>(Note 3)</i>	–	1,803,771,804	14.00%
	363,170,101 <i>(Note 4)</i>	–		
Mr. Yu Tao	363,170,101 <i>(Note 4)</i>	–	363,170,101	2.82%
Mr. Cui Yusong	241,885,127 <i>(Note 5)</i>	–	241,885,127	1.88%

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.

Note 3: The shares are held by Whitecrow Investment Ltd. (“Whitecrow”). Whitecrow is a company incorporated in the British Virgin Islands with limited liability and 100% beneficially wholly owned by Mr. Zhu Ning.

Note 4: The shares are held by Youzan Teamwork Inc. (“Youzan Teamwork”). Youzan Team is a company incorporated in the British Virgin Islands with limited liability. Mr. Zhu Ning holds 40% of its shares interest and Mr. Yu Tao holds 10% of shares its interest.

Note 5: The shares are held by V5.Cui Investment Ltd. (“V5.Cui”). V5 Cui a company incorporated in the British Virgin Islands with limited liability and 100% beneficially owned by Mr. Cui Yusong.

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 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)	10.18%
	1,140,000,000 (S)	–	1,140,000,000 (S)	8.85%
Mr. Zhu Ning	1,440,601,703	–	1,803,771,804	14.00%
	(<i>Note 2</i>)	–		
	363,170,101 (<i>Note 3</i>)	–		

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 shares are held by Whitecrow Investment Ltd. (“Whitecrow”). Whitecrow is a company incorporated in the British Virgin Islands with limited liability and 100% beneficially wholly owned by Mr. Zhu Ning.

Note 3: The shares are held by Youzan Teamwork Inc. (“Youzan Teamwork”). Youzan Team is a company incorporated in the British Virgin Islands with limited liability. Mr. Zhu Ning holds 40% of its shares interest.

EMPLOYEE SHARE OPTIONS

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 11 June 2015.

As at the date of this announcement, there are still 182,288,000 share options to be exercised.

COMPETING INTERESTS

The Directors are not aware of, as at 31 March 2018, 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 2018, 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 2018.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the three months period ended 31 March 2018 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 2018, 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 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 three months period ended 31 March 2018 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 2018 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, 8 May 2018

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

Executive Directors

Mr Guan Guisen

Mr Cao Chunmeng

Mr Yan Xiaotian

Mr. Zhu Ning

Mr. Cui Yusong

Mr. Yu Tao

Independent Non-executive Directors

Dr Fong Chi Wah

Mr Gu Jiawang

Mr Xu Yanqing

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