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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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.

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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.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

Basis for Qualified Opinion

As set out in note 20 (correspond to note 16 to this announcement) to the consolidated financial statements, goodwill with carrying amount of HK$653,432,000 was allocated to the cash-generating unit ("CGU") of Third Party Payment Services and the carrying amount of the CGU was assessed for impairment by management. The recoverable amount of the CGU was determined based on value in use calculations. The Group prepared cash flow forecasts for a five year period based on the assumption that the CGU would experience significant growth rates in revenues during the forecast period. Management considered that the forecast revenues would be achieved because, among other factors, the Group expected there would be a synergetic effect upon its strategic development of its Third Party Payment Services segment.

However, the historical performance of Third Party Payment Services has not met the Group's forecast revenues in the past. Although we have been provided with a business plan, we were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the assumptions related to the growth in revenues during the forecast period after considering the historical track record of Third Party Payment Services CGU and the absence of other supporting evidence. Any adjustments found to be necessary to the assumptions related to the growth in revenues during the forecast period would have a consequential effect on the recoverable amount of the CGU. Any impairment losses arising as a result of the revised assumptions would have an effect on the Group's net assets as at 31 December 2016, the net loss for the year then ended and the disclosure related to impairment losses in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

Material Uncertainty Related to Going Concern

We draw attention to note 2 (correspond to note 2 to this announcement) in the consolidated financial statements, which indicates that the Group incurred loss from continuing operations attributable to owners of the Company amounted to HK$210,128,000 and operating cash outflow before working capital changes of HK$113,861,000 during the reporting period. As at 31 December 2016, the Group's bank balances included HK$98,295,000 restricted bank balance for the purpose of settlement obligation. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of the Company are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Represented)
Continuing operations			
Revenue	5	**80,182**	97,068
Cost of sales		**(56,227)**	(71,468)
Gross profit		**23,955**	25,600
Other income	6	**24,946**	15,021
Selling expenses		**(16,917)**	(27,378)
Administrative expenses		**(125,040)**	(100,621)
Equity-settled share-based payments		**(48,415)**	(57,548)
Loss from operations		**(141,471)**	(144,926)
Finance costs	7	**–**	(15)
(Loss)/gain on fair value change of contingent consideration payables		**(70,984)**	13,155
Impairment of goodwill	16	**(12,301)**	(4,641)
Loss before tax		**(224,756)**	(136,427)
Income tax credit/(expense)	8	**242**	(2,556)
Loss for the year from continuing operations	9	**(224,514)**	(138,983)
Discontinued operations			
Loss for the year from discontinued operations	10	**(4,383)**	(21,588)
Loss for the year		**(228,897)**	(160,571)

	Note	2016	2015
		HK$'000	*HK$'000*
			(Represented)
Attributable to:			
Owners of the Company			
– Continuing operations		**(210,128)**	(132,536)
– Discontinued operations		**(4,294)**	(21,282)
		(214,422)	(153,818)
Non-controlling interests			
– Continuing operations		**(14,386)**	(6,447)
– Discontinued operations		**(89)**	(306)
		(14,475)	(6,753)
		(228,897)	(160,571)
		HK cents	*HK cents*
Loss per share	*11*		
From continuing and discontinued operations			
Basic		**(3.53)**	(2.71)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(3.46)**	(2.33)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
		(Represented)
Loss for the year	**(228,897)**	(160,571)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(64,323)**	(42,459)
Exchange differences reclassified to profit or loss on disposals of foreign operations	**2,998**	–
Other comprehensive income for the year, net of tax	**(61,325)**	(42,459)
Total comprehensive income for the year	**(290,222)**	(203,030)
Attributable to:		
Owners of the Company		
– Continuing operations	**(271,453)**	(174,995)
– Discontinued operations	**(4,294)**	(21,282)
	(275,747)	(196,277)
Non-controlling interests		
– Continuing operations	**(14,386)**	(6,447)
– Discontinued operations	**(89)**	(306)
	(14,475)	(6,753)
	(290,222)	(203,030)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**12,882**	15,308
Intangible assets		**7,154**	9,758
Long term deposits		**3,978**	24,531
Goodwill	16	**653,432**	707,508
Investments in associates		**–**	–
Available-for-sale financial assets		**100,620**	110,002
Deposits for investments		**35,723**	–
		813,789	867,107
Current assets			
Inventories		**3,153**	1,941
Trade receivables	13	**20,507**	43,182
Prepayments, deposits and other receivables		**54,218**	31,994
Amount due from an associate		**3,349**	–
Amount due from non-controlling shareholders of subsidiaries		**855**	215
Bank and cash balances		**185,422**	236,608
		267,504	313,940
Current liabilities			
Trade payables	14	**2,418**	3,744
Accruals and other payables		**120,033**	38,787
Amounts due to non-controlling shareholders of subsidiaries		**–**	776
Amount due to a director		**3**	1,003
Current tax liabilities		**2,453**	2,639
Contingent consideration payables		**40,278**	19,667
Financial guarantee		**23,756**	41,365
		188,941	107,981
Net current assets		**78,563**	205,959
Total assets less current liabilities		**892,352**	1,073,066
Non-current liabilities			
Contingent consideration payables		**33,582**	–
Deferred tax liabilities		**441**	749
		34,023	749
NET ASSETS		**858,329**	1,072,317
Capital and reserves			
Share capital	15	**60,993**	60,158
Reserves		**781,811**	984,462
Equity attributable to owners of the Company		**842,804**	1,044,620
Non-controlling interests		**15,525**	27,697
TOTAL EQUITY		**858,329**	1,072,317

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium account	Capital reserve	Statutory reserve	Exchange reserve	Share option reserve	Warrant reserve	Retained loss	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	56,055	991,322	(2,850)	9,877	69,775	8,402	139	(110,898)	1,021,822	6,502	1,028,324
Total comprehensive income for the year	–	–	–	–	(42,459)	–	–	(153,818)	(196,277)	(6,753)	(203,030)
Transfer to statutory reserve	–	–	–	21	–	–	–	(21)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	27,732	27,732
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(228)	(228)	216	(12)
Issued from placing	3,000	118,191	–	–	–	–	–	–	121,191	–	121,191
Issued from warrants	–	–	–	–	–	–	1,000	–	1,000	–	1,000
Exercise of warrants	800	31,339	–	–	–	–	(139)	–	32,000	–	32,000
Exercise of share options	303	10,623	–	–	–	(3,362)	–	–	7,564	–	7,564
Share-based payments	–	–	–	–	–	57,548	–	–	57,548	–	57,548
Release upon lapse of share options	–	–	–	–	–	(982)	–	982	–	–	–
Changes in equity for the year	4,103	160,153	–	21	(42,459)	53,204	861	(153,085)	22,798	21,195	43,993
At 31 December 2015	60,158	1,151,475	(2,850)	9,898	27,316	61,606	1,000	(263,983)	1,044,620	27,697	1,072,317
At 1 January 2016	**60,158**	**1,151,475**	**(2,850)**	**9,898**	**27,316**	**61,606**	**1,000**	**(263,983)**	**1,044,620**	**27,697**	**1,072,317**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(61,325)**	**–**	**–**	**(214,422)**	**(275,747)**	**(14,475)**	**(290,222)**
Deregistration of a subsidiary	**–**	**–**	**1,733**	**–**	**–**	**–**	**–**	**(1,733)**	**–**	**–**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**544**	**544**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,759**	**1,759**
Issued for contingent consideration shares	**463**	**15,741**	**–**	**–**	**–**	**–**	**–**	**–**	**16,204**	**–**	**16,204**
Exercise of share options	**372**	**13,081**	**–**	**–**	**–**	**(4,141)**	**–**	**–**	**9,312**	**–**	**9,312**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**48,415**	**–**	**–**	**48,415**	**–**	**48,415**
Release upon lapse of share options	**–**	**–**	**–**	**–**	**–**	**(2,442)**	**–**	**2,442**	**–**	**–**	**–**
Changes in equity for the year	**835**	**28,822**	**1,733**	**–**	**(61,325)**	**41,832**	**–**	**(213,713)**	**(201,816)**	**(12,172)**	**(213,988)**
At 31 December 2016	**60,993**	**1,180,297**	**(1,117)**	**9,898**	**(34,009)**	**103,438**	**1,000**	**(477,696)**	**842,804**	**15,525**	**858,329**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Unit 2708, 27/F, The Center, 99 Queen's Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of the Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in three operating segments, which are (i) General Trading, (ii) Third Party Payment Services (Former name as "Prepaid Card and Related Operation") and (iii) Onecomm.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

During the reporting period, the Group incurred loss from continuing operations attributable to owners of the Company amounted to HK$210,128,000 and operating cash outflow before working capital changes of HK$113,861,000. As at 31 December 2016, the Group's bank balances included HK$98,295,000 restricted balance for the purpose of settlement obligation. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors considered that the Group is able to generate sufficient cash flows from operations and fund raising in the foreseeable future to meet its current and future obligations. Having taken into account the above, the directors of the Company consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the carrying amounts of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised HKFRSs are relevant to the Group.

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2016. These new and revised HKFRSs included the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group’s trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements but unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$30,175,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SEGMENT INFORMATION

The Group has three (2015: four) operating segments as follows:

General trading	–	trading of watches and other goods
Third party payment services (Former name as "Prepaid card and related operations")	–	provision of third party payment services and related consultancy services in the People's Republic of China ("the PRC")
Onecomm	–	provision of third party payment management services and sales of integrated smart point of sales ("POS") devices

Travellers related services segment was discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other reportable segment includes certain inactive operations. None of the segments meets any of the quantitative thresholds for determining reportable segment. The information of the other operating segments is included in the 'others' column.

Segment profits or losses do not include equity-settled share-based payment, impairment of goodwill, amortisation of financial guarantee contract and fair value change of contingent consideration payables. Segment assets do not include investments in associates, goodwill, available-for-sale financial assets, deposits for investments and other corporate assets. Segment non-current assets do not include financial instruments, goodwill and deposits for investments.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities from continuing operations:

	General trading *HK$'000*	Third party payment services *HK$'000*	Onecomm *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2016					
Revenue from external customers	**33,712**	**42,665**	**3,357**	**448**	**80,182**
Interest income	**2,383**	**520**	**2**	**2**	**2,907**
Segment loss	**(10,033)**	**(63,314)**	**(8,202)**	**(3,213)**	**(84,762)**
Depreciation and amortisation	**1,666**	**3,932**	**1,823**	**72**	**7,493**
Income tax (expense)/credit	**–**	**(30)**	**272**	**–**	**242**
Other material items of non-cash items:					
– Reversal of allowance for prepayment, deposits and other receivables	**1,167**	**–**	**–**	**–**	**1,167**
Additions to segment non-current assets	**2,197**	**12,118**	**86**	**315**	**14,716**
As at 31 December 2016					
Segment assets	**46,303**	**188,373**	**11,108**	**601**	**246,385**

	General trading *HK$'000*	Third party payment services *HK$'000*	Onecomm *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2015					
Revenue from external customers	77,127	14,277	5,646	18	97,068
Segment loss	(28,547)	(37,958)	(10,770)	(767)	(78,042)
Interest income	6,427	703	21	6	7,157
Depreciation and amortisation	(434)	(2,506)	(1,818)	(6)	(4,764)
Income tax (expense)/credit	–	(2,843)	287	–	(2,556)
Other material items of non-cash items:					
– Intangible assets written off	(308)	–	–	–	(308)
– Allowance for trade receivables	(2,192)	(683)	–	–	(2,875)
– Reversal of allowance for trade receivables	226	–	–	–	226
– Allowance for prepayment, deposits and other receivables	(24,752)	(315)	–	–	(25,067)
– Impairment for inventories	–	–	(1,494)	–	(1,494)
Additions to segment non-current assets	54	10,189	557	84	10,884
As at 31 December 2015					
Segment assets	72,968	173,821	11,641	3,080	261,510

Reconciliations of segment revenue and profit or loss:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Total revenue from continuing operations	**80,182**	97,068
Loss		
Total profit or loss of reportable segments	**(84,762)**	(78,042)
Elimination of intersegment profits	**–**	(32)
(Loss)/gain on fair value change of contingent consideration payables	**(70,984)**	13,155
Equity-settled share-based payment	**(48,415)**	(57,548)
Unallocated amounts:		
Corporate income and expenses, net	**(23,886)**	(16,081)
Amortisation of financial guarantee contract	**15,592**	6,762
Impairment of goodwill	**(12,301)**	(4,641)
Consolidated loss before income tax from continuing operations	**(224,756)**	(136,427)
Assets		
Total assets of reportable segments from continuing operations	**246,385**	261,510
Unallocated amounts:		
Investments in associates	**–**	–
Available-for-sale financial assets	**100,620**	110,002
Deposits for investments	**35,723**	–
Goodwill	**653,432**	707,508
Other corporate assets	**45,133**	92,984
Consolidated total assets	**1,081,293**	1,172,004

Geographical information:

No separate analysis of segment information by geographical information is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is the PRC.

Revenue from major customers:

	2016	2015
	HK$'000	*HK$'000*
General trading segment		
Largest customer	**28,038**	44,701
Second largest customer	**–**	14,616

5. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**28,525**	85,112
Rendering of services	**51,657**	11,956
	80,182	97,068

6. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Amortisation of financial guarantee contract	**15,592**	6,762
Exchange gain, net	**1,907**	599
Interest income	**2,907**	7,157
Government grant	**–**	259
Gain on disposals of subsidiaries, net	**2,465**	–
Reversal of allowance for trade receivables	**–**	226
Reversal of allowance for prepayment, deposits and other receivables	**1,167**	–
Reversal of impairment of inventories	**137**	–
Others	**771**	18
	24,946	15,021

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings	**–**	15

8. INCOME TAX (CREDIT)/EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2016 HK$'000	2015 HK$'000
Current tax – the PRC		
Provision for the year	–	702
Under-provision in prior years	30	293
	30	995
Deferred tax	(272)	1,561
	(242)	2,556

No provision for PRC Enterprise Income Tax and Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2016.

PRC Enterprise Income Tax has been provided at a rate of 25% for the year ended 31 December 2015. However, one of the Group's subsidiaries has been recognised as a "New and High Technology Enterprise" in the PRC and was therefore subject to a preferential tax of 15% for the year ended 31 December 2015.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax (credit)/expense and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2016 HK$'000	2015 HK$'000
Loss before tax (from continuing operations)	(224,756)	(136,427)
Tax at the PRC Enterprise Income Tax rate of 25% (2015: 25%)	(56,189)	(34,107)
Tax effect of expenses that are not deductible	53,823	22,122
Tax effect of income that are not taxable	(11,887)	(3,313)
Tax effect of temporary differences not recognised	(278)	(357)
Tax effect of unused tax losses not recognised	12,012	17,612
Tax effect of utilisation of tax losses not previously recognised	(50)	(208)
Under-provision in prior years	30	293
Effect of different tax rates of subsidiaries	2,297	514
Income tax (credit)/expense (relating to continuing operations)	(242)	2,556

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging/(crediting) the following:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**1,450**	1,400
Amortisation of intangible assets	**1,955**	2,112
Cost of inventories sold	**33,407**	71,432
(Reversal of impairment)/impairment of inventories	**(137)**	1,494
Depreciation of property, plant and equipment	**5,538**	2,777
(Gain)/loss on disposals of property, plant and equipment	**(1)**	15
Operating lease charges	**2,146**	9,122
Exchange gain, net	**(1,907)**	(599)
(Reversal of allowance)/allowance for prepayment and other receivables	**(1,167)**	25,067
Allowance for trade receivables	**–**	2,875
Reversal of allowance for trade receivables	**–**	(226)
Intangible assets written off	**–**	308
Property, plant and equipment written off	**7**	–
Impairment of intangible assets	**–**	1,635
Impairment of goodwill	**12,301**	4,641
Gain on disposal of subsidiaries, net	**(2,465)**	–

10. DISCONTINUED OPERATIONS

On 11 April 2016, the Group entered into a sale and purchase agreement to dispose of the Group's entire equity interest in Kopu (Beijing) Technology Co., Ltd. and its subsidiary (collectively referred to as "Kopu Group"). On 14 April 2016, the Group entered into another sale and purchase agreement to dispose of the Group's equity interest in Kanghui Financial (Beijing) E-Commerce Co., Ltd. ("Kanghui"). Kopu Group and Kanghui represented the travellers related services segment and were principally engaged in the provision of air-ticketing services and related customer services.

The disposal of Kanghui and Kopu Group were completed on 29 April 2016 and 29 September 2016 respectively.

	2016	2015
	HK$'000	*HK$'000*
Loss for the year from discontinued operations:		
Revenue	**3,852**	6,793
Cost of sales	**–**	(296)
Gross profit	**3,852**	6,497
Other income	**8**	6
Selling expenses	**(4,535)**	(13,815)
Administrative expenses	**(4,876)**	(14,276)
Loss before tax	**(5,551)**	(21,588)
Income tax expense	**–**	–
Loss after tax	**(5,551)**	(21,588)
Gain on disposal of discontinued operations	**1,168**	–
Loss for the year from discontinued operations	**(4,383)**	(21,588)

Loss for the year from discontinued operations includes the following:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**–**	–
Amortisation of intangible assets	**16**	2,083
Reversal of allowance for trade receivables	**(612)**	–
Operating leases charges of premises and facilities	**2,146**	9,122
Depreciation of property, plant and equipment	**111**	404
Staff costs		
Salaries and allowances	**2,662**	11,950
Retirement benefit scheme contribution	**236**	988
Cash flows from discontinued operations:		
Net cash outflows from operating activities	**(5,584)**	(15,452)
Net cash inflows from financing activities	**2,806**	15,341
	(2,778)	(111)
Effect of foreign exchange rate changes	**727**	631
Net cash (outflows)/inflows	**(2,051)**	520

11. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$214,422,000 (2015: HK$153,818,000) and the weighted average number of ordinary shares of 6,070,965,000 (2015: 5,684,829,000) in issue during the year.

(ii) From continuing operations

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$210,128,000 (2015: HK$132,536,000) and the weighted average number of ordinary shares of 6,070,965,000 (2015: 5,684,829,000) in issue during the year.

(iii) From discontinued operations

Basic loss per share from the discontinued operations is HK0.07 cent per share (2015: HK0.38 cent per share) based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK$4,294,000 (2015: HK$21,182,000) and the denominator used is the same as those detailed above for basic loss per share.

(b) Diluted loss per share

As exercise of the Group's outstanding share options, warrants and contingent consideration payables for the years ended 31 December 2015 and 2016 would be anti-dilutive, no diluted loss per share was presented for the years ended 31 December 2015 and 2016.

12. DIVIDEND

The directors do not recommend the payment of any dividend (2015: nil) in respect of the year.

13. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**23,863**	47,398
Allowance for doubtful debts	**(3,356)**	(4,216)
	20,507	43,182

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**10,688**	31,889
91 to 180 days	**4,662**	2,807
181 to 365 days	**5,157**	8,486
	20,507	43,182

As at 31 December 2016, an allowance was made for estimated irrecoverable trade receivables for approximately HK$3,356,000 (2015: HK$4,216,000).

Reconciliation of allowance for trade receivables:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**4,216**	1,070
Allowance for the year	**–**	3,522
Reversal of allowance for the year	**(612)**	(226)
Exchange difference	**(248)**	(150)
At 31 December	**3,356**	4,216

As of 31 December 2016, trade receivables of HK$9,862,000 (2015: HK$11,421,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
Up to 3 months	**4,704**	2,931
3 to 6 months	**1**	771
Over 6 months	**5,157**	7,719
	9,862	11,421

The carrying amounts of the Group's trade receivables are denominated in RMB as at 31 December 2015 and 2016.

14. TRADE PAYABLES

The ageing analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**17**	2,699
91 to 180 days	**–**	60
181 to 365 days	**15**	37
Over 365 days	**2,386**	948
	2,418	3,744

The carrying amounts of the Group's trade payables are denominated in RMB as at 31 December 2015 and 2016.

15. SHARE CAPITAL

		2016		2015	
		Number of shares	**Amount**	Number of shares	Amount
	Note	***'000***	***HK$'000***	*'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each		**20,000,000**	**200,000**	20,000,000	200,000
Ordinary, issued and fully paid:					
At 1 January		**6,015,766**	**60,158**	5,605,506	56,055
Share issued under placing	*(a)*	**–**	**–**	300,000	3,000
Share issued under share option scheme		**37,248**	**372**	30,260	303
Share issued under contingent consideration		**46,296**	**463**	–	–
Share issued under exercise of warrants		**–**	**–**	80,000	800
At 31 December		**6,099,310**	**60,993**	6,015,766	60,158

Note:

(a) On 20 November 2015, the Company entered into a placing agreement with Oriental Patron Asia Limited (the "Placing Agent") pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to 300,000,000 placing shares at a price of HK$0,406 per placing share. The placing was completed on 9 December 2015 and the net proceeds from placing were approximately HK$121,191,000.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained loss and other reserves).

	2016	2015
	HK$'000	*HK$'000*
Debts (a)	**141,705**	82,566
Less: cash and cash equivalents	**(185,422)**	(236,608)
Net debts	**(43,717)**	(154,042)
Equity (b)	**842,804**	1,044,620
Net debts to equity ratio	**N/A**	N/A

(a) Debt is defined as trade payables, accruals and other payables excluding receipt in advance and financial guarantee.

(b) Equity included all capital and reserves before non-controlling interests of the Group.

The externally imposed capital requirements for the Group is to have a public float of at least 25% of the Company's shares in order to maintain its listing on the Stock Exchange. Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public.

16. GOODWILL

	General trading operations *HK$'000*	Third party payment services *HK$'000*	Travellers related services *HK$'000*	Onecomm *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2015	214,458	894,302	4,710	13,186	1,126,656
Acquisition of a subsidiary	–	56,597	–	–	56,597
Exchange differences	(9,698)	(40,442)	(213)	(597)	(50,950)
At 31 December 2015 and 1 January 2016	204,760	910,457	4,497	12,589	1,132,303
Disposal of subsidiaries	–	–	(4,491)	–	(4,491)
Exchange differences	(13,308)	(55,496)	(6)	(818)	(69,628)
At 31 December 2016	191,452	854,961	–	11,771	1,058,184
Accumulated impairment losses					
At 1 January 2015	214,458	225,747	–	–	440,205
Impairment loss recognised in the current year	–	–	4,641	–	4,641
Exchange differences	(9,698)	(10,209)	(144)	–	(20,051)
At 31 December 2015 and 1 January 2016	204,760	215,538	4,497	–	424,795
Disposal of subsidiaries	–	–	(4,491)	–	(4,491)
Impairment loss recognised in the current year	–	–	–	12,301	12,301
Exchange differences	(13,308)	(14,009)	(6)	(530)	(27,853)
At 31 December 2016	191,452	201,529	–	11,771	404,752
Carrying amount					
At 31 December 2016	–	653,432	–	–	653,432
At 31 December 2015	–	694,919	–	12,589	707,508

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method include those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Directors' Interest in Shares

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

Long position in Shares

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Guan Guisen *(Note 1)*	1,311,792,000 (L)	–	1,311,792,000 (L)	21.51%
	1,140,000,000 (S)	–	1,140,000,000 (S)	18.69%
Mr. Cao Chunmeng	47,620,000	55,800,000 *(Note 2)*	103,420,000	1.70%
Mr. Yan Xiaotian	21,640,000	25,000,000 *(Note 2)*	46,640,000	0.76%
Dr. Fong Chi Wah	–	4,000,000 *(Note 2)*	4,000,000	0.07%
Mr. Wang Zhongmin	1,000,000	3,000,000 *(Note 2)*	4,000,000	0.07%
Mr. Gu Jiawang	1,000,000	3,000,000 *(Note 2)*	4,000,000	0.07%

Note 1: 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.

Note 2: The Company granted the share options under Share Option Scheme on 6 July 2012 and 11 June 2015.

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

Interests Disclosable Under the SFO and Substantial Shareholders

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

Long position in Shares

Name of Directors	**Interest in shares**	**Interest in underlying shares**	**Total interest in shares**	**% Shareholding**
Mr. Guan Guisen *(Note 1)*	1,311,792,000 (L)	–	1,311,792,000 (L)	21.51%
	1,140,000,000 (S)	–	1,140,000,000 (S)	18.69%

Note 1: 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.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December, 2016, the Company was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2016.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income presented in the preliminary announcement and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Enterprise Limited ("CPE") and its subsidiaries (collectively the "CPE Group"). We mainly operate payment service based business across the People's Republic of China (the "PRC"). Up to 2016, our operation consists of three operating segments, which are (i) general trading, (ii) third party payment services and (iii) Onecomm.

Within the third party payment services, there are four core business sectors which are:

(i) Prepaid Card Service;

(ii) Internet Payment Service;

(iii) Merchant Integrated Payment Service; and

(iv) Cross-border Renminbi Payment Service

Business Overview

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 invoicing 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.

In 2016, the Group's financial and investment focus is on payment business, while other non-key business sectors, i.e. the general trading services, have been maintained their normal operation without any key investment, and spun off its travel related service.

Prepaid Card Service

Virtual prepaid card service is the mail 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

The business sector of internet payment service is a major profit contributor in 2016. This sector's service provides a speedy B2C and B2B mobile payment gateway service to our clients. All China popular payment paths, such as WeChat, AliPay and China Unionpay, have been built into our payment gateway where the end user has no feeling of using our internet payment service.

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

Cross-border Renminbi Payment Service

The business sector of cross-border Renminbi Payment provides our clients from international trading, e-trading, tourism, and study abroad consultancy companies payment services in doing 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.

By the end of 2016, the transaction volume from this business sector has reached RMB267.6 million.

However, this business sector is very sensitive to the policy change. Accordingly, the Group has deployed a comprehensive risk control system to Guangzhou Gaohuitong. More details can be found in the risk control measures in the strategic report.

Integrated Payment Service

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

By the end of December, monthly transaction volume in this sector has reached approximate RMB100 million. However, we have 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 important for us.

Financial Review

During the year ended 31 December 2016, the Group's continuing operations turnover was approximately HK$80,182,000 (2015: HK$97,068,000), a 17.4% decrease as compared to last year. The Group recorded a loss attributable to shareholders from continuing operations of the Company amounted to approximately HK$210,128,000 (2015: loss HK$132,536,000). The gross profit margin of the Group from continuing operations recorded 29.9% (2015: 26.4%). Of the said loss, HK$12,301,000 (2015: HK$4,641,000) was attributable to impairment of goodwill.

Impairment of goodwill

The performance and contribution of the Travellers related services segment (Cash Generating Unit 3, "CGU 3") fell behind budget. As a result, the re-assessment of relevant goodwill is affected and the Board is of the view that an impairment of goodwill for CGU3 is necessary.

Sales and Marketing

For the twelve months ended 31 December 2016, sales and marketing expenses from continuing operations of the Group recorded HK$16,917,000 (2015: HK$27,378,000), resulting a 38.2% decrease over the same period last year.

Significant Investment and Acquisition

A possible acquisition of the 51% interest and the shareholders' loan of a company

On 18 July 2016, the Company, the Target Company and the current shareholders of the Target Company entered into a memorandum of understanding (the "MOU") indicating their intention to enter into a definitive legally binding agreement in respect of a possible acquisition of the 100% interest and the shareholders' loan of a company incorporated in the Cayman Islands, together with its subsidiaries, (the "Target Group") which is principally engaged in the e-commerce business providing a variety of online and offline solutions proposals and services in relation to mobile retailing.

The Target Group, is principally engaged in providing online and offline solutions to mobile retailing in the PRC. Based on the preliminary information obtained from the Sellers, the Target Group has over 450,000 active registered merchants with its e-commerce platform as at the end of March 2016 and the gross merchandise volume transacted on the Target Group's e-commerce platform recorded more than RMB4 billion for the year ended 31 December 2015.

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

Pursuant to the MOU, the Group shall pay to the Target Group RMB30,000,000 on or before 25 July 2016 as Earnest Money, which shall be returned to the Company by the Target Group if (1) no Definitive Agreement is entered into between the Company, the Sellers and the Target Company by 18 January 2017, being the end of a six-month period from the signing of the MOU (the "**Exclusivity Period**"); or (2) where the Definitive Agreement is entered into between the Company, the Sellers and the Target Company, the Proposed Acquisition fails to complete according to the terms of the Definitive Agreement.

As the Company and the Sellers are at the advanced stage of negotiation on the structure of the Proposed Acquisition and the parties intended that the Company shall acquire 51% interest, instead of 100% interest, of the Target Company, the parties are in the process of finalising the terms of the Definitive Agreement. After arm's length negotiation between the parties, the Company, the Sellers and the Target Company mutually agreed to enter into a supplemental agreement to the MOU ("**Supplemental MOU**") on 21 February 2017, pursuant to which the Exclusivity Period has been extended from being the six-month period from the signing of the MOU (i.e. up to 18 January 2017) to the eight-month period from the signing of the MOU (i.e. up to 18 March 2017).

Details of the above transactions please refer to the Company's announcement dated 21 February 2017.

Major Events

Termination of convertible preference shares (the "CPS") and issue of shares under general mandate

On 25 June 2015, the Company and National Agricultural Holdings Limited ("National Agricultural") entered into the CPS Subscription Agreement and Share Subscription Agreement.

On 29 January 2016, upon mutual agreement between both parties, the parties to the CPS Subscription Agreement have entered into a termination agreement to terminate the CPS Subscription Agreement.

Due to the fact that completion of the Share Subscription Agreement and the CPS Subscription Agreement are inter-conditional and shall take place simultaneously, the parties to the Share Subscription Agreement also have entered into a termination agreement to terminate the Share Subscription Agreement, pursuant to which the Share Subscription Agreement shall terminate and shall be of no further force and effect upon signing of the Share Subscription Termination Agreement and each party waives all rights that such party have under the Share Subscription Agreement and releases the other party from all obligations owed by them thereunder.

Issue and allotment of Incentive Shares

On 18 June 2015, the Company, the Vendor and Mr. JOONG Chi-Wei entered into the Incentive Agreement pursuant to which the Company shall reward the Vendor with an aggregate amount not exceeding RMB200,000,000 (equivalent to approximately HK$250,000,000) based on the number of Cumulative Virtual Prepaid Card Sold and/or the amount of Cumulative Virtual Prepaid Card Reload for the six months ending 31 December 2015 and each of the two years ending 31 December 2017, by way of issue and allotment of Incentive Shares. (For details of the above transactions please refer to the Company's announcement dated 18 June 2015.)

On 15 April 2016, 46,296,296 shares were granted at issue price HK$1.8 per share, representing a 0.77% of the then existing issued share capital before relevant share issue.

Provision of Guarantee to a Subsidiary

On 8 November 2016, Beijing Tiantongsaibo Information Technology Co., Ltd. ("TTSB", a subsidiary of the Group) provided a guarantee in favor of Haier Finance Company Limited ("Haier Finance") for the financing facility granted to Haier Consumer Finance Co., Ltd. ("Haier Consumer Finance"). Pursuant to the Credit Facility Agreement, Haier Finance will grant a financing facility of RMB2.5 billion to Haier Consumer Finance, and Beijing TTSB will provide a guarantee up to RMB250 million (equivalent to approximately HK$286 million) on a pro rata basis for the 10% shareholdings in Haier Consumer Finance held by it. Beijing TTSB (hereafter referred as "Pledgor") made its 10% shareholdings in Haier Consumer Finance (hereafter referred as "Guarantee") as Collateral Subject to provide Collateral Guarantee for the debts incurred by the Guarantee and Haier Finance Company Limited (hereafter referred as "Pledgee").

For details of the above transaction please refer to the Company's announcement dated 10 November 2016.

Financial Resources and Liquidity

As at 31 December 2016, the Group has cash and cash equivalents of approximately HK$185,422,000 (2015: HK$236,608,000).

As at 31 December 2016, the Group has no bank borrowings (2015: HK$0).

Capital Commitments and Pledge of Assets

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

As at 31 December 2015, the Group and the Company did not have any significant capital commitments.

Contingent Liabilities

As at 31 December 2016, the Group has no material contingent liabilities.

As at 31 December 2016, the total current assets over the total current liabilities was 1.75 times (2015: 2.91 times). The ratio of all debts to total assets was 0 (2015: 0). As most sales are made in Renminbi, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

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. The Group monitors its foreign currency risks and will consider hedging significant currency exposures should the need arises.

Intellectual Property

As at 31 December 2016, the Group had 24 trademarks (2015: 24) registered in China and Hong Kong, of which all trademarks have been approved.

At the same time, the Group had 68 software copyrights (2015: 66) and 6 patents (2015: 6) in China.

Employees

As at 31 December 2016, the Group has approximately 275 employees (2015: 354). Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include performance bonus and employee share options. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. The Group recognizes the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Litigation

As at 31 December 2016, the Group has no material outstanding litigation.

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.

We look forward to a fruitful year of 2017 and contributing to a new environment together with our business partners and stakeholders, to the payment industry.

CORPORATE GOVERNANCE PRACTICES

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2016.

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("Code") in Appendix 15 to the GEM Listing Rules. The Company complied with the Code for the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in rules 5.48 to 5.67 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 year ended 31 December 2016, they had fully complied with the required standard of dealings and there was no event of non-compliance.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full information about the Company's performance to shareholders through the publication of quarterly reports and annual reports. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the websites of the Stock Exchange and the Company, which is updated regularly. The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 business days' notice as stipulated in the Company bye-laws. The Chairman, Directors and external auditors are available to answer questions on the Company's businesses at the meeting. The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board of Directors as set out in Chapter 5 of the GEM Listing Rules throughout year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. The current Committee is chaired by Dr. Fong Chi Wah, and the other Audit Committee members are Mr. Wang Zhongmin and Mr. Gu Jiawang. Under its terms of reference for audit committee passed under a directors' resolution dated 30 June 2005, is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements and to monitor compliance with statutory and listing requirements, to engage independent legal or other advisers as it determines is necessary and to perform any investigations. The Audit Committee members held four meetings in 2016.

AUDITORS

At the Company's last Annual General Meeting, RSM Hong Kong was re-appointed as auditor of the Company.

RSM Hong Kong retires, and, being eligible, offers themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Guan Guisen, Mr. Cao Chunmeng and Mr. Yan Xiaotian; and three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Wang Zhongmin and Mr. Gu Jiawang.

This announcement, for which the Directors 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the Company's website at www.innovationpay.com.hk.