

Annual operational reports /Form 1/

Article 20 of the Securities Market Law stipulates the ongoing obligations of the issuer, and the issuer is responsible for submitting annual operational reports to the Financial Regulatory Commission and the exchange in accordance with the below form, and shall disclose to the public through its website.

Reporting period	From January 1st 2024 to December 31st 2024
Issuer's name, state registration certificate number, securities symbol, phone number	Issuer's name: Innovation investment JSC State Registration №: 9007001023 Securities symbol: MN0QPAY05709 Phone number: 76102211
Name of listed exchange	Mongolian stock exchange
Sector of business operation	Information technology Software services
Name and registered date of the audit firm which is registered FRC that issued an audit result on the year-end financial statements	Grant Thornton Audit LLC, 2021/12/14
Total number of shares issued by the issuer	184,889,160 shares
Names of the specialist who prepared and the official who reviewed the annual report	Prepared by: Munkhtuya.P – Investor relations manager Reviewed by: Enkhbold.B - Chief Financial Officer

1. Annual financial reports /fill out the summary report indicators and attach the financial statement/

Balance sheet	Balance sheet	2024 /in thousands/	2023 /in thousands/
	Assets		
	Total current assets	18,726,232	17,864,869
	Total non-current assets	2,985,144	898,855
	Total assets	21,711,376	18,763,724
	Liabilities and shareholders' equity		
	Total current liabilities	6,359,884	1,279,785
	Total non-current liabilities	71,575	36,372
	Total liabilities	6,431,459	1,316,157
	Total shareholders' equity	15,279,917	17,447,567
	Total liabilities and shareholders' equity	21,711,376	18,763,724
Income statement	Income statement	2024 /in thousands/	2023 /in thousands/
	Sales income	26,231,629	13,237,510
	Cost of goods sold	(12,051,045)	(6,041,015)
	Gross profit	14,180,584	7,196,495
	Sales and marketing expense	(805,563)	(564,484)
	General operating and administration expense	(1,941,549)	(1,698,693)
	Other income	(0)	1,210,184
	Other expense	(45,307)	(161,084)
	Operating income	11,388,165	5,982,418
	Financial income	1,677,294	414,802
	Financial expense	(1,703)	(12,897)
	Gain (Loss) on disposal of fixed asset	(3,622)	74
	Exchange Difference Gain (Loss)	(13,528)	(4,164)
	Profit before tax (Loss)	13,046,606	6,380,232
	Income tax expense	(3,020,452)	(684,069)
	Profit for the period (Loss)	10,026,154	5,696,163

Statements of retained earnings	Statements of retained earnings		Total /in thousands/	
	Balance as at 1 Jan 2023		6,169,161	
	Changes in accounting policy		4,615	
	Adjusted balance		6,173,776	
	Net profit for the period		5,696,163	
	Changes in equity		5,577,628	
	Balance as at 31 Dec 2023		17,447,567	
	Changes in equity		(1,239,188)	
	Net profit for the period		10,026,154	
	Dividends		(10,954,616)	
	Balance as at 31 Dec 2024		15,279,917	
Cash flow statement	Cash flow statement	2024 /in thousands/	2023 /in thousands/	
	Total Cash flows from operating activities	8,794,941	2,968,406	
	Total Cash flows from investing activities	(1,634,037)	570,211	
	Total Cash flows from financing activities	(6,510,084)	8,611,591	
	Exchange Difference Gain (Loss)	2,959	(3,748)	
	Total Cash flows	653,778	12,146,460	
	Opening balance of cash and cash equivalent	13,999,820	1,853,360	
	Closing balance of cash and cash equivalent	14,653,598	13,999,820	
1.1.	The audit committee opinion on the annual financial statements, which was reviewed and confirmed by board audit committee			
Appendix No 1. – Independent auditor ‘s report, Grant thornton audit LLC				
1.2.	Letter of audit determination /The determination letter must be prepared within the context of the content mentioned in this instruction			
Appendix No 1. – Independent auditor ‘s report, Grant thornton audit LLC				
2.	Issuer financial situation, factors influenced to result of operation, assessment by management, a brief description of the report and information on the measures to be taken in the future during reporting period.			
2.1.	Operational performance /Financial ratios/	Financial ratios	2024	2023
		Gross profit margin	54%	54%
		Operating profit margin	43%	45%
		Net profit margin	38%	43%
		ROE	66%	33%
		EPS	54.23	30.81
2.2.	Liquidity ratios and financial resources	Liquidity ratios	2024	2023
		Current ratio	2.94	13.96
		Quick ratio	2.94	13.96
		Debt to equity ratio	42.09%	7.54%
2.3.	Influence of the external and internal environment on the activity of the issuer, percentage of the sector, changes of the range of service information on measures planned to be taken by the issuer in response to changes in development			
As of 2024, QPay accounts for approximately 9% of the total payment transactions and about 2% of the total transaction value in Mongolia. In the QR payment sector, it independently handles over 90% of the transactions. The rapid growth of QR code payments in the international market, particularly in the Asian region, indicates a potential for us to expand in the payment market.				
To strengthen our position in the payment market, we plan to intensify product development, branding, and marketing activities starting in 2025. Planned activities include:				
<ul style="list-style-type: none">Introducing a Private Acquiring System and providing payment services through contracted agents.Developing a Super App (Soft POS) product for merchants.Developing and improving products and services tailored to the needs of merchants, in accordance with our medium-term business plan.				

2.4.	Detailed information about off-balance sheet activities and transactions, and , information on accounting policies /off balance/	There are no off-balance sheet activities or transactions, and we operate in accordance with the accounting policies approved in 2022.
2.5.	Information on loan repayment, loan pledges and guarantees taken during the reporting period	There is no loan debt.
3.	Information on conflict of interest and significant transactions conducted by the issuer during the reporting period, the importance and the purpose of the transaction, and information about the person with a conflict of interest / all conflicts of interest transactions made during the reporting period shall be included/	
	<p>Information on conflicts of interest transactions. These include:</p> <ul style="list-style-type: none"> • Resolution No. 05/06 of the Board of Directors' meeting held on 2024/06/06, approving the decision to purchase infrastructure equipment from IT Zone LLC, a subsidiary of shareholder Mogul LLC. • Resolution No. 05/08 of the Board of Directors' meeting held on 2024/06/27, approving the decision to make an additional investment in the subsidiary company KKTT LLC. 	
4.	Information of salary and bonus	
	<p>The company calculates and provides salaries, bonuses, and benefits to key management personnel in accordance with the Labor Law, relevant regulations, Chapter 14 of Innovation Investment JSC's "Internal Labor Regulations," decisions of the Shareholders' Meeting, and the agreements concluded between the Board of Directors and the Executive Management.</p> <p>In the reporting year, the total expenses for salaries and bonuses of the executive management and the Board of Directors amounted to 767.399 thousand MNT.</p>	
5.	Information related to corporate governance	
	<p>Shareholders' Meeting</p> <p>Innovation Investment JSC held its first regular shareholders' meeting following its IPO on April 28, 2024. Key matters approved and decided at the meeting included the adoption of the Board of Directors' report on the company's annual operations and audited financial statements, the approval of the draft Charter of the Public Joint Stock Company, and the appointment of new members to the Board of Directors.</p> <p>Board of Directors</p> <p>Governance Structure and Operations: In accordance with the company's charter, the regular shareholders' meeting in 2024 elected a new Board of Directors consisting of a total of 9 members: 6 ordinary members and 3 independent members. Additionally, the "Regulations on the Operations of the Board of Directors" of the public joint stock company were updated and approved on May 27, 2024, and are currently being implemented. The company's Board of Directors meets monthly and makes decisions within its authority and responsibilities.</p>	

The current Board of Directors of the company has the following structure:

Chairman of the Board: Battamir.A
 Independent Member of the Board: Ganzorig.D
 Independent Member of the Board: Dashtseren.T
 Independent Member of the Board: Uyanga.Sh
 Ordinary Member of the Board: Chuluunsukh.B
 Ordinary Member of the Board: Ankhbold.B
 Ordinary Member of the Board: Khatanbold.G
 Ordinary Member of the Board: Munkhzul.U
 Ordinary Member of the Board: Naranbaatar.U
 Secretary of the Board: Zolbayar.L

Committees under the Board of Directors: As stipulated in Article 10 of the Regulations on the Operations of the Board of Directors, the following committees operate under the Board:

- Audit Committee
- Remuneration and Nomination Committee
- Risk Management Committee
- Strategic Development Committee

Brief Report on the Board of Directors' Activities: In 2024, the Board of Directors held a total of 9 meetings – in person, online, and in hybrid formats – with an attendance rate of 77.8% and above, and passed 22 resolutions. In 2024, the Remuneration and Nomination Committee met 3 times, the Audit Committee met once, the Risk Management Committee met once, and the Strategic Development Committee met once, issuing conclusions and recommendations on the matters discussed within their respective functions.

Implementation of the Corporate Governance Code: In accordance with the assessment model of the 'Corporate Governance Code' implementation, the company has assessed itself as follows:

№	Title	Total Possible Score	Assessed Score	Assessment Percentage
1	Structure and organization of the BoD	12	12	100%
2	Committees under the BoD, and their functions	10	10	100%
3	Reporting and information transparency	6	6	100%
4	Audit and monitoring system	6	6	100%
5	Risk Management	8	7	88%
6	Remuneration of Authorized Officials	6	4	67%
7	Stakeholder Interests	8	7	88%
8	Company Culture	6	6	100%
9	Rights of shareholders	10	10	100%
	Consolidated Result	72	68	94%

Executive Management

As stipulated in Article 12 of the Company's Charter, the executive management of the company is carried out by the Chief Executive Officer (CEO). The CEO organizes and manages the company's daily operations and implements executive management within the scope of authority defined by the Company's Charter, corporate governance and organizational structure documents, and the agreement concluded with the Board of Directors. Additionally, management-level officials with responsibilities for supporting the CEO in exercising their full authority and resolving issues within their respective domains operate within the company.

Executive Management Team: The Executive Management Team consists of the following members:

Chief Executive Officer: Erdenemunkh.G
 Chief Financial Officer: Enkhbold.B
 Chief Business Development Officer: Khongor.O
 Chief Technology Officer: Janchiv.D
 Chief Information Security Officer: Gombodorj.Ts
 Chief Accountant: Undarmaa.S
 Chief Executive Officer of the subsidiary Digital Merchant Services LLC: Gurjav.S

6. Market risk information

In recent years, sophisticated technological solutions implemented internationally are rapidly entering Mongolia, leading to the emergence of new advanced payment instruments in the financial market that compete with our core services and meet people's demands. This could potentially create risks such as a decrease in the number of Customers and Merchant organizations, consequently negatively impacting sales revenue.

Furthermore, with changes in people's lifestyles and the more rapid dissemination of knowledge and information today, there is a growing trend of an increasing number of businesses operating in the non-cash payment sector, which may intensify competition in the market.

To mitigate these types of risks, we prioritize cooperation with partner organizations, regularly conduct appropriate analysis and improvements for each product and service, consistently provide assistance, services, and support to Merchant organizations, fully comply with the requirements of special licenses, and operate without losing the trust of market participants and Customers.

7. Ownership information of shareholders /names of shareholders who has 5 or more percentage of shares, percentage of ownership and total number of shareholders/

As of December 2024, Innovation Investment JSC has 1,483 shareholders. The following table shows the influential shareholders during the reporting period and their respective ownership percentages.

№	Name of shareholders	Percentage of shares held
1	"NCD Group" LLC	27.45%
2	Enkhbayar Shagdarsuren	10.00%
3	"Unimedia Solutions" LLC	8.42%
4	"Mogul" LLC	8.27 %
5	"KKTT" LLC	7.30%
6	"Icor Partners" LLC	7.11%
7	Rentracks JSC	5.61%
8	Other Shareholders	25.85%
	Total	100.00%

8. If the issuer has issued shares offering to public for the purpose of implementing a project, a report on the progress of project implementation and the use of funds collected during the period from the start of the project to end.

Innovation Investment JSC conducted its initial public offering (IPO) on the Mongolian Stock Exchange between December 4th and December 8th, 2023, successfully raising 8.3 billion MNT.


In 2024, as planned for the upgrade of the QPay payment system's underlying infrastructure, the company made purchases totaling 1,061,274,656 MNT for new core infrastructure servers and equipment, as well as for the expansion of existing servers and equipment. This expenditure represents 15% of the raised capital, specifically allocated from the 1,247,994,608 MNT designated for "Improving technical equipment and information security infrastructure."

Furthermore, in the second half of 2024, a promotional campaign was launched to increase the usage of the QPay service and expand core operations in the cashless payment market, incurring expenses of 135,948,166 MNT. These costs were appropriately allocated from the "Expansion of operations in the cashless payment market" portion of the raised capital.

The report of disbursement on capital raised from the public:

№	Investment purpose	Planned to spend		Expenditure
		Percentage	Amount	Amount
1	Expansion of core operations in the cashless payment market	22.5%	1,871,991,911	135,948,166
2	Investment activities according to the medium-term plan	30.0%	2,495,989,215	0
3	Activities to improve technical equipment and information security infrastructure	15.0%	1,247,994,608	1,061,274,656
4	Payment for 9,244,458 ordinary shares held by "KKTT" LLC	25.0%	2,080,003,050	2,080,003,050
5	Enhancing human resources and management skills in connection with the expansion of operations in international market	7.5%	623,985,266	0
	Total	100%	8,319,964,050	3,277,225,872

In 2023, 25% of the total raised capital, amounting to 2,080,003,050 MNT, was transferred to KKTT LLC as payment for the 9,244,458 ordinary shares held by them, in accordance with its intended purpose. As of the reporting year, a total of 39% of the raised capital has been spent for its designated purposes, and the remaining funds are planned to be utilized for their intended purposes in 2025 and 2026.

9.	Dividend information	<p>Dividend information:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 35%;">Financial year from which dividends are distributed from net profit</th> <th style="width: 30%;">Resolution date, No</th> <th style="width: 25%;">Amount of dividend distributed per share</th> <th style="width: 10%;">Dividend distribution date</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>2024.02.15 No.02/02</td> <td>21.63 MNT</td> <td>2024.04.15</td> </tr> <tr> <td>First half of 2024</td> <td>2024.12.04 No.05/14</td> <td>20 MNT</td> <td>2024.12.24</td> </tr> <tr> <td>Second half of 2024</td> <td>2025.02.17 No.05/30</td> <td>20 MNT</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>A total of 4 billion MNT was distributed from the 2023 net profit on April 15, 2024.</p> <p>The company has decided to distribute a total of ₮40 per share from the 2024 net profit, amounting to ₮7.4 billion in total. ₮3.7 billion of the dividends were distributed through the Central Securities Depository (CSD) in December 2024.</p>	Financial year from which dividends are distributed from net profit	Resolution date, No	Amount of dividend distributed per share	Dividend distribution date	2023	2024.02.15 No.02/02	21.63 MNT	2024.04.15	First half of 2024	2024.12.04 No.05/14	20 MNT	2024.12.24	Second half of 2024	2025.02.17 No.05/30	20 MNT	-
Financial year from which dividends are distributed from net profit	Resolution date, No	Amount of dividend distributed per share	Dividend distribution date															
2023	2024.02.15 No.02/02	21.63 MNT	2024.04.15															
First half of 2024	2024.12.04 No.05/14	20 MNT	2024.12.24															
Second half of 2024	2025.02.17 No.05/30	20 MNT	-															
10.	Information activity of social responsibility done by security issuer during the reporting period	<p>Assuming that one sheet of A4 paper is used for each bank transaction, the QPay service saved 176.6 million sheets of paper in 2024, consequently saving 21,208 trees, 65,117 tons of water, and 3,000 cubic meters of carbon dioxide emissions.</p> <p>Furthermore, over 90% of e-commerce businesses operating in Mongolia use QPay as their primary payment method, playing a crucial role in the sustainable operation of online businesses. By integrating QPay into all government services, the accessibility of public services for citizens has increased, making a tangible contribution to reducing traffic congestion and saving time.</p>																
<p>Signature person to prepared and confirming the validity of the information and date:</p> <div style="display: flex; align-items: flex-start; margin-top: 20px;"> <div style="flex: 1;"> <p>Name: ERDENEMUNKH.G</p> <p>Position: Chief Executive Officer</p> <p>Signature:</p> </div> <div style="flex: 0.5; text-align: center; margin-left: 10px;">  <p>(Seal/Stamp)</p> </div> </div> <p>Signature of person who prepared and reviewed information, date:</p>																		
<p>Reviewed by:</p> <p>Name: ENKHBOLD.B</p> <p>Position: Chief Financial Officer</p> <p>Signature:</p>																		
<p>Prepared by:</p> <p>Name: MUNKHTUYA.P</p> <p>Position: Investor relations manager</p> <p>Signature: <i>Munkhtuya</i></p>																		