



China Innovationpay Group Limited  
中國創新支付集團有限公司

Stock code : 8083



2013

FIRST QUARTERLY REPORT



## CHARACTERISTICS OF GEM

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



**CIP** 中国创新支付集团  
CHINA INNOVATIONPAY GROUP  
**China Innovationpay Group Limited**  
中國創新支付集團有限公司  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 8083)

### HIGHLIGHTS

The Group recorded a revenue of approximately HK\$34,640,000 for the three months period ended 31 March 2013. Of this revenue, (i) approximately HK\$18,241,000 from general trading, representing approximately 53% of the total revenue of the Group; (ii) approximately HK\$16,080,000 from the prepaid card businesses, representing approximately 46% of the total revenue of the Group; and (iii) approximately HK\$319,000 from other business, representing approximately 1% of the total revenue of the Group.

For the first three months ended 31 March 2013, the Group recorded an unaudited net profit after tax of approximately HK\$2,231,000.

## 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 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

### Condensed Consolidated Statement of Comprehensive Income

		<b>For the three months ended 31 March</b>	
	<i>Notes</i>	<b>2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
Turnover	2	<b>34,640</b>	44,867
Cost of sales		<b>(19,942)</b>	(26,671)
Gross profit		<b>14,698</b>	18,196
Other revenue	3	<b>593</b>	101
Selling and marketing expenses		<b>(3,590)</b>	(1,562)
General & administrative expenses		<b>(8,756)</b>	(8,802)
Profit/(loss) from operations		<b>2,945</b>	7,933
Share of loss of associates		<b>(60)</b>	(193)
Finance cost		<b>(3)</b>	(38)
Profit/(loss) before taxation		<b>2,882</b>	7,702
Taxation	4	<b>(651)</b>	(2,137)
Profit/(loss) for the period		<b>2,231</b>	5,565
Other comprehensive income/(loss) for the period, exchange difference on translation of foreign operations		–	–
Total comprehensive income/(loss) for the period, net of tax		<b>2,231</b>	5,565

**For the three months  
ended 31 March**

	<b>2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
<i>Notes</i>		
Attributable to:		
Owners of the Company	<b>2,231</b>	5,565
Minority Interest	<b>177</b>	(14)
	<b>2,408</b>	5,551
Total comprehensive income/(loss) for the period attributed to:		
Owners of the Company	<b>2,054</b>	5,579
Minority Interest	<b>177</b>	(14)
	<b>2,231</b>	5,565
Earning per share		
– basic	<b>HK\$0.05 cents</b>	HK\$0.14 cents
– diluted	<b>HK\$0.05 cents</b>	HK\$0.14 cents

Notes:

**1. General information and basis of presentation**

The Company was incorporated in Bermuda on 17 August 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 April 2000.

The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal office in Hong Kong is situated at Unit 2708, 27/F., The Center, 99 Queen’s Road Central, Hong Kong.

These 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 2013 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2012.

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.

	<b>2013</b> <b>HK\$’000</b>	2012 HK\$’000
– Prepaid card business	<b>16,080</b>	19,026
– General trading	<b>18,241</b>	25,791
– Others	<b>319</b>	50
	<b>34,640</b>	44,867

### 3. Other revenue

Other revenue for the three months period ended 31 March 2013 consisted of a sundry revenue of approximately HK\$593,000 (2012: HK\$101,000).

### 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 2013 (2012: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$651,000 during the three months period ended 31 March 2013 (2012: HK\$2,137,000).

There was no significant unprovided deferred taxation for the three months period ended 31 March 2013 (2012: Nil).

### 5. Earnings per share

The calculation of the basic profit per share for the three months period ended 31 March 2013 were based on the unaudited profit attributable to shareholders of approximately HK\$2,231,000 (2012: HK\$5,565,000) for the three months period ended 31 March 2013 and on the weighted average number of approximately 4,667,814,622 shares (2012: 3,996,897,522 shares) in issue during the three month period ended 31 March 2013.

#### *Diluted EPS*

For the three months period ended 31 March 2013, diluted earnings per share was equal to the basic earnings per share because the exercise price of the Group's share options and convertible bonds were higher than the average market price of the Company's shares.

### 6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months period ended 31 March 2013 (2012: Nil).

### 7. Share capital

There had not been any movement in Share Capital during the period from 1 January 2013 to 31 March 2013.

As at 31 March 2013, the number of issued shares of the company was 4,707,139,457 shares.

### 8. Reserves movement

At the beginning of 2013, the Group had consolidated reserves, excluding retained profits, of approximately HK\$721,955,000 (2012: HK\$546,022,000). For the three months period ended 31 March 2013, the Group's reserves increased by approximately HK\$54,000 (2012: HK\$294,298,000), representing the increase in cumulative translation adjustment of approximately HK\$6,959,000 (2012: decrease of HK\$472,000) for the period; decrease in statutory reserve of approximately HK\$6,905,000 (2012: Nil). As a result, the consolidated reserves, excluding retained profits, of the Group as at 31 March 2013 were approximately HK\$722,009,000 (2012: HK\$840,320,000).

At the beginning of 2013, the Group had retained profits of approximately HK\$292,636,000 (2012: HK\$204,777,000). For the three months period ended 31 March 2013, the Group's retained profits increase by approximately HK\$2,408,000 (2012: increase of HK\$5,551,000), representing the total comprehensive income attributable to shareholders for the period. As a result, the retained profits of the Group as at 31 March 2013 was approximately HK\$295,044,000 (2012: HK\$210,328,000).

### 9. Convertible bonds

As at 31 March 2013, there were outstanding convertible bonds amounted to HK\$120,000,000 convertible to 375,000,000 ordinary shares of par value HK\$0.01 each.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group consists of the Company, Country Praise Enterprises Limited (“CPE”) and its subsidiaries (collectively the “CPE Group”).

### Business Review

The Group is principally engaged in (i) the development and operation of electronic payment tool; (ii) the trading of computers and communication equipment; and (iii) the issue and operation of a prepaid card business including the issuance of various prepaid cards, parts of which have multiple functions in the PRC.

### Financial Review

#### *Revenue*

The Group recorded a revenue of approximately HK\$34,640,000 for the three months period ended 31 March 2013. Of this revenue, (i) approximately HK\$18,241,000 from general trading, representing approximately 53% of the total revenue of the Group; (ii) approximately HK\$16,080,000 from the prepaid card businesses, representing approximately 46% of the total revenue of the Group; and (iii) approximately HK\$319,000 from other business, representing approximately 1% of the total revenue of the Group.

For the first three months ended 31 March 2013, the Group recorded an unaudited net profit after tax of approximately HK\$2,231,000.

### Liquidity and Financial Resources

As at 31 March 2013, the Group’s cash and cash equivalents amounted to approximately HK\$40,002,000.

As at 31 March 2013, the Company did not have any bank borrowings (2012: HK\$4,750,000).

### Capital Commitments, Pledge of Assets and Contingent Liabilities

As at 31 March 2013, the Group did not have any capital commitments, substantial pledges on its assets and material contingent liabilities.



## 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

Upon completion of the acquisition of CPE and its subsidiaries by the Group, and the obtaining of the Certificate for Payment Business from PBOC by Beijing Gaohuitong Commercial Management Co. Ltd., an indirect wholly owned subsidiary of the Company, on 28 June 2012, the Group has paved a solid foundation for the development of its prepaid card business. The prepaid card business includes various product lines namely gift cards, regional cards and standard Unionpay card, which enables the Group to become one of the operators with the richest portfolio of products among the industry. The Company and China Construction Bank (Asia) Corporation Limited jointly issue a Co-Branded Prepaid Card Product on 7 February 2013. Meanwhile, building on its rich variety of products, the Company has been actively developing peripheral businesses, such as the general trading business, bank credit award business and online shopping business as derived from the gift card segment. Besides, the Company has been exploring the applications of prepaid model. Such act could be evident by the launch of online air ticket booking platform under kopu.cn in 2012. Like the cooperation with Tenpay.com, the Group has been seeking lateral cooperation with industry peers.

## DIRECTORS' INTEREST IN SHARES

As at 31 March 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") are as follows:

## Long Positions in Shares of the Company

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr Guan Guisen ( <i>Note 1</i> )	1,158,950,000	375,000,000	1,533,950,000	32.59%
Dr Lei Chunxiong	47,180,000	–	47,180,000	1%
Mr Cao Chunmeng	47,620,000	19,800,000 ( <i>Note 2</i> )	67,420,000	1.43%
Dr Fong Chi Wah	–	1,000,000 ( <i>Note 2</i> )	1,000,000	0.02%
Mr Wang Zhongmin	–	1,000,000 ( <i>Note 2</i> )	1,000,000	0.02%
Mr Gu Jiawang	–	1,000,000 ( <i>Note 2</i> )	1,000,000	0.02%

### *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. Mighty Advantage is deemed to be interest in 375,000,000 shares through its interest in the Convertible Bonds in the principal amount of HK\$120,000,000. Adding the 1,158,950,000 shares held by Mighty Advantage, Mighty Advantage is deemed to be interested in 1,533,950,000 shares of the Company. 1,158,950,000 shares held by Mighty Advantage represents 24.62% of the issued share capital of the Company as at this report date.

### *Note 2:*

The Company granted share options under New Share Option Scheme on 6 July 2012.

Save as disclosed above, as at 31 March 2013, 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.

## Long Positions in Underlying Shares of the Company

On 6 July 2012, the Company granted certain share options (the "Share Option") to eligible persons of the Group (the "Grantees") which entitles the Grantees to subscribe for an aggregate of 204,390,000 new ordinary share of HK\$0.01 each in the capital of the Company, subject to the acceptance by the Grantees, under the New Share Option Scheme adopted by the shareholders of the Company on 3 May 2012. The Exercise Price of the Share Option is HK\$0.25 per share. Directors interest in underlying shares are as follows:

Name of Directors	Number of ordinary shares held			% of shareholding
	Interest in shares	Interest in underlying shares	Total interest in shares	
Mr Cao Chunmeng	–	19,800,000	19,800,000	0.42%
Dr Fong Chi Wah	–	1,000,000	1,000,000	0.02%
Mr Wang Zhongmin	–	1,000,000	1,000,000	0.02%
Mr Gu Jiawang	–	1,000,000	1,000,000	0.02%

Save as disclosed above, as at 31 March 2013, none of the directors had any interest 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) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the date of this report, there was no other person (other than a director or chief executive 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 Positions in Shares of the Company

Shareholder	Number of ordinary shares held			% of shareholding
	Interest in shares	Interest in underlying shares	Total interest in shares	
Mighty Advantage Enterprises Limited (Note 1)	1,158,950,000 (Note 2)	375,000,000	1,533,950,000	32.59%
Mr Guan Guisen (Note 1)	1,158,950,000 (Note 2)	375,000,000	1,533,950,000	32.59%
China Construction Bank Corporation (Note 3)	319,520,000	–	319,520,000	6.79%
Central Huijin Investment Limited (Note 3)	319,520,000	–	319,520,000	6.79%
Senrigan Master Fund (Note 4)	249,192,000	–	249,192,000	5.29%

### Note 1:

Mighty Advantage Enterprises Limited (“Mighty Advantage”) is incorporated in the British Virgin Islands and is beneficially owned by Mr Guan Guisen. Mighty Advantage is deemed to be interested in 375,000,000 shares through its interest in the Convertible Bonds in the principal amount of HK\$120,000,000. Together with the 1,158,950,000 shares held by Mighty Advantage, Mighty Advantage is deemed to be interested in 1,533,950,000 shares of the Company.

### Note 2:

1,158,950,000 shares held by Mighty Advantage represented 24.62% of the issued share capital of the Company as at this report date.

### Note 3:

Central Huijin Investment Limited holds 57.13% shares of China Construction Bank Corporation and so is deemed to be interested in 319,520,000 ordinary shares of the Company.

### Note 4:

Senrigan Master Fund is managed by Senrigan Capital Group Limited.

Details of the interests of Mr Guan Guisen is duplicated in the section “Directors’ Interest in Shares” disclosed above.

## **EMPLOYEE SHARE OPTIONS**

On 6 July 2012, the Company granted certain share options (the "Share Option") to eligible persons of the Group (the "Grantees") which entitles the Grantees to subscribe for an aggregate of 204,390,000 new ordinary share of HK\$0.01 each in the capital of the Company, subject to the acceptance by the Grantees, under the New Share Option Scheme adopted by the shareholders of the Company on 3 May 2012. The Exercise Price of the Share Option is HK\$0.25 per share.

Details of the Share Options granted are set out on the announcement dated 6 July 2012.

## **COMPETING INTERESTS**

The Directors are not aware of, as at 31 March 2013, 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 2013, 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 2013.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied throughout the three months period ended 31 March 2013 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 2013, 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 Wang Zhongmin and Mr Gu Jiawang. The Committee is chaired by Dr Fong Chi Wah. The primary duties of the Committee are to review and supervise the financial reporting process and internal control systems of the Group.

The Committee has reviewed and assessed the composition of the Group’s financial reporting team and was satisfied with the performance of the team.

The Committee who was of the opinion that the preparation of the unaudited results for the three months period ended 31 March 2013 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 2013 and the draft of this report, and has provided advice and comments thereon.

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

Hong Kong, 14 May 2013

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

### ***Executive Directors***

Mr Guan Guisen  
Dr Lei Chunxiong  
Mr Cao Chunmeng

### ***Independent Non-executive Directors***

Dr Fong Chi Wah  
Mr Wang Zhongmin  
Mr Gu Jiawang

*This report will remain on the “Latest Company Announcements” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting and on the website of the Company at [www.innovationpay.com.hk](http://www.innovationpay.com.hk).*