



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

Stock code : 8083



2013  
THIRD 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.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, 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 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.*



# 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 turnover of approximately HK\$101,804,000 for the nine months ended 30 September 2013, representing a decrease of 30% compared with the same period in 2012.

The Group's operating profit for the nine months period was approximately HK\$8,876,000, whereas a profit of HK\$16,443,000 for same period in last year. The decrease in operating profit was mainly due to the slack season in trading industry in the third quarter.

For the three months ended 30 September 2013, the Group made sales of HK\$20,745,000, representing an decrease of 61% over the same period in last year. Gross profit margin decreased from 40% in last year to 29% in current year due to the slack season in trading industry.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2013.

## 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 and the nine months ended 30 September 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

### Condensed Consolidated Statement of Comprehensive Income

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	2	20,745	53,834	101,804	144,820
Cost of sales		(14,783)	(32,177)	(61,916)	(89,572)
Gross profit		5,962	21,657	39,888	55,248
Selling and marketing expenses		(1,733)	(3,153)	(10,224)	(7,216)
General & administrative expenses		(3,785)	(14,668)	(20,788)	(31,589)
		(5,518)	(17,821)	(31,012)	(38,805)
Profit/(loss) from operations		444	3,836	8,876	16,443
Other revenue/(expenses)	3	610	123	1,900	523
Share of loss of associates		(1)	(130)	(61)	(548)
Finance cost		(16)	(60)	(41)	(105)
Profit/(loss) before taxation		1,037	3,769	10,674	16,313
Taxation	4	(483)	(3,208)	(3,359)	(8,968)
Profit/(Loss) for the period		554	561	7,315	7,345
Other comprehensive income/ (loss) for the period, exchange difference on translation of foreign operations		-	-	-	-
Total comprehensive income/ (loss) for the period, net of tax		554	561	7,315	7,345

	For the three months ended 30 September		For the nine months ended 30 September		
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Attributable to:					
Owners of the Company		554	561	7,315	7,345
Minority Interest		102	(46)	(689)	46
		<b>656</b>	515	<b>6,626</b>	7,391
Total comprehensive income/ (loss) for the period attributed to:					
Owners of the Company		554	561	7,315	7,345
Minority Interest		102	(46)	(689)	46
		<b>656</b>	515	<b>6,626</b>	7,391
Earning / (loss) per share					
– basic		<b>HK0.02 cents</b>	HK0.01 cents	<b>HK0.16 cents</b>	HK0.17 cents
– diluted		<b>HK0.02 cents</b>	HK0.01 cents	<b>HK0.16 cents</b>	HK0.17 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 nine-month period ended 30 September 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.

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000
Prepaid card business	7,298	22,557	36,601	48,492
General trading	11,723	30,615	61,613	95,403
Others	1,724	662	3,590	925
	<b>20,745</b>	53,834	<b>101,804</b>	144,820

### 3. Other revenue

	For the three months ended September 30		For the nine months ended September 30	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Sundry income	199	31	811	115
Bank interest income	411	92	1,089	408
	<b>610</b>	123	<b>1,900</b>	523

### 4. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong during the three-month period and the nine-month period ended 30 September 2013 (2012: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$483,000 and HK\$3,359,000 during the three-month period and the nine-month period ended 30 September 2013 respectively (2012: HK\$3,208,000 and HK\$8,968,000 for three-month period and nine-month period ended 30 September 2012 respectively).

There were deferred taxation for the three-month period and the nine-month period ended 30 September 2013 amounted to HK\$1,851,000 respectively (2012: HK\$1,851,000).

### 5. Earnings/(loss) per share

The calculation of the basic profit per share for the three-month period and the nine-month period ended 30 September 2013 respectively were based on the unaudited profit attributable to shareholders of approximately HK\$554,000 (2012: HK\$561,000) for the three-month period ended 30 September 2013 and unaudited profit attributable to shareholders of approximately HK\$7,315,000 (2012: HK\$7,345,000) for the nine-month period ended 30 September 2013 and on the weighted average number of approximately 4,675,363,450 shares (2012: 4,316,920,479 shares) in issue during the three-month period ended 30 September 2013 and approximately 4,707,139,457 shares (2012: 4,499,639,457 shares) in issue during the nine-month period ended 30 September 2013.

### 6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three-month period and the nine-month period ended 30 September 2013 (2012: Nil).

### 7. Share Capital

The number of issued shares of the Company was 4,707,139,457 shares as at the date of this report.

## **8. Convertible bonds**

As at 30 September 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.

## **9. Warrants**

On 16 July 2012 (after trading hours), the Company and Senrigan Master Fund (the "Subscriber") entered into the Subscription Agreement, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the Warrants, at the Issue Price of HK\$0.002 per Warrant. The Warrants entitle the Subscriber to subscribe for 300,000,000 Warrant Shares with an aggregate face value of HK\$120 million at the initial Subscription Price of HK\$0.40 per Warrant Share for a period of five (5) years commencing from the date of issue of the Warrants.

On 27 July 2012, all conditions set out in the Subscription Agreement had been fulfilled and completed. No listing of the Warrants will be sought on the GEM or any other stock exchanges.

As at this report date, no Warrants had been exercised.

## **10. 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 nine-month period ended 30 September 2013, the Group's reserves decrease by approximately HK\$4,233,000 (2012: increase of HK\$300,591,000), representing the decrease in cumulative translation adjustment of approximately HK\$4,233,000 (2012: HK\$579,000) for the period. As a result, the consolidated reserves, excluding retained profits, of the Group as at 30 September 2013 were approximately HK\$717,722,000 (2012: HK\$846,613,000).

At the beginning of 2013, the Group had retained profits of approximately HK\$292,636,000 (2012: HK\$204,777,000). During the three-month period ended 30 September 2013, the Group's retained profit increase by approximately HK\$554,000 (2012: HK\$561,000). For the nine-month period ended 30 September 2013, the Group's retained profits increase by approximately HK\$7,315,000 (2012: HK\$7,345,000), representing the total comprehensive income attributable to shareholders for the period. As a result, the retained profits of the Group as at 30 September 2013 was approximately HK\$299,951,000 (2012: HK\$212,122,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Business Review

The Company is an investment holding company. Its subsidiaries are principally engaged in three segments. Namely (i) General trading: trading of electronic products, network hardware equipment, financial equipment and communication products; (ii) prepaid card business: the operations of prepaid card business, including the issuance of various prepaid cards, part of which have multiple functions, in the PRC and recently in Hong Kong and sale of mobile recharge cards; (iii) Others: development and operation of tourism VIP card products, online booking services of air tickets and hotels for individual and corporate customers.

In July 2013, Beijing Gaohuitong was further approved to add the business of “Online Payment (National)” by the People’s Bank of China, with the operations areas for the business of “Issuance and Acceptance of Prepaid Cards” covering Zhejiang, Guangdong and Liaoning Provinces.

### Financial Review

The Group recorded a turnover of approximately HK\$101,804,000 for the nine months ended 30 September 2013, representing a decrease of 30% compared with the same period in 2012.

The Group’s operating profit for the nine months period was approximately HK\$8,876,000, whereas a profit of HK\$16,443,000 for same period in last year. The decrease in operating profit was mainly due to the slack season in trading industry in the third quarter.

For the three months ended 30 September 2013, the Group made sales of HK\$20,745,000, representing an decrease of 61% over the same period in last year. Gross profit margin decreased from 40% in last year to 29% in current year due to the slack season in trading industry.



## Liquidity and Financial Resources

As at 30 September 2013, the Company's cash and cash equivalents amounted to approximately HK\$21,023,000.

As at 30 September 2013, the Company did not have any bank borrowings.

## Capital Commitments, Pledge of Assets and Contingent Liabilities

As at 30 September 2013, the Group did not have any material 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

The trading segment continues contribute the largest revenue to the Group. The Group will continue to seek further development in this segment. Being an important business segment of the Company, the prepaid card business will be one of the focus of future business development of the Group. On top of the continuous development of various prepaid card products, including multifunction prepaid cards, gift cards and the Co-Branded Prepaid Card jointly issued with China Construction Bank (Asia) Corporation Limited, the Group will focus on the development of “高匯通•微樂付卡” which was issued in 2013. The major customers of this product are individual consumers with extensive demands, it will provide a convenient and fast QR code payment service to them. The Group will have more input in business expansion, marketing and regional development of its “高匯通•微樂付卡” products. And it will become the major product of the prepaid card segment. Along with the fast development of its customer base, “高匯通•微樂付卡”, which mainly targets at individual consumers, will also stimulates the rapid growth of the tourism VIP cards, online air ticket and hotel booking service, bank credit award business and online shopping businesses.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 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 5.68 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

	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr Guan Guisen (Note 1)	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 (Note 2)	67,420,000	1.43%
Dr Fong Chi Wah	–	1,000,000 (Note 2)	1,000,000	0.02%
Mr Wang Zhongmin	–	1,000,000 (Note 2)	1,000,000	0.02%
Mr Gu Jiawang	–	1,000,000 (Note 2)	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 30 September 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 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

## **INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, as at 30 September 2013, 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			
	Interest in shares	Interest in underlying shares	Total interest in shares	% of shareholding
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’ and Chief Executives’ Interests in Shares and Underlying Shares” disclosed above.

## **EMPLOYEE SHARE OPTIONS**

The Company has one employee share option scheme namely New Share Option Scheme.

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

As at the date of 30 September 2013, no options under New Share Option Scheme had been exercised.

## **COMPETING INTERESTS**

The Directors are not aware of, as at 30 September 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 nine-month period ended 30 September 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 DIRECTOR**

The Group adopted the required standard of dealings set out in rules 5.46 to 5.68 of the GEM Listing Rules as the code of conduct regarding directors’ securities transactions in securities of the Company. Upon the Company’s specific enquiry, each director had confirmed that during the period ended 30 September 2013, they had fully complied with the required standard of dealings and there was no event of non-compliance.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied throughout the nine-month period ended 30 September 2013 the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules.

## **CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 30 September 2013.

## **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 nine-month period ended 30 September 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 nine-month period ended 30 September 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, 12 November 2013



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

***Executive Directors***

Mr Guan Guisen  
Dr Lei Chunxiang  
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).*