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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2015**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM")
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK
EXCHANGE")**

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.

HIGHLIGHTS

The Group recorded a revenue of approximately HK\$18,319,000 for the three months period ended 31 March 2015. Of this revenue, (i) approximately HK\$3,546,000 from general trading, representing approximately 19% of the total revenue of the Group; (ii) approximately HK\$9,149,000 from the prepaid card and related operations, representing approximately 50% of the total revenue of the Group; and (iii) approximately HK\$2,020,000 from travellers related services, representing approximately 11% of the total revenue of the Group; and (iv) approximately HK\$3,604,000 from Onecomm, representing approximately 20% of the total revenue of the Group.

The Group's turnover for the three months ended 31 March 2015 increased 38%. In order to further expand our market share, the Group hired more business development personnel and related supporting staff. This led to an increase in selling and marketing expense by approximately HK\$1 million to approximately HK\$6.6 million when compared with the same period in 2014. The Group recorded an unaudited loss after taxation of approximately HK\$11,859,000, representing a decrease of loss approximately 3.5% compared with the same period in 2014.

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 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

Condensed Consolidated Statement of Comprehensive Income

		For the three months ended 31 March	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
Turnover	2	18,319	13,289
Cost of sales		(9,514)	(7,445)
Gross profit		8,805	5,844
Other revenue	3	656	8
Selling and marketing expenses		(6,635)	(5,642)
General & administrative expenses		(14,603)	(12,122)
Loss from operations		(11,777)	(11,912)
Finance cost		(1)	(16)
Loss before taxation		(11,778)	(11,928)
Taxation	4	(81)	(361)
Loss for the period		(11,859)	(12,289)
Other comprehensive income/(loss) for the period, exchange difference on translation of foreign operations		–	–
Total comprehensive income/(loss) for the period, net of tax		(11,859)	(12,289)

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Attributable to:		
Owners of the Company	(11,859)	(12,289)
Minority Interest	(31)	(286)
	(11,890)	(12,575)
Total comprehensive income/(loss) for the period attributed to:		
Owners of the Company	(11,859)	(12,289)
Minority Interest	(31)	(286)
	(11,890)	(12,575)
Loss per share		
– basic	HK\$(0.21) cents	HK\$(0.26) cents
– diluted	N/A	N/A

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 2015 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2014.

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.

	2015 HK\$'000	2014 HK\$'000
– Prepaid card and related operations	9,149	5,789
– General trading	3,546	5,976
– Travellers related services	2,020	1,524
– Onecomm	3,604	–
	18,319	13,289

3. Other revenue

Other revenue for the three months period ended 31 March 2015 consisted of a sundry revenue of approximately HK\$656,000 (2014: HK\$8,000).

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 2015 (2014: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$81,000 during the three months period ended 31 March 2015 (2014: HK\$361,000).

There was no significant unprovided deferred taxation for the three months period ended 31 March 2015 (2014: Nil).

5. Loss per share

The calculation of the basic loss per share for the three months period ended 31 March 2015 were based on the unaudited loss attributable to shareholders of approximately HK\$11,859,000 (2014: HK\$12,289,000) for the three months period ended 31 March 2015 and on the weighted average number of approximately 5,605,506,457 shares (2014: 4,781,017,001 shares) in issue during the three month period ended 31 March 2015.

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months period ended 31 March 2015 (2014: Nil).

7. Share capital

As at the announcement date, the number of issued shares of the Company was 5,605,506,457 shares.

8. Reserves movement

At the beginning of 2015, the Group had consolidated reserves, excluding retained profits, of approximately HK\$1,076,665,000 (2014: HK\$763,378,000). For the three months period ended 31 March 2015, the Group's reserves decreased by approximately HK\$1,656,000 (2014: increase of HK\$136,110,000), representing the decrease in exchange reserve adjustment of approximately HK\$1,656,000 (2014: decrease of HK\$1,775,000) for the period. As a result, the consolidated reserves, excluding retained profits, of the Group as at 31 March 2015 were approximately HK\$1,075,009,000 (2014: HK\$899,488,000).

At the beginning of 2015, the Group had accumulated loss of approximately HK\$110,898,000 (2014: retained profits of HK\$12,829,000). For the three months period ended 31 March 2015, the Group's accumulated loss increased by approximately HK\$11,859,000 (2014: HK\$12,575,000), representing the total comprehensive loss attributable to shareholders for the period. As a result, the accumulated loss of the Group as at 31 March 2015 was approximately HK\$122,757,000 (2014: retained profits HK\$254,000).

9. Convertible bonds

As at the date of this announcement, there were no outstanding convertible bonds.

10. 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 announcement date, there were still outstanding 80,000,000 Warrant Shares with an aggregate face value of HK\$32 million to be subscribed.

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 prepaid card business segment, as the main business of the Group, gains most attentions and investments. It has its main product named “高匯通•微樂付卡” which focus on provision of convenient, quick and favorable payment services for individual consumers, and provision of payment, customers management and marketing services for merchants. During the year, based on the expansion of the volume of the contracted merchants, the Group also distributed more POS machine to the contracted merchants, optimizing the acceptance environment of “高匯通•微樂付卡”.

On 26 November 2014, Beijing Gaohuitong Commercial Management Company Limited (“Gaohuitong”), a wholly-owned subsidiary of the Company, obtained the approval from the payment and settlement division of the operations of PBOC and was permitted to operate the virtual cards of “高匯通•微樂付卡” in China countrywide on a pilot basis. The virtual card is in alliance with industry trends and development of prepaid cards business.

By way of capital injection to Beijing ONECOMM Technology Company Limited, the Group acquired the research and development as well as the production capability of the integrated intelligent POS machines. This will help to improve the Group’s prepaid card industry chain. At the same time, with this new production and R&D capabilities, the costs and expenses to be spent on soliciting merchant users will be decreased, especially for “高匯通•微樂付卡” resulting in the positive and healthy development of this business.

During the period, no provision of impairment of goodwill on the prepaid card business segment has been made.

The Company has been actively seeking further business development. The Group will strive to integrate the various business sectors in the process of development, expecting to generate the integrated effect and bring the Group more benefits.

Financial Review

Revenue

The Group recorded a revenue of approximately HK\$18,319,000 for the three months period ended 31 March 2015. Of this revenue, (i) approximately HK\$3,546,000 from general trading, representing approximately 19% of the total revenue of the Group; (ii) approximately HK\$9,149,000 from the prepaid card and related operations, representing approximately 50% of the total revenue of the Group; and (iii) approximately HK\$2,020,000 from travellers related services, representing approximately 11% of the total revenue of the Group; and (iv) approximately HK\$3,604,000 from Onecomm, representing approximately 20% of the total revenue of the Group.

The Group's turnover for the three months ended 31 March 2015 increased 38%. In order to further expand our market share, the Group hired more business development personnel and related supporting staff. This led to an increase in selling and marketing expense by approximately HK\$1 million to approximately HK\$6.6 million when compared with the same period in 2014. The Group recorded an unaudited loss after taxation of approximately HK\$11,859,000, representing a decrease of loss approximately 3.5% compared with the same period in 2014.

Major Event

On 6 February 2015, the Company and Greater China Select Fund ("Subscriber") entered into a Subscription Agreement ("Agreement"). Pursuant to the Agreement, the Company agreed to issue 530,000,000 unlisted warrants at an issue price of HK\$0.002 per warrant. Each warrant entitled the Subscriber for one ordinary share of HK\$0.01 each at an initial subscription price of HK\$0.72 per share at any time within 5 years commencing from the date of issue of warrants.

On 5 March 2015, the Company and the Subscriber entered into a Supplemental Agreement ("Supplemental Agreement") pursuant to which completion of the Agreement shall be subject to and conditional upon passing the resolution(s) at a general meeting of the Company to approve the Agreement and the long stop date for fulfillment of the conditions precedent under the Agreement has been postponed to 31 May 2015.

Liquidity and Financial Resources

As at 31 March 2015, the Group's cash and cash equivalents amounted to approximately HK\$121,985,000.

As at 31 March 2015, the Company did not have any bank borrowings (2014: HK\$Nil).

Capital Commitments, Pledge of Assets and Contingent Liabilities

As at 31 March 2015, 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

The Company completed the acquisition of CPE and its subsidiaries on 28 February 2011. Beijing Gaohuitong Commercial Management Co. Limited, an indirect wholly-owned subsidiary of the Company, obtained the Certificates for Approval for Payment Business issued by the People's Bank of China on 28 June 2012 and was further approved to add new geographical areas for the business of online payment and the issuance and acceptance of prepaid cards in July 2013. A payment system has been established by the Company on the basis of prepaid cards business, which incorporates online and offline payment scenarios with various payment methods including magnetic stripe cards, QR code.

Under the macro environment that the online financial and payment industry is undergoing robust development, the Company strives to deliver more comprehensive online and offline payment services, marketing services and customer management services to the merchants based on the prepaid card business and with unremitted innovations. The Company will focus on the promotion of “高匯通•微樂付卡”, which provides consumers with fast, convenient and favourable online and offline payment services. Meanwhile, payment services, customer management services, internet and mobile phone-based marketing services will be delivered to the merchants through the integrated POS terminals deployed by the merchants.

As one of the major development trend in the industry, the virtual prepaid card can effectively resolves the problems that exist in the O2O situation. The Group sees the “高匯通•微樂付卡” business as our core business in the coming years. The Group will gradually launch the card throughout the country by region and stages. On one hand the Group will continue to enhance the card acceptance environment, including soliciting more merchant users as well as promoting the usage of the integrated intelligent POS machines. On the other hand, the Group will also actively promote this payment solution to penetrate into different industries, for example, the consumer finance industry etc.

Building on its effort to promote “高匯通•微樂付卡”, the Company will continue to create new derivative products in order to offer more professional, diversified marketing and payment services. The Company will also optimize its overall payment system to provide more convenient and favourable payment services to the customers. The rapid development of the industry and the continuous business expansion and consolidation of the Company will bring positive catalyst to the future development and profitability of the Company.

Event After the Reporting Period

On 1 April 2015, the Company entered into the strategic cooperation framework agreement with Launch Tech Company Limited ("Launch Tech") pursuant to which both parties will jointly issue the GOLO membership card with payment function with a view to satisfy the O2O application of automobile and automobile peripheral markets and to develop the related consumer market of the lifestyle and after-sales services for automobile.

The parties will integrate their own technologies, channels and operation resources to develop GOLO membership card with payment function, which will enable the GOLO member of "Launch Tech" to pay via several different payment methods, and to offer a wide-range of services to the members.

Launch Tech is a company listed on the Hong Kong Stock Exchange (Stock code: 02488) and is a high technology enterprise engaged in the R&D, manufacturing and sales of automobile diagnosis, testing and maintenance products. GOLO was a new product developed and produced by Launch Tech for the vast majority of car owners. The product will lead "Launch Tech" to tap into the field of Internet of Cars.

The cooperation will explore the application of payment system and payment products of the Company in Internet of Cars industry. Such cooperation will play an active and positive role for the business development of the Company.

DIRECTORS' INTEREST IN SHARES

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

Long position in Shares

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Guan Guisen (<i>Note 1</i>)	1,300,200,000	–	1,300,200,000	23.20%
Dr. Lei Chunxiong	159,290,000	–	159,290,000	2.84%
Mr. Cao Chunmeng	47,620,000	19,800,000 (<i>Note 2</i>)	67,420,000	1.20%
Mr. Yan Xiaotian	21,640,000	–	21,640,000	0.39%
Dr. Fong Chi Wah	–	1,000,000 (<i>Note 2</i>)	1,000,000	0.02%
Mr. Wang Zhongmin	600,000	400,000 (<i>Note 2</i>)	1,000,000	0.02%
Mr. Gu Jiawang	600,000	400,000 (<i>Note 2</i>)	1,000,000	0.02%

Note 1:

The shares are held by Mighty Advantage Enterprises Limited (“Mighty Advantage”). Mighty Advantage is incorporated in the British Virgin Islands and is beneficially owned by Mr. Guan Guisen.

Note 2:

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

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

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

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

Long position in Shares

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Guan Guisen (<i>Note</i>)	1,300,200,000	–	1,300,200,000	23.20%

Note:

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.

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.

As at the date of this announcement, there are still 89,674,000 share options to be exercised.

COMPETING INTERESTS

The Directors are not aware of, as at 31 March 2015, 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 2015, 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 2015.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the three months period ended 31 March 2015 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 2015, 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 2015 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 2015 and the draft of this announcement, and has provided advice and comments thereon.

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

Hong Kong, 13 May 2015

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

Executive Directors

Mr Guan Guisen
Dr Lei Chunxiong
Mr Cao Chunmeng
Mr Yan Xiaotian

Independent Non-executive Directors

Dr Fong Chi Wah
Mr Wang Zhongmin
Mr Gu Jiawang

This announcement will remain on the “Latest Company Announcements” page on the GEM website at 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.