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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
(formerly known as SYSCAN Technology Holdings Limited
矽感科技控股有限公司)*
(Incorporated in Bermuda with limited liability)
(Stock Code: 8083)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 31 December 2011

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“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 of China Innovationpay Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification only

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

(1) Opening balances and comparative figures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2010 (the "2010 Financial Statements"), which form the basis for the comparative figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on scope of audit and the inability to obtain valid audit evidence to determine the appropriateness of not classifying certain transactions as related party transactions, details of which are set out in our audit report dated 28 March 2011. Accordingly, the auditors were unable to form an opinion as to whether the 2010 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2010 and 1 January 2011 and of the Group's results and cash flows for the year ended 31 December 2010.

(2) Disposal of SHL Group

As disclosed in note 14 to the annual results announcement, on 31 December 2011 (the "Date of Completion"), the Group completed the disposal of SYSCAN Holdings Limited and its subsidiaries (collectively referred to as the "SHL Group"), with a gain on disposal of HK\$41,320,000 recognised in the consolidated income statement for the year ended 31 December 2011.

Due to the facts as set out in (1) above, up to the date of this report, there were no alternative audit procedures that we could satisfy ourselves that the carrying amounts in respect of the consolidated assets and liabilities of SHL Group are free from material misstatement as at 1 January 2011 and the Date of Completion. Any adjustments found to be necessary to these amounts would affect the net assets of the Group as at 1 January 2011, and the related disclosures in note 14 to the annual results announcement, the movement in the Group's cash flows and the Group's results for the year ended 31 December 2011.

Qualified opinion

In auditor's opinion, except for the possible effects of the matters as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

In forming the audit opinion, auditor have considered the adequacy of the disclosure in note 3 to the annual results announcement in respect of the Group's existing prepaid cards business operations in the People's Republic of China are not yet officially approved by the People's Bank of China in accordance with the Administrative Method of Payment Services for Non-Financial Institutions. Auditor consider that the material uncertainty has been adequately disclosed in the consolidated financial statements and the audit opinion is not qualified in this respect.

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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
<u>Continuing operations</u>			
Turnover	5	263,095	–
Cost of sales		(177,992)	–
		<hr/>	<hr/>
Gross profit		85,103	–
Other income	6	3,136	434
Selling expenses		(8,469)	–
Administrative expenses		(42,912)	(12,720)
Other operating expenses		(43)	(6,167)
Equity-settled share-based payment		–	(512)
		<hr/>	<hr/>
Profit/(loss) from operations		36,815	(18,965)
Finance costs	7	(1,186)	–
Share of losses of associates		(100)	–
Share of loss of a jointly controlled entity		(1,117)	–
Impairment loss on other receivables		–	(51,029)
Gain on disposal of a subsidiary		2,727	–
Loss on disposal of a subsidiary		(315)	–
Gain on revaluation of previous held interest in jointly controlled entities		8,451	–
Gain on fair value change of contingent consideration payable		230,986	–
Gain on bargain purchase on business combination		3,423	–
		<hr/>	<hr/>
Profit/(loss) before tax		279,684	(69,994)
Income tax expense	8	(15,760)	–
		<hr/>	<hr/>
Profit/(loss) for the year from continuing operations		263,924	(69,994)
<u>Discontinued operation</u>			
Profit/(loss) for the year from discontinued operation	15	14,926	(80,029)
		<hr/>	<hr/>
Profit/(loss) for the year	9	278,850	(150,023)
		<hr/>	<hr/>

	<i>Note</i>	2011 HK\$'000	2010 <i>HK\$'000</i> (Restated)
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		264,586	(69,994)
Profit/(loss) from discontinued operation		18,485	(78,989)
		<hr/>	<hr/>
Profit/(loss) for the year attributable to owners of the Company		283,071	(148,983)
		<hr/>	<hr/>
Non-controlling interests			
Loss from continuing operations		(662)	–
Loss from discontinued operation		(3,559)	(1,040)
		<hr/>	<hr/>
Loss for the year attributable to non-controlling interests		(4,221)	(1,040)
		<hr/>	<hr/>
		278,850	(150,023)
		<hr/>	<hr/>
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings/(loss) per share			
From continuing and discontinued operations	<i>10</i>		
– basic		8.13	(6.32)
– diluted		6.06	N/A
		<hr/>	<hr/>
From continuing operations			
– basic		7.60	(2.97)
– diluted		5.66	N/A
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit/(loss) for the year	278,850	(150,023)
Other comprehensive income:		
Exchange differences on translating foreign operations	48,267	3,471
Exchange differences reclassified to profit or loss on disposals of subsidiaries	(5,214)	(326)
Exchange differences reclassified to profit or loss on deemed disposal of a subsidiary	—	(714)
	<hr/>	<hr/>
Other comprehensive income for the year, net of tax	43,053	2,431
	<hr/>	<hr/>
Total comprehensive income for the year	321,903	(147,592)
	<hr/>	<hr/>
Total comprehensive income for the year attributable to:		
Owners of the Company	326,124	(146,552)
Non-controlling interests	(4,221)	(1,040)
	<hr/>	<hr/>
	321,903	(147,592)
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		6,137	10,384
Prepaid land lease payments		–	45,631
Construction in progress		–	57,160
Intangible assets		4,386	–
Goodwill		1,092,372	–
Investments in associates		822	24,555
Fixed deposits		12,340	–
Deferred tax asset		1,851	–
		<u>1,117,908</u>	<u>137,730</u>
Current assets			
Inventories		2,158	24,083
Trade receivables	12	70,804	10,887
Prepayments, deposits and other receivables		56,480	13,855
Due from an associate		2,914	599
Pledged bank deposits		–	27,066
Bank and cash balances		157,744	82,030
		<u>290,100</u>	<u>158,520</u>
Current liabilities			
Trade payables	13	18,146	12,580
Accruals and other payables		116,216	113,718
Due to a non-controlling shareholder of a subsidiary		–	37,659
Borrowings		–	38,444
Current tax liabilities		9,247	–
		<u>143,609</u>	<u>202,401</u>
Net current assets/(liabilities)		<u>146,491</u>	<u>(43,881)</u>
Total assets less current liabilities		<u>1,264,399</u>	<u>93,849</u>
Non-current liabilities			
Deferred tax liabilities		1,253	–
Contingent consideration payable		472,848	–
		<u>474,101</u>	<u>–</u>
NET ASSETS		<u>790,298</u>	<u>93,849</u>
Capital and reserves			
Share capital		39,646	26,409
Reserves		750,799	24,428
Equity attributable to owners of the Company		790,445	50,837
Non-controlling interests		(147)	43,012
TOTAL EQUITY		<u>790,298</u>	<u>93,849</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	Attributable to owners of the Company										
	Share capital	Share premium account	Capital reserve	Statutory reserve	Exchange reserve	Share-option reserve	Convertible loans equity reserve	Retained profits/ losses	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 2010	20,769	9,034	191,973	439	2,246	6,952	-	(149,263)	82,150	2,061	84,211
Total comprehensive income for the year	-	-	-	-	3,471	-	-	(150,023)	(146,552)	(1,040)	(147,592)
Share issued from placing	4,090	63,395	-	-	-	-	-	-	67,485	-	67,485
Share-based payments	-	-	-	-	-	4,576	-	-	4,576	-	4,576
Exercise of share options	1,550	18,218	-	-	-	(8,169)	-	-	11,599	-	11,599
Release upon lapse of share options	-	-	-	-	-	(201)	-	201	-	-	-
Disposals of subsidiaries	-	-	692	-	(326)	-	-	14,774	15,140	-	15,140
Capital contributions from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	44,456	44,456
Deem disposal of a subsidiary	-	-	-	-	(714)	-	-	17,153	16,439	(2,465)	13,974
At 31 December 2010	26,409	90,647	192,665	439	4,677	3,158	-	(267,158)	50,837	43,012	93,849
At 1 January 2011	26,409	90,647	192,665	439	4,677	3,158	-	(267,158)	50,837	43,012	93,849
Total comprehensive income for the year	-	-	-	-	43,053	-	-	283,071	326,124	(4,221)	321,903
Transfer to statutory reserve	-	-	-	3,801	-	-	-	(3,801)	-	-	-
Share issued from placing	6,250	175,696	-	-	-	-	-	-	181,946	-	181,946
Issurance of convertible loans	-	-	-	-	-	-	66,922	-	66,922	-	66,922
Conversion of convertible loans	4,800	142,088	-	-	-	-	(66,922)	-	79,966	-	79,966
Disposals of subsidiaries	-	-	(192,665)	-	-	-	-	192,665	-	(39,180)	(39,180)
Acquisition of subsidiaries	2,187	85,313	-	-	-	-	-	-	87,500	1,625	89,125
Purchase of non-controlling interests	-	-	(2,850)	-	-	-	-	-	(2,850)	(1,383)	(4,233)
At 31 December 2011	39,646	493,744	(2,850)	4,240	47,730	3,158	-	204,777	790,445	(147)	790,298

NOTES TO 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 and its principal place of business is Unit 2708, 27/F, The Centre, 99 Queen's Road Central, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in provision of prepaid card, prepaid gift card and related customer services, information system maintenance and development services, trading of mobile phones and computer equipments.

Pursuant to a special resolution passed on 28 April 2011, the name of the Company was changed from "SYSCAN Technology Holdings Limited" to "China Innovationpay Group Limited". The change was formally approved by the Registrar of Companies in Bermuda on 6 May 2011. On 7 June 2011, the Company's shares started trading in its new name.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. MATERIAL UNCERTAINTY RELATING TO LICENSE FOR PREPAID CARDS OPERATION

北京高滙通商業管理有限公司 (Beijing Gaohuitong Commercial Management Co. Ltd.) ("Beijing Gaohuitong"), a subsidiary of the Group has been engaging in provision of prepaid cards and related customer services operations in the People's Republic of China (the "PRC"). Such business operations are regulated by Administrative Method of Payment Services for Non-Financial Institution (the "Administration Method") promulgated by the People's Bank of China (the "PBOC") and took effect from 1 September 2010 with one year grace period (the "Grace Period") for compliance.

During the year ended 31 December 2011, Beijing Gaohuitong submitted its license application to the PBOC and disclosed in the application documents that Beijing Gaohuitong is beneficially owned by the Company, which was incorporated in Bermuda. The PBOC confirmed the acceptance of the application of Beijing Gaohuitong on 29 August 2011 by issuing 《受理行政許可申請的通知》 (受理通知第43號) (the "Acceptance Confirmation"). Although the Administration Method stated that the business scope, the qualification of offshore investor and investment proportion in relation to foreign invested applicant shall be determined by the PBOC separately and are subject to the approval from the State Council (國務院), the Company has been advised by its PRC legal counsel that (i) Beijing Gaohuitong has not been granted a Foreign-invested Enterprise Approval Certificate (外商投資企業批准證書) and has not been registered

as a Foreign Invested Enterprise (外商投資企業) in Industrial & Commercial Administration Bureau (工商局), therefore Beijing Gaohuitong should not be classified as Foreign Invested Enterprise; and (ii) the issuance of Acceptance Confirmation infers that the PBOC has accepted the basic legal formality of Beijing Gaohuitong's application. The PBOC is processing the application and has not made the final decision on approval of Beijing Gaohuitong's application up to the date of these financial statements.

According to the Administrative Method, all prepaid cards and related customer services should be ceased after the Grace Period if the relevant license cannot be obtained before the end of the Grace Period. Beijing Gaohuitong has not obtained the license before the end of the Grace Period (i.e. 1 September 2011) and continues to carry on prepaid cards and related customer services. Based on the facts that (i) after 1 September 2011, the PBOC continues to request all license applicants to submit business data and reports to it regularly; (ii) the PBOC issued a document dated 20 February 2012 which prescribed that license applicants should carry on business in original scale and can neither expand the scale of operation nor implement further business innovation; and (iii) Beijing Gaohuitong has not received any government's complaint, interference or demand of penalty because of carrying out prepaid cards and related customer services, the Group's PRC legal counsel advised that Beijing Gaohuitong's operations in original scale and business scope after the end of the Grace Period is legal until the PBOC announces its final decision on the approval or non-approval of the relevant license.

The Group's development of prepaid cards and related customer services would crucially depend on the approval of the PBOC for the relevant license. As set out in note to the consolidated financial statements, one of the key assumptions that management had made when performing impairment test of goodwill at end of reporting period was that the Group will successfully obtain the relevant license approval from the PBOC in near future. Should the PBOC officially disapprove the Group's license application, the carrying amount of goodwill related to prepaid cards and related customer services would be subject to impairment and the resulting impairment would be recognised in consolidated profit or loss.

4. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Discontinued operation

SYSCAN – manufacture and sale of optical image capturing devices, chips and other optoelectronic products in the PRC

Continuing operations

Prepaid cards – provision of stored value card payment services and related customer services and consultancy services in the PRC

Gift cards – marketing and sale of consumer goods in form of prepaid gift cards in the PRC

General trading – trading of mobile phones, computer, communication equipment and liquor

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 operating segments include prepaid phone card distribution business and software development business. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets and goodwill.

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

Information about reportable segment profit or loss and assets:

	Discontinued operation	Continuing operations				Total HK\$'000
	SYSCAN HK\$'000	Prepaid cards HK\$'000	Gift cards HK\$'000	General trading HK\$'000	Others HK\$'000	
Year ended 31 December 2011						
Revenue from external customers	80,671	16,228	33,671	205,900	7,296	343,766
Intersegment revenue	–	–	6,616	–	–	6,616
Segment profit/(loss)	14,926	2,474	12,047	43,075	(149)	72,373
Interest revenue	198	1,366	36	36	59	1,695
Interest expense	(2,578)	(206)	(4)	(774)	(12)	(3,574)
Depreciation and amortisation	(5,611)	(396)	(7)	(938)	(516)	(7,468)
Other material items of income and expense:						
Share of losses of associates	(438)	–	–	–	–	(438)
Gain on disposal of subsidiaries	42,092	–	–	–	–	42,092
Additions to segment non-current assets	60,598	745	170	6,131	453	68,097
As at 31 December 2011						
Segment assets	–	144,750	27,964	99,727	29,808	302,249

For the year ended 31 December 2010, the Group has one reportable segment which is manufacture and sale of optical image capturing devices, chips and other optoelectronic products in the PRC.

Reconciliations of reportable segment revenue, profit or loss and assets:

	2011 <i>HK\$'000</i>
Revenue	
Total revenue of reportable segments	350,382
Elimination of intersegment revenue	(6,616)
Elimination of discontinued operation	(80,671)
	<hr/>
Consolidated revenue from continuing operations	<u>263,095</u>
Profit or loss	
Total profit or loss of reportable segments	72,373
Unallocated corporate income and expense, net	(21,818)
Share of losses of jointly controlled entities	(1,117)
Share of losses of associates	(100)
Gain on disposal of a subsidiary	2,727
Loss on disposal of a subsidiary	(315)
Gain on revaluation of previous held interest in jointly controlled entities	8,451
Gain on fair value change of contingent consideration payable	230,986
Gain on bargain purchase on business combination	3,423
Elimination of discontinued operation	(14,926)
	<hr/>
Profit before income tax	279,684
Income tax expense	(15,760)
	<hr/>
Consolidated profit for the year from continuing operations	<u>263,924</u>
Assets	
Total assets of reportable segments	302,249
Deferred tax asset	1,851
Investments in associates	822
Due from an associate	2,914
Goodwill	1,092,372
Other corporate assets	7,800
	<hr/>
Consolidated total assets	<u>1,408,008</u>

Geographical information:

	2011		2010	
	Discontinued operation <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i> (Restated)	Continuing operations <i>HK\$'000</i> (Restated)
Revenue				
The PRC	28,256	263,095	13,347	–
USA	31,796	–	65,243	–
Others	20,619	–	7,121	–
	<hr/>	<hr/>	<hr/>	<hr/>
Consolidated total revenue	<u>80,671</u>	<u>263,095</u>	<u>85,711</u>	<u>–</u>

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets are all located in the PRC.

Revenue from major customers:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
SYSCAN (discounted operation)		
Customer a	31,796	65,243
General trading (continuing operations)		
Customer b	65,507	N/A
Customer c	35,880	N/A
	<u>35,880</u>	<u> </u>

5. TURNOVER

The Group's turnover which represents card transaction levies, card handling and service charges, consultancy income, commission income and sales of goods are as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Continuing operations		
Card transaction levies	2,511	–
Card handling and service charges	6,719	–
Consultancy income	8,646	–
Commission income from distribution of prepaid phone cards	5,648	–
Sales of computer and communication equipments	205,900	–
Sales of consumer goods via gift card marketing	33,671	–
	<u>263,095</u>	<u> </u>
Discontinued operation (note 15)		
Sales of optical image capturing devices and related barcode reader equipments	80,671	85,711
	<u>80,671</u>	<u>85,711</u>
	<u>343,766</u>	<u>85,711</u>

6 OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Gain on disposal of property, plant and equipment	–	125
Reversal of impairment loss on other receivables	–	2,885
Derecognition of financial liabilities	38	8,443
Interest income	1,695	44
Exchange gain, net	–	212
Government grant	304	51
System development and consultancy income	4,150	–
Others	385	348
	<u>6,572</u>	<u>12,108</u>
Representing:		
Continuing operations	3,136	434
Discontinued operation (note 15)	3,436	11,674
	<u>6,572</u>	<u>12,108</u>

7. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Interest on bank loans	1,803	104
Interest on other loan wholly repayable within five years	1,827	513
Imputed interest on convertible loans	134	–
	<u>3,764</u>	<u>617</u>
Representing:		
Continuing operations	1,186	–
Discontinued operation (note 15)	2,578	617
	<u>3,764</u>	<u>617</u>

8. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Current tax– Overseas		
Provision for the year	12,462	1
Deferred tax	3,298	–
	<u>15,760</u>	<u>1</u>
Representing:		
Continuing operations	15,760	–
Discontinued operation (note 15)	–	1
	<u>15,760</u>	<u>1</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year.

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 new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law becomes effective from 1 January 2008.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

(i) Continuing operations

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Profit/(loss) before tax	279,684	(69,994)
Tax at PRC enterprise income tax rate of 25% (2010: 25%)	69,921	(17,499)
Tax effect of income that is not taxable	(61,720)	–
Tax effect of expenses that are not deductible	5,578	1,729
Tax effect of unused tax losses not recognised	759	13,955
PRC dividend withholding tax	1,222	–
Effect of different tax rates of subsidiaries	–	1,815
	<u>15,760</u>	<u>–</u>

(ii) **Discontinued operation**

	2011 HK\$'000	2010 <i>HK\$'000</i> (Restated)
Profit/(loss) before tax	14,926	(80,028)
Tax at PRC enterprise income tax rate of 25% (2010: 25%)	3,732	(20,007)
Tax effect of income that is not taxable	(10,523)	(129)
Tax effect of expenses that are not deductible	–	2,505
Tax effect of temporary differences not recognised	–	17,632
Tax effect of unused tax losses not recognised	6,791	–
Income tax expense	–	1

9. PROFIT/(LOSS) FOR THE YEAR

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

	Continuing operations		Discontinued operation		Total	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Amortisation	–	–	1,570	–	1,570	–
Depreciation	1,903	–	4,041	2,906	5,944	2,906
Directors' emoluments						
– As directors	482	273	–	–	482	273
– For management	3,172	3,742	162	208	3,334	3,950
	3,654	4,015	162	208	3,816	4,223
Loss on disposals of property, plant and equipment	40	–	2,588	–	2,628	–
Operating leases charges	4,915	259	2,483	2,245	7,398	2,504
Auditor's remuneration	950	500	–	–	950	500
Cost of inventories sold	177,992	–	74,616	71,164	252,608	71,164
Exchange loss	1,654	–	–	–	1,654	–
Loss on deemed disposal of a subsidiary	–	–	–	3,939	–	3,939
Gain on disposals of subsidiaries	(2,727)	–	(42,092)	–	(44,819)	–
Loss on disposals of subsidiaries	315	–	–	14,031	315	14,031
Gain on disposal of associates	–	–	–	(1,414)	–	(1,414)
Impairment loss on other receivables	–	51,029	679	34,135	679	85,164
Staff costs including directors' remuneration						
Salaries, bonus and allowances	19,195	7,978	18,562	22,446	37,757	30,424
Equity-settled share-based payments	–	512	–	4,064	–	4,576
Contribution to retirement benefit schemes	3,237	52	1,723	1,710	4,960	1,762
	22,432	8,542	20,285	28,220	42,717	36,762

Cost of inventories sold of discontinued operation includes staff costs, depreciation and operating lease charges of approximately HK\$10,830,000 (2010: HK\$12,875,000) which are included in the amounts disclosed separately above.

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	Continuing and discontinued operations		Continuing operations		Discontinued operation	
	2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)
Earnings						
Earnings for the purpose of calculating basic earnings per share	283,071	(148,983)	264,586	(69,994)	18,485	(78,989)
Finance costs saving on conversion of contingently issuable convertible loans outstanding	134	–	134	–	–	–
Earnings for the purpose of calculating diluted earnings per share	<u>283,205</u>	<u>(148,983)</u>	<u>264,720</u>	<u>(69,994)</u>	<u>18,485</u>	<u>(78,989)</u>
	2011 '000	2010 '000	2011 '000	2010 '000	2011 '000	2010 '000
Number of shares						
Issued ordinary shares at 1 January	2,640,889	2,076,898	2,640,889	2,076,898	2,640,889	2,076,898
Effect of placement of shares	508,562	270,052	508,562	270,052	508,562	270,052
Effect of exercise of share options	–	12,230	–	12,230	–	12,230
Effect of consideration shares issued	183,390	–	183,390	–	183,390	–
Effect of conversion of convertible loans	148,603	–	148,603	–	148,603	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	3,481,444	2,359,180	3,481,444	2,359,180	3,481,444	2,359,180
Effect of dilutive potential ordinary shares arising from share options outstanding	28,265	–	28,265	–	28,265	–
Effect of dilutive potential ordinary shares arising from contingently issuable convertible loans outstanding	1,165,610	–	1,165,610	–	1,165,610	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>4,675,319</u>	<u>2,359,180</u>	<u>4,675,319</u>	<u>2,359,180</u>	<u>4,675,319</u>	<u>2,359,180</u>

Basic earnings per share from the discontinued operation is HK 0.53 cents per share (2010: loss per share of HK 3.35 cents per share) and diluted earnings per share from the discontinued operation is HK 0.40 cents per share, based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK\$18,485,000 (2010: loss of approximately HK\$78,989,000) and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2010.

11. DIVIDEND

The Directors do not recommend the payment of any dividend (2010: nil) in respect of the year.

12. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 60 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 aging analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Up to 30 days	55,628	9,998
31 to 60 days	9,606	479
61 to 90 days	1,313	410
91 to 180 days	3,061	–
Over 181 days	1,196	–
	70,804	10,887

As at 31 December 2011, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$Nil (2010: HK\$325,000).

As of 31 December 2011, trade receivables of HK\$5,605,000 (2010: HK\$889,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2011	2010
	HK\$'000	HK\$'000
Up to 30 days	15	479
31 to 60 days	1,314	410
61 to 90 days	3,080	–
Over 91 days	1,196	–
	5,605	889

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2011	2010
	HK\$'000	HK\$'000
RMB	70,804	918
US\$	–	9,969
Total	70,804	10,887

13. TRADE PAYABLES

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

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	8,922	11,721
91 to 180 days	9,183	768
181 to 365 days	41	37
Over 12 months	–	54
	<u>18,146</u>	<u>12,580</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	–	1,574
RMB	18,146	10,825
US\$	–	181
	<u>18,146</u>	<u>12,580</u>

14 DISPOSAL OF SYSCAN HOLDINGS LIMITED

On 31 December 2011 the Group completed its disposal of SYSCAN group companies which represent SYSCAN Holdings Limited and all its subsidiaries and associates.

Net liabilities at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	1,938
Available-for-sale financial asset	11,683
Investment in associates	24,363
Inventories	7,977
Trade receivables	3,243
Prepayments, deposits and other receivables	54,445
Due from an associate	444
Bank and cash balances	4,275
Trade payables	(2,318)
Accruals and other payables	(141,377)
Amount due to the Company	(36,294)
	<hr/>
Net liabilities disposed of	(71,621)
Release of foreign currency translation reserve	(389)
Non-controlling interests	96
Disposal of sale loan	36,294
Gain on disposal of subsidiaries	41,320
	<hr/>
Total consideration – satisfied by cash	<u>5,700</u>

15. DISCONTINUED OPERATION

Pursuant to a sale and purchase agreement dated 21 October 2011 (as supplemented by a supplemental agreement dated 23 November 2011) entered into between the Company and New Smart Version Limited, the Group disposed 100% equity interest in a subsidiary, SYSCAN Holdings Limited and all its subsidiaries and associates (Note 14). The disposal was completed on 28 December 2011, and the Group has discontinued its manufacture and sale of optical image capturing devices, chips and other optoelectronic products in the PRC during the year.

The profit/(loss) for year from the discontinued operation is analysed as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss of discontinued operation	(26,394)	(80,029)
Gain on disposal of discontinued operation (note 14)	41,320	–
	<hr/>	<hr/>
	14,926	(80,029)

The results of the discontinued operation which has been included in the consolidated profit or loss, are as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Turnover	80,671	85,711
Cost of sales	<u>(74,616)</u>	<u>(71,164)</u>
Gross profit	6,055	14,547
Other income	3,436	11,674
Selling expenses	(7,248)	(8,866)
Administrative expenses	(15,805)	(14,264)
Research and development expenses	(9,732)	(11,327)
Other operating expenses	(856)	(10,925)
Equity-settled share-based payment	<u>–</u>	<u>(4,064)</u>
Loss from operations	(24,150)	(23,225)
Finance costs	(2,578)	(617)
Share of losses of associates	(438)	(5,495)
Impairment loss on other receivables	–	(34,135)
Gain on disposal of associates	–	1,414
Gain/(loss) on disposal of subsidiaries	772	(14,031)
Loss on deemed disposal of a subsidiary	<u>–</u>	<u>(3,939)</u>
Loss before tax	(26,394)	(80,028)
Income tax expense	<u>–</u>	<u>(1)</u>
Loss for the year	<u>(26,394)</u>	<u>(80,029)</u>

No tax charge or credit arose on gain on disposal of the discontinued operation.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2011, 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 Positions in Shares of the Company

Name of Director/chief executive officer	Capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. Guan Guisen (<i>Note</i>)	Interest in controlled corporation	698,750,000	17.62%

Note: These Shares were held by Mighty Advantage Enterprises Limited which is wholly and beneficially owned by Mr. Guan Guisen.

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

As at 31 December, 2011, 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 2011.

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2011 have been agreed by the Group's auditors, RSM Nelson Wheeler Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Nelson Wheeler Certified Public Accountants, 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 Nelson Wheeler Certified Public Accountants, on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group consists of the Company, Country Praise Enterprises Limited ("CPE") and its subsidiaries (collectively the "CPE Group"). The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the development and operation of electronic payment tool; (ii) the trading of computers and communication equipment; and (iii) the operations of prepaid card business, including the issuance of various prepaid cards, part of which have multiple functions, in the PRC.

The total turnover of the Group recorded HK\$343,766,000.

For continuing operations, it recorded a turnover of HK\$263,095,000 in 2011 (2010: Nil). The gross profit margin of the Group recorded 32.35%.

For discontinuing operation, it recorded a turnover of HK\$80,671,000 in 2011 representing a decrease of 5.88%. Its gross profit margin recorded 7.51%.

The Group recorded a profit attributable to shareholders for the year of approximately HK\$283,071,000, comparing to a loss attributable to shareholders of approximately HK\$148,983,000 in 2010. Of the HK\$283,071,000, HK\$230,986,000 was attributable to the gain on fair value change of contingent consideration payable as valued at year end. It should be noted that this valuation will vary from time to time depending on market conditions.

Research and Development

During the period of the twelve months ended 31 December 2011, research and development expenses of the Group decreased approximately 14.08% compared to the same period in last year. All research and development expenses were derived from the discontinued operation.

Sales and marketing

For the twelve months ended 31 December 2011, the Group adopted more-client-oriented promotional strategies to promote the products, resulting a 77.27% increase in sales and marketing expenses over the same period last year.

Significant Investment and Acquisition and Disposal

1. On 22 November 2010, the Company entered into the New Sale and Purchase Agreement with Mighty Advantage Enterprises Ltd. (“MAE”) and Country Praise Enterprises Ltd. (“CPE”) pursuant to which the Company agreed to acquire the entire equity interest in the CPE, at an initial consideration of HK\$150,000,000 (subject to adjustments), but in any event subject to a maximum consideration of HK\$850,000,000. The consideration shall be satisfied in a combination of cash, new shares of the Company and Convertible Bonds.

All the conditions precedent under the New Sale and Purchase Agreement have been fulfilled and completion took place on 28 February 2011 (the “Completion Date”).

2. On 21 January 2011, the Company entered into the Convertible Bonds Subscription Agreement with MAE, pursuant to which the Company will issue certain convertible bonds to MAE upon the satisfaction of certain conditions as adjustment to the consideration of the acquisition of the entire interest of the CPE Group.
3. On 19 August 2011, SYSCAN Holdings Limited (“SHL”), a then wholly-owned subsidiary of the Company, entered into the Agreement with New Smart Version Limited (“New Smart”), whereby, conditionally, SHL agreed to sell to New Smart the 44.99% equity interest in WHS at a consideration of HK\$38,000,000. The transaction was completed on 5 September 2011.
4. On 21 October 2011, the Company entered into a Sale and Purchase Agreement with New Smart Version Limited (“New Smart”), whereby, New Smart would purchase the entire issued share capital of SHL, at a total consideration of HK\$5,700,000. All conditions precedent under the Sale and Purchase Agreement were fulfilled and the transaction was completed on 28 December 2011.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2011, the Group has cash and cash equivalents of approximately HK\$157.74 million.

As at 31 December 2011, the Group has no bank borrowings.

CAPITAL COMMITMENTS AND PLEDGE OF ASSETS

As at 31 December 2011, the Group has no capital commitments or substantial pledges on its assets.

CONTINGENT LIABILITIES

As at 31 December 2011, save for the disclosure as made in note to the financial statement, the Group has no material unprovided contingent liabilities.

As at 31 December 2011, the total current assets over the total current liabilities was 2.02 times (2010: 0.78 times). The ratio of all debts to total assets was 0 (2010: 0.13). 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 2011, the Group had 7 trademarks registered in China and Hong Kong, of which 3 trademarks have been approved.

MAJOR EVENTS

The Group finished the procedure of the change of Company name and announced on the GEM website on 1 June 2011.

EMPLOYEES

As at 31 December 2011, the Group has approximately 241 employees. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include performance bonus.

LITIGATION

As at 31 December 2011, the Group has no outstanding litigation.

FUTURE PLANS AND PROSPECTS

Upon the completion of acquisition of the CPE and its subsidiaries on 28 February 2011, the Group becomes more concentrate on the more profitable stream of business as to the development and operation of electronic payment tools, include the distribution and acceptance of the prepaid card, make payment via internet and mobile phone network in the newly electronic payment process for provision of a safe and convenient payment platform for the community of the widely electronic business trading activities.

After the disposal of the loss making subsidiary SHL on 28 December 2011, the Company becomes a pure profitable entity.

Third party payment business is one of the most rapidly development of emerging industries in the recent years in the PRC. The management considers this is a very profitable business channel and provides tremendous opportunities available in the market of the foreseeable future. In the future, the Group will focus on the CPE Group and the principal business it currently engaged and develop the third party payment business to ensure considerable earning and prospects.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied with the code provisions of the Code on Corporate Governance Practices (“CG Code”) set out in Appendix 15 to the GEM Listing Rules, throughout the twelve months period ended 31 December 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Code of Ethics and Securities Transactions is adopted by the Company to regulate securities dealings by directors, senior management and certain employees of the Group, and to provide guidelines and procedures on conflict of interests of Directors.

The first part of this Code of Ethics and Securities Transactions is based on the GEM listing rules 5.48 to 5.67 (the “required standard”) against which Directors must measure their conduct regarding transactions in securities of their listed issuers, and the Securities Future Ordinance (“SFO”).

The second part of this Code of Ethics and Securities Transactions establishes guidelines and procedures regarding conflict of interests of Directors in order to protect the best interests of the Company.

During the year ended 31 December 2011, all Directors have complied with the Code of Ethics and Securities Transaction.

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 working days' notice. 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 Rules 5.28 to 5.34 of the GEM Listing Rules throughout year ended 31 December 2011.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors and one non-executive Director all of whom possess the appropriate business and financial experience and skills to understand financial statements. The Committee is chaired by Dr. Fong Chi Wah, and the other Audit Committee members are Mr. Li Yuezong, 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 has reviewed the annual report for the year ended 31 December 2011 and concludes the meeting with agreement to the contents of the annual report. The Audit Committee members held four meetings in 2011 and one meeting to date in 2012.

AUDITORS

A resolution to re-appoint RSM Nelson Wheeler Certified Public Accountants as auditors of the Company will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 28 March 2012

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Guan Guisen and Dr. Lei Chunxiong; one non-executive Director, namely Mr. Li Yuezhong 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 no 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.