



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)

Stock code: 8083

2011 Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of China Innovationpay Group Limited 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 China Innovationpay Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



China Innovationpay Group Limited

中國創新支付集團有限公司

(Formerly known as SYSCAN Technology Holdings Limited)
(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$99.46 million for the six months ended 30 June 2011, representing an increase of 152.83% compared with the same period in 2010. The increase was mainly due to the completion of acquisition of prepaid card businesses on 28 February 2011, which started operating in this period.

The Group's operating loss for the six months period was approximately HK\$22.5 million, as against a loss of HK\$33.7 million for same period in last year. The decrease in operating losses was mainly due to decrease in research and development expenses as well as general and administrative expenses in 2011. The Group continued its effort in cost and expenses control resulting in the decrease in total cost and hence achieving better operating results.

For the three months ended 30 June 2011, the Group made sales of HK\$72.28 million, representing an increase of 227.03% over the same period in last year. Gross profit margin decrease from 20.46% in last year to 8.10% in current year due to highly competitive market condition and exchange rate fluctuation. As at 30 June 2011, the Group had a total of HK\$163.28 million cash on hand. The current ratio was at 0.87 times.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2011.

FINANCIAL RESULTS

The board of directors (the "Board") of China Innovationpay Group Limited (formerly known as SYSCAN Technology Holdings Limited) (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and the six months ended 30 June 2011 together with the comparative unaudited figures for the corresponding periods in 2010 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended June 30		Six months ended June 30	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	2, 11	72,281	22,102	99,458	39,338
Cost of sales		(66,425)	(17,581)	(90,434)	(31,992)
Gross profit		5,856	4,521	9,024	7,346
Selling and marketing expenses		(1,007)	(1,478)	(3,013)	(2,647)
General and administrative expenses		(18,022)	(28,980)	(26,839)	(33,942)
Research and development expenses		(3,905)	(3,533)	(5,616)	(6,198)
		(22,934)	(33,991)	(35,468)	(42,787)
Profit/(Loss) from operations		(17,078)	(29,470)	(26,444)	(35,441)
Other revenue	3	5,448	115	6,122	144
Gain/(Loss) on disposal of an associate		-	1,414	-	1,414
Share of loss of an associate		1,424	-	1,227	-
Provision for obsolescence		(4,377)	-	(4,377)	-
Provision for bad debts		(907)	-	(907)	-
Impairment loss on construction in progress		(4,216)	-	(4,216)	-
Finance cost		(2,256)	-	(2,587)	-
Profit/(Loss) before taxation	4	(21,962)	(27,941)	(31,182)	(33,883)
Taxation	5	(779)	(1)	(779)	(1)
Profit/(Loss) after taxation		(22,741)	(27,942)	(31,961)	(33,884)
Minority interests		10,639	(403)	9,702	(403)
Profit/(Loss) attributable to shareholders		(12,102)	(28,345)	(22,259)	(34,287)
Earnings/(Loss) per share					
- basic	6	HK(0.72) cents	HK(1.24) cents	HK(1.01) cents	HK(1.53) cents
- diluted		N/A	HK(1.17) cents	N/A	HK(1.45) cents
Dividend	12	Nil	Nil	Nil	Nil

	Notes	Three months ended June 30		Six months ended June 30	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss for the period		(22,741)	(27,942)	(31,961)	(33,884)
Exchange difference on translation of foreign operations		(236)	486	(236)	615
Other comprehensive income for the period, net of tax		(236)	486	(236)	615
Total comprehensive income for the period, net of tax		(22,977)	(27,456)	(32,197)	(33,269)
Attributable to:					
Owners of the Company		(22,977)	(27,456)	(32,197)	(33,269)
Minority Interest		10,639	(403)	9,702	(403)
		(12,338)	(27,859)	(22,495)	(33,672)

Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2010 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2010 (Unaudited) HK\$'000
Share capital	20,769	4,144	24,913
Share premium	9,034	63,617	72,651
Capital reserve	191,973	–	191,973
Statutory reserve fund	439	–	439
Cumulative translation Adjustments	2,246	(2,011)	235
Share Option reserve	6,952	–	6,952
Accumulated deficit	(149,263)	(33,672)	(182,935)
	82,150	32,078	114,228

	As at 1 January 2011 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2011 (Unaudited) HK\$'000
Share capital	26,409	8,437	34,846
Share premium	90,647	260,309	350,956
Capital reserve	192,665	–	192,665
Merger reserve	–	5,610	5,610
Share Option reserve	3,158	–	3,158
Statutory reserve fund	439	–	439
Cumulative translation Adjustments	4,677	6,402	11,079
Accumulated deficit	(267,158)	(22,495)	(289,653)
	50,837	258,263	309,100

Condensed Consolidated Financial Position

	Notes	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		32,286	10,384
Prepaid and land lease payment		45,021	45,631
Construction in progress		88,039	57,160
Interests in associates		25,782	24,555
Interest in jointly control entity		2,875	–
Goodwill	7	1,076,105	–
Total non-current assets		1,272,108	137,730
CURRENT ASSETS			
Inventories		29,790	24,083
Trade receivables	8	64,173	10,887
Prepayments, deposits and other receivables		82,693	13,855
Pledge bank deposits		24,074	27,066
Due from an associate		434	599
Cash and cash equivalents		163,280	82,030
Total current assets		364,444	158,520
CURRENT LIABILITIES			
Trade payables	9	36,398	12,580
Other payables and accruals		171,724	113,718
Due to non-controlling shareholder of a subsidiary		57,080	37,659
Other taxes payable		20	–
Borrowings		59,907	38,444
Received in advance		92,342	–
Total current liabilities		417,471	202,401

	<i>Notes</i>	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
NET CURRENT ASSETS/(LIABILITIES)		(53,027)	(43,881)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,219,081	93,849
NON-CURRENT LIABILITIES			
Other payable	7	875,000	–
NET ASSETS		344,081	93,849
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	34,846	26,409
Reserves		274,254	24,428
		309,100	50,837
Minority interests		34,981	43,012
Total equity		344,081	93,849

Condensed Consolidated Cash Flow Statement

	For the six months ended June 30	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(145,638)	71,164
Net cash inflow/(outflow) from investing activities	–	–
Net cash inflow/(outflow) before financing activities	(145,638)	71,164
Net cash inflow/(outflow) from financing activities	200,000	–
Increase/(decrease) in cash and bank balances	54,362	71,164
Cash and bank balances, beginning of the six-month period	108,918	37,754
Cash and bank balances, end of the six-month period	163,280	108,918

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 six-month period ended 30 June 2011 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2010.

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 comprises the net invoiced value of merchandise sold after allowances for returns and discounts and exclusion of value-added tax.

3. Other revenue

	For the three months ended June 30		For the six months ended June 30	
	2011 (Unaudited) HK\$’000	2010 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000	2010 (Unaudited) HK\$’000
Other income	4,820	–	5,494	–
Sundries	–	115	–	144
	4,820	115	5,494	144

4. Profit/(Loss) before taxation

Profit/(Loss) before taxation was determined after charging (crediting):

	For the three months ended June 30		For the six months ended June 30	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest income	(49)	–	(628)	–
Interest expense	262	–	556	–
Depreciation	428	389	925	720
Amortisation	6,187	–	6,770	–

5. 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 six-month period ended 30 June 2011 (2010: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$779,000 during the three-month period and the six-month period ended 30 June 2011 (2010: Nil).

There was no significant unprovided deferred taxation for the three-month period and the six-month period ended 30 June 2011 (2010: Nil).

6. Earnings/(Loss) per share

The calculation of the basic loss per share for the three-month period and the six-month period ended 30 June 2011 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$22,977,000 (2010: Loss of HK\$27,859,000) for the three-month period ended 30 June 2011 and the unaudited loss attributable to shareholders of approximately HK\$32,197,000 (2010: Loss of HK\$33,627,000) for the six-month period ended 30 June 2011 and on the weighted average number of approximately 3,178,527,578 shares (2010: 2,077,327,309 shares) in issue during the three-month period ended 30 June 2011 and approximately 3,484,639,457 shares (2010: 2,491,261,040 shares) in issue during the six-month period ended 30 June 2011.

7. Goodwill

The Company and Mighty Advance Enterprises Ltd entered into the CB Subscription Agreement, pursuant to which, the Company will issue the zero coupon redeemable and convertible bonds in a maximum aggregate principal amount of HK\$700,000,000 to Mighty Advance Enterprises Ltd to satisfy in part the consideration following the Adjusted Consideration Scenarios, as such, the Convertible Bonds will be issued in various tranches and the issue of each tranche is subject to the satisfaction by the Target Group of each of the Adjusted Consideration Scenarios set out in the circular dated 24 January 2011 of the Company. Failure by the Target Group to achieve the targets set out in all of the Adjusted Consideration Scenarios set out in the circular dated 24 January 2011 of the Company will result in Mighty Advance Enterprises Ltd not being entitled to any Convertible Bond.

The Convertible Bonds will be matured on 31 December 2015 and can be converted at any time before maturity at an initial conversion price of HK\$0.32 per share. The fair value of the total contingent consideration of approximately HK\$875,000,000, which is valued at the closing price of completion date, has been included in goodwill in accordance with HKFRS 3 issued by HKICPA.

Fair values of the liability component and the equity component of various tranche Convertible Bonds shall be assessed on the date of issue and the subsequent change in fair value of the contingent consideration will be recognised in profit or loss.

8. Trade receivables

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Trade receivables	64,173	10,887

The Group normally grants to its customers credit periods ranging from one to three months.

Aging analysis of trade receivables is as follows:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Current to 60 days	63,526	10,477
61 to 90 days	114	410
Over 90 days	533	–
	64,173	10,887

9. Trade payables

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Trade creditors	36,398	12,580

Aging analysis of trade payables is as follows:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Current to 90 days	32,721	11,721
91 to 180 days	2,183	768
181 to 365 days	949	37
over 12 months	545	54
	36,398	12,580

10. Share Capital

- (1) On 22 November 2010 (after trading hours), the Company entered into the new Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to 625,000,000 Placing Shares at a price of HK\$0.32 per Placing Share on a best effort basis.

The placing was completed on 9 March 2011 in accordance with the terms and conditions of the new placing agreement. An aggregate of 625,000,000 placing shares have been successfully placed by the Placing Agent to 4 investors who are and whose ultimate beneficial owners are third parties independent of, not connected with and not acting in concert with any connected person of the Company. None of the placees has become a substantial shareholder (as defined in the GEM Listing Rules) as a result of the placing. An aggregate of 625,000,000 placing shares represents approximately 17.93% of the issued share capital of 3,484,639,457 shares as at the date of completion of the placing. An amount of approximately HK\$18,750,000, being expenses directly attributable to the said placing exercise, was capitalised and debited to the share premium account.

- (2) 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 parties 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, the Shares and Convertible Bonds.

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

The Company has paid cash consideration of HK\$80,000,000 and issued 218,750,000 consideration shares to the Vendor in accordance with the terms of the New Sale and Purchase Agreement on the completion date. The 218,750,000 consideration shares, representing approximately 7.65% of the issued share capital of the Company at 28 February 2011, rank *pari passu* in all aspects amongst themselves and with the shares in issue on the date of the issue and allotment of the consideration shares.

As at 30 June 2011, the number of issued shares of the Company was 3,484,639,457 shares.

11. Turnover and segment information

The Group's turnover and contribution to profit before taxation for the six-month period from 1 January to 30 June 2011, analyzed by principal activity and geographical location, are as follows:

a.

	Turnover		Contribution to loss before taxation	
	2011 From 1 January to 30 June (unaudited) HK\$'000	2010 From 1 January to 30 June (unaudited) HK\$'000	2011 From 1 January to 30 June (unaudited) HK\$'000	2010 From 1 January to 30 June (unaudited) HK\$'000
By principal activity:				
– optical image capturing devices unit	40,241	30,403	1,782	5,710
– modules unit	2,704	4,535	120	821
– chips and other optoelectronic products unit	3,769	4,400	167	815
– trading of computers and communication equipment	42,126	–	5,555	–
– prepaid card businesses	10,135	–	1,336	–
– others	483	–	64	–
	99,458	39,338	9,024	7,346
Other revenue			6,122	144
Gain/(Loss) on disposal of an associate			–	1,414
Selling and marketing expenses			(3,013)	(2,647)
General and administrative expenses			(26,839)	(33,942)
Research and development expenses			(5,616)	(6,198)
Provision for obsolescence			(4,377)	–
Provision for bad debts			(907)	–
Impairment loss on construction in progress			(4,216)	–
Finance cost			(2,587)	–
Share of loss of associates			1,227	–
Exchange difference on translation of foreign operations			(236)	615
Taxation			(779)	(1)
Non controlling interests			9,702	(403)
			(22,495)	(33,672)

b.

	Turnover		Contribution to loss before taxation	
	2011 From 1 January to 30 June (unaudited) HK\$'000	2010 From 1 January to 30 June (unaudited) HK\$'000	2011 From 1 January to 30 June (unaudited) HK\$'000	2010 From 1 January to 30 June (unaudited) HK\$'000
By geographical location:				
– Hong Kong	5,646	5,702	250	1,064
– Mainland China	62,403	4,400	7,383	810
– The United States of America	30,025	27,262	1,329	5,087
– Asia Pacific	1,384	1,974	62	385
	99,458	39,338	9,024	7,346
Other revenue			6,122	144
Gain/(Loss) on disposal of an associate			–	1,414
Selling and marketing expenses			(3,013)	(2,647)
General and administrative expenses			(26,839)	(33,942)
Research and development expenses			(5,616)	(6,198)
Share of loss of associates			1,227	–
Provision for obsolescence			(4,377)	–
Provision for bad debts			(907)	–
Impairment loss on construction in progress			(4,216)	–
Finance cost			(2,587)	–
Exchange difference on translation of foreign operations			(236)	615
Taxation			(779)	(1)
Non controlling interests			9,702	(403)
			(22,495)	(33,672)

12. Interim dividend

The Board does not recommend the payment of an interim dividend for the three-month period and the six-month period ended 30 June 2011 (2010: Nil).

13. Event after balance sheet date

On 22 July 2011, the Company issued Convertible Bonds in an aggregate principal amount of HK\$76,800,000 to the Mighty Advance Enterprises Ltd upon fulfilment of the requirements of "Adjusted Consideration Scenario 1" under The New Sale and Purchase Agreement. (See Page 10 of the circular dated 24 January 2011.) Mighty Advance Enterprises Ltd converted the Bonds into 240,000,000 shares of the Company on 26 July 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group recorded a turnover of approximately HK\$99.46 million for the six months ended 30 June 2011, representing an increase of 152.83% compared with the same period in 2010. The increase was mainly due to the completion of acquisition of prepaid card businesses on 28 February 2011, which started operating in this period.

The Group's operating loss for the six months period was approximately HK\$22.5 million, as against a loss of HK\$33.7 million for same period in last year. The decrease in operating losses was mainly due to decrease in research and development expenses as well as general and administrative expenses in 2011. The Group continued its effort in cost and expenses control resulting in the decrease in total cost and hence achieving better operating results.

For the three months ended 30 June 2011, the Group made sales of HK\$72.28 million, representing an increase of 227.03% over the same period in last year. Gross profit margin decrease from 20.46% in last year to 8.10% in current year due to highly competitive market condition and exchange rate fluctuation. As at 30 June 2011, the Group had a total of HK\$163.28 million cash on hand. The current ratio was at 0.87 times.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2011.

Research and development

For the six-month period ended 30 June 2011, the research and development expenses of the Group had been decreased by 9.41% as compared to the corresponding period last year. The Group is devoted to perfect the existing products. Also the Group is developing more multi-usages of payment systems including the prepaid cards.

Production

The directors believe that the current production capacity can fulfill the production needs.

The Group continued selling optical image capturing devices units, modules units and chips and other optoelectronic products units.

Because of the completion of acquisition the business of Country Praise Enterprises Limited and its subsidiaries, the Group also sells the prepaid cards and computers and communication equipment products at the same time.

For the six-month period ended 30 June 2011, the Group adopted more-client-oriented promotional strategies to promote the products, resulting 13.84% increase in sales and marketing expenses over the same period last year.

Significant Investment and Acquisition

- (1) On 22 November 2010 (after trading hours), the Company entered into the new Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to 625,000,000 Placing Shares at a price of HK\$0.32 per Placing Share on a best effort basis.

The placing was completed on 9 March 2011 in accordance with the terms and conditions of the new placing agreement. An aggregate of 625,000,000 placing shares have been successfully placed by the Placing Agent to 4 investors who are and whose ultimate beneficial owners are third parties independent of, not connected with and not acting in concert with any connected person of the Company. None of the placees has become a substantial shareholder (as defined in the GEM Listing Rules) as a result of the placing. An aggregate of 625,000,000 placing shares represents approximately 17.93% of the issued share capital of 3,484,639,457 shares as at the date of completion of the placing. An amount of approximately HK\$18,750,000, being expenses directly attributable to the said placing exercise, was capitalised and debited to the share premium account.

- (2) 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 parties 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, the Shares and Convertible Bonds.

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

The Company has paid cash consideration of HK\$80,000,000 and issued 218,750,000 consideration shares to the Vendor in accordance with the terms of the New Sale and Purchase Agreement on the completion date. The 218,750,000 consideration shares, representing approximately 7.65% of the issued share capital of the Company at 28 February 2011, rank pari passu in all aspects amongst themselves and with the shares in issue on the date of the issue and allotment of the consideration shares.

- (3) On 21 January 2011, the Company entered into the Convertible Bonds Subscription Agreement with the Mighty Advantage Enterprises Limited (the “Vendor”, the ultimate holding company of the Target Group) pursuant to which the Company will issue certain convertible bonds to the Vendor upon the satisfaction of certain conditions as adjustment to the consideration of the acquisition of the entire interest of the Target Group.

Financial Resources and Liquidity

As at 30 June 2011, the Group has a cash balance of approximately HK\$163.28 million.

As at 30 June 2011, the total current assets over the total current liabilities is 0.87 times. The ratio of all liabilities to total assets is about 78.98%.

Save as disclosed above, the Directors are not aware of any other contingent liability.

Intellectual Property

As at 30 June 2011, the Group had 61 trademarks registered in different countries and regions, of which 27 trademarks have been approved. At the same time, the Group had been granted 70 patents and have 102 patents filed in different countries and regions.

Treasury Policy

Cash and bank deposits of the Group are either in HK dollars, Renminbi or US dollars. The Group conducts its core business transaction mainly in RMB and HK dollars, such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Contingent Liabilities

The Group and the Company had no material contingent liabilities as at 30 June 2011.

Major Events

Following the completion of acquisition the business of Country Praise Enterprises Limited and its subsidiaries, the Company finished the procedure of the change of Company name and announced on the GEM website on 1 June 2011.

Employees

As at 30 June 2011, the Group has approximately 613 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 share options and performance bonus.

Future Plans and Prospects

The Group is cautious towards its future business plan and will concentrate on the profitable businesses in order to establishing a stable revenue stream and making the Group result to be profitable.

The Group will simplify its corporate structure and laid off excess staffs in order to maintain stringent cost control.

The Group will also carefully assess and differentiate the performances of its various business lines. For those loss making or less profit making lines, the Group will review the situations and come up with appropriate remedial actions so as to strike for the most benefits to the shareholders.

Upon the completion of the acquisition of Country Praise Enterprises Limited and its subsidiaries, the Company is principally engaged in 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. 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.

DIRECTORS' INTEREST IN SHARES

As at 30 June 2011, 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 Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") are as follows:

Long Positions in shares of the Company

Name	Number of ordinary shares held				Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Mr Guan Gui Sen (Note1)	-	-	458,750,000	-	458,750,000	12.32%
Mr Cheung Wai (Note2)	262,676,045	-	-	-	262,676,045	7.05%

Note 1: 458,750,000 shares is held by Mighty Advantage Enterprises Limited which is incorporated in the British Virgin Islands and is beneficially owned by Mr Guan Gui Sen.

Note 2: Mr Cheung Wai retired as an executive Director of the Company on 28 April 2011.

Long positions in underlying shares of the Company

On 2 March 2000, the Company adopted Share Option Scheme A and Scheme B under which share options to subscribe for shares of the Company may be granted under the terms and conditions stipulated in Scheme A and Scheme B.

Share Option Scheme A ceased to be effective (save for the options granted) upon the listing of the Company on 14 April 2000. At the annual general meeting of the Company held on 26 April 2002, shareholders of the Company approved the adoption of a new Share Option Scheme C and the termination of Share Option Scheme B.

As at the date of 30 June 2011, no options have been granted to the Directors of the Company under Share Option Schemes.

Save as disclosed above, as at 30 June 2011, none of the directors had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2011, 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

Name	Number of ordinary shares held				Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Mr Guan Gui Sen (Note1)	-	-	458,750,000	-	458,750,000	12.32%
Mr Cheung Wai (Note2)	262,676,045	-	-	-	262,676,045	7.05%

Note 1: 458,750,000 shares is held by Mighty Advantage Enterprises Limited which is incorporated in the British Virgin Islands and is beneficially owned by Mr. Guan Gui Sen.

Note 2: Mr Cheung Wai retired as an executive Director of the Company on 28 April 2011.

Details of the interests of Mr Guan Gui Sen is duplicated in the section "Directors' Interest in Shares" disclosed above.

EMPLOYEE SHARE OPTIONS

The Company has three employee share option schemes, namely Share Option Scheme A, Share Option Scheme B and Share Option Scheme C (collectively “the Schemes”).

Share Option Scheme A

As at 30 June 2011, no any employees, directors and consultants have Share Option Scheme A.

Share Option Scheme B

As at 30 June 2011, no any employees, directors and consultants have Share Option Scheme B.

Share Option Scheme C

Date of grant	Exercise period	Subscription price per share	At 1 January 2011	Cancelled/			At 30 June 2011
				Granted during the period	lapsed during the period	Exercised during the period	
14 May 2002	14 May 2003 to 13 May 2012	HK\$0.1883	750,000	-	-	-	750,000
13 August 2008	13 August 2009 to 12 August 2018	HK\$0.06	1,714,583	-	-	-	1,714,583
10 November 2009	10 November 2010 to 9 November 2019	HK\$0.1026	38,750,000	-	-	-	38,750,000
Total share options			41,214,583	-	-	-	41,214,583

The Directors consider it inappropriate to value all the options that can be granted during the six-month period ended 30 June 2011 under all the schemes of the Company on the assumption that a number of factors crucial for the valuation cannot be determined. Such factors include the exercise period, the date of exercise and the conditions, such as performance targets, if any, that an option is subject to. Accordingly, any valuation of the options based on various speculative assumptions would be meaningless and misleading to the shareholders.

Save as disclosed above, during the six-month period ended 30 June 2011, none of the Directors, employees and eligible optionees of the Company or its subsidiaries were granted share options to subscribe for shares in the Company.

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2011, 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 six-month period ended 30 June 2011, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the six-month period ended 30 June 2011 the board practices and procedures as set out in Rule 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. The Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the six months ended 30 June 2011 except for the deviation from code provision A.2.1 regarding the separate roles of chairman and chief executive officer of the Company after chief executive officer resignation on 29 July 2011. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in compliance with the GEM Listing Rules. The Committee comprises one non-executive Director, namely Mr Li Yuezhong and three independent non-executive Directors, namely Dr Fong Chi Wah, Mr Wong 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 six-month period ended 30 June 2011 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 six-month period ended 30 June 2011 and the draft of this report, and has provided advice and comments thereon.

By Order of the Board
China Innovationpay Group Limited
(Formerly known as
SYSCAN Technology Holdings Limited)
Guan Gui Sen
Chairman

Hong Kong, 12 August 2011

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

Executive Directors

Mr Guan Gui Sen
Dr Lei Chun Xiong

Non-executive Director

Mr Li Yuezhong

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 for at least 7 days from the day of its posting and on the website of the Company at www.innovationpay.com.hk.