



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

Stock code : 8083



2013  
INTERIM REPORT



## CHARACTERISTICS OF GEM

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*This report, for which the directors (the "Directors") of China Innovationpay Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



# China Innovationpay Group Limited

## 中國創新支付集團有限公司

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8083)

### HIGHLIGHTS

The Group recorded a turnover of approximately HK\$81,059,000 for the six months ended 30 June 2013, representing a decrease of 10.9% compared with the same period in 2012. The gross profit ratio for current period improved due to better cost of control in cost of sales.

The Group's operating profit for the six months period was approximately HK\$8,432,000, whereas a profit of HK\$12,607,000 for same period in last year. The decrease in operating profit was mainly due to higher cost in selling and marketing expenses.

For the three months ended 30 June 2013, the Group made sales of HK\$46,419,000, representing an increase of 0.6% over the same period in last year. Gross profit margin increased from 33.4% in last year to 41% in current year due to better control in cost of sales. As at 30 June 2013, the Group had a total of HK\$76,266,000 cash on hand. The current ratio was at 2.55 times.

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

## FINANCIAL RESULTS

The board of directors (the “Board”) of China Innovationpay Group Limited (“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 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

### Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended June 30		Six months ended June 30	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	2, 14	46,419	46,119	81,059	90,986
Cost of sales		(27,191)	(30,724)	(47,133)	(57,395)
Gross profit		19,228	15,395	33,926	33,591
Selling and marketing expenses		(4,901)	(2,501)	(8,491)	(4,063)
General and administrative expenses		(8,247)	(8,119)	(17,003)	(16,921)
		(13,148)	(10,620)	(25,494)	(20,984)
Profit/(Loss) from operations		6,080	4,775	8,432	12,607
Other revenue	3	678	299	1,290	400
Share of loss of an associate		–	(225)	(60)	(418)
Finance cost		(3)	(7)	(25)	(45)
Profit/(Loss) before taxation	4	6,755	4,842	9,637	12,544
Taxation	5	(2,225)	(3,623)	(2,876)	(5,760)
Profit/(Loss) for the period		4,530	1,219	6,761	6,784
Minority interests		(968)	106	(791)	92
Profit/(Loss) attributable to shareholders		3,562	1,325	5,970	6,876
Earnings/(Loss) per share					
– basic	6	HK0.09 cents	HK0.02 cents	HK0.14 cents	HK0.16 cents
– diluted		HK0.09 cents	HK0.02 cents	HK0.14 cents	HK0.16 cents
Dividend	15	Nil	Nil	Nil	Nil

	Three months ended June 30		Six months ended June 30	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Notes				
Profit/(Loss) for the period	<b>4,530</b>	1,219	<b>6,761</b>	6,784
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period, net of tax	<b>4,530</b>	1,219	<b>6,761</b>	6,784
Attributable to:				
Owners of the Company	<b>4,530</b>	1,219	<b>6,761</b>	6,784
Minority Interest	<b>(968)</b>	106	<b>(791)</b>	92
	<b>3,562</b>	1,325	<b>5,970</b>	6,876

## Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2012 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2012 (Unaudited) HK\$'000
Share capital	39,646	5,350	44,996
Share premium	493,744	139,862	633,606
Capital reserve	(2,850)	–	(2,850)
Statutory reserve	4,240	–	4,240
Exchange reserve	47,730	21	47,751
Share Option reserve	3,158	(3,158)	–
Convertible loans equity reserve	–	161,308	161,308
Retained profits	204,777	6,876	211,653
	790,445	310,259	1,100,704

	As at 1 January 2013 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2013 (Unaudited) HK\$'000
Share capital	47,071	–	47,071
Share premium	640,060	–	640,060
Capital reserve	(2,850)	–	(2,850)
Statutory reserve	8,122	–	8,122
Exchange reserve	58,367	(7,967)	50,400
Share Option reserve	6,022	–	6,022
Convertible loans equity reserve	11,711	–	11,711
Warrant reserve	523	–	523
Retained profits	292,636	5,970	298,606
	1,061,662	(1,997)	1,059,665

## Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>8,474</b>	5,660
Long term deposit		<b>27,421</b>	27,421
Due from an associate		–	4,106
Intangible assets		<b>10,439</b>	8,639
Deferred tax asset		<b>1,866</b>	1,866
Goodwill	7	<b>940,671</b>	940,671
Total non-current assets		<b>988,871</b>	988,363
<b>CURRENT ASSETS</b>			
Inventories		<b>24,681</b>	2,109
Trade receivables	8	<b>59,960</b>	60,879
Prepayments, deposits and other receivables		<b>75,845</b>	55,205
Cash and cash equivalents		<b>76,266</b>	143,425
Tax recoverable		<b>1,869</b>	1,869
Total current assets		<b>238,621</b>	263,487
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>8,701</b>	10,749
Other payables and accruals		<b>20,723</b>	26,404
Current tax liabilities		<b>2,050</b>	5,057
Due to directors		<b>9,050</b>	5,000
Settlement obligations	10	<b>53,022</b>	69,481
Total current liabilities		<b>93,546</b>	116,691

	<i>Notes</i>	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	<b>As at 31 December 2012 (Audited) HK\$'000</b>
<b>NET CURRENT ASSETS</b>		<b>145,075</b>	146,796
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,133,946</b>	1,135,159
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	7	<b>73,409</b>	73,409
		<b>73,409</b>	73,409
<b>NET ASSETS</b>		<b>1,060,537</b>	1,061,750
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	11	<b>47,071</b>	47,071
Reserves		<b>1,012,594</b>	1,014,591
		<b>1,059,665</b>	1,061,662
Minority interests		<b>872</b>	88
Total equity		<b>1,060,537</b>	1,061,750



## Condensed Consolidated Cash Flow Statement

For the six months  
ended June 30

	<b>2013</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2012 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	<b>(19,422)</b>	(77,909)
Net cash inflow/(outflow) from investing activities	<b>(3,483)</b>	–
Net cash inflow/(outflow) before financing activities	<b>(22,905)</b>	(77,909)
Net cash inflow/(outflow) from financing activities	<b>4,050</b>	9,750
Increase/(decrease) in cash and bank balances	<b>(18,855)</b>	(68,159)
Cash and bank balances, beginning of the six-month period	<b>95,121</b>	163,280
Cash and bank balances, end of the six-month period	<b>76,266</b>	95,121

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

The Group's unaudited consolidated quarterly results has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

Significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

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

	<b>For the six months ended June 30</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
– Prepaid card business	<b>29,301</b>	25,930
– General trading	<b>49,879</b>	64,793
– Others	<b>1,879</b>	263
	<b>81,059</b>	90,986

### 3. Other revenue

	For the three months ended June 30		For the six months ended June 30	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Other income	94	299	687	400
Sundries	-	-	-	-
	<b>94</b>	299	<b>687</b>	400

### 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest income	603	349	603	349
Interest expense	3	7	25	45
Depreciation	-	-	-	-
Amortisation	-	-	-	-

### 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 2013 (2012: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$2,225,000 and HK\$2,876,000 during the three-month period and the six-month period ended 30 June 2013 respectively (2012: HK\$3,623,000 and HK\$5,760,000).

There were no deferred tax liabilities for the three-month period and the six-month period ended 30 June 2013 respectively (2012: HK\$1,253,000).

## 6. Earnings per share

The calculation of the basic earning per share for the three-month period and the six-month period ended 30 June 2013 respectively were based on the unaudited profit attributable to shareholders of approximately HK\$4,530,000 (2012: Profit of HK\$1,219,000) for the three-month period ended 30 June 2013 and the unaudited profit attributable to shareholders of approximately HK\$6,761,000 (2012: Profit of HK\$6,784,000) for the six-month period ended 30 June 2013 and on the weighted average number of approximately 4,664,901,896 shares (2012: 4,161,370,226 shares) in issue during the three-month period ended 30 June 2013 and approximately 4,707,139,457 shares (2012: 4,498,639,457 shares) in issue during the six-month period ended 30 June 2013.

## 7. Goodwill

On 21 January 2011, the Company and Mighty Advantage 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 Advantage 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 Advantage 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.

As at the date of 30 June 2013, the Company issued the zero coupon redeemable and convertible bonds in an aggregate principal amount of HK\$500,000,000 to Mighty Advantage Enterprises Ltd and HK\$380,000,000 bonds had been already converted to 1,187,500,000 shares of the Company.

As at the report date, Mighty Advantage Enterprises Ltd holds the zero coupon redeemable and convertible bonds in an aggregate principal amount of HK\$120,000,000 to be converted to 375,000,000 shares of the Company.

## 8. Trade receivables

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	<b>As at 31 December 2012 (Audited) HK\$'000</b>
Trade receivables	<b>59,960</b>	60,879

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

Aging analysis of trade receivables is as follows:

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	<b>As at 31 December 2012 (Audited) HK\$'000</b>
Up to 30 days	<b>36,197</b>	33,199
31 to 60 days	<b>2,927</b>	10,446
61 to 90 days	<b>2,251</b>	4,137
91 to 180 days	<b>18,585</b>	12,876
Over 181 days	<b>–</b>	221
	<b>59,960</b>	60,879

## 9. Trade payables

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	<b>As at 31 December 2012 (Audited) HK\$'000</b>
Trade creditors	<b>8,701</b>	10,749

Aging analysis of trade payables is as follows:

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Current to 90 days	<b>2,733</b>	7,853
91 to 180 days	<b>5,948</b>	2,870
181 to 365 days	<b>20</b>	26
	<b>8,701</b>	10,749

#### 10. Settlement obligation

The settlement obligations are recognised upon sales of prepaid cards and receipt of respective funds. The amount represents unused fund balances of the prepaid cards that the Group obligates to remit funds to the contracted merchants when cardholders make purchase transactions using the prepaid cards, the settlement basis is normally the next business day of the transaction date, except for certain merchants where settlement term is negotiated on an individual basis.

#### 11. Share Capital

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

#### 12. Convertible bonds

As at 30 June 2013, there were outstanding zero coupon redeemable and convertible bonds in an aggregate principal amount of HK\$120,000,000 convertible to 375,000,000 ordinary shares of par value HK\$0.01 each.

#### 13. Warrants

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

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

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

#### 14. 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 2013, analyzed by principal activity and geographical location, are as follows:

a.

	Turnover		Contribution to profit/(loss) after taxation	
	2013 From 1 January to 30 June (unaudited) HK\$'000	2012 From 1 January to 30 June (unaudited) HK\$'000	2013 From 1 January to 30 June (unaudited) HK\$'000	2012 From 1 January to 30 June (unaudited) HK\$'000
By principal activity:				
– general trading	49,879	64,793	18,320	17,590
– prepaid cards	14,549	17,902	8,821	7,734
– gift cards	14,752	8,028	6,616	8,004
– others	1,879	263	169	263
	<b>81,059</b>	90,986	<b>33,926</b>	33,591
Other revenue			1,290	400
Selling and marketing expenses			(8,491)	(4,063)
General and administrative expenses			(17,003)	(16,921)
Finance cost			(25)	(45)
Share of loss of associates			(60)	(418)
Exchange difference on translation of foreign operations			–	–
Taxation			(2,876)	(5,760)
Non controlling interests			(791)	92
			<b>5,970</b>	6,876

b.

	Turnover		Contribution to profit/(loss) after taxation	
	2013 From 1 January to 30 June (unaudited) HK\$'000	2012 From 1 January to 30 June (unaudited) HK\$'000	2013 From 1 January to 30 June (unaudited) HK\$'000	2012 From 1 January to 30 June (unaudited) HK\$'000
By geographical location:				
– Hong Kong	–	–	–	–
– Mainland China	81,059	90,986	33,926	33,591
	<b>81,059</b>	90,986	<b>33,926</b>	33,591
Other revenue			1,290	400
Selling and marketing expenses			(8,491)	(4,063)
General and administrative expenses			(17,003)	(16,921)
Share of loss of associates			(60)	(418)
Finance cost			(25)	(45)
Exchange difference on translation of foreign operations			–	–
Taxation			(2,876)	(5,760)
Non controlling interests			(791)	92
			<b>5,970</b>	6,876

#### 15. 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 2013 (2012: Nil).



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

The trading segment continues contribute the largest revenue to the Group. The Group will continue and try further development in this segment. The prepaid card business segment cannot be overlooked. Backed up by its wide range of pre-paid card products, the Company has been actively developing peripheral business, such as the general trading business, bank credit award business and online shopping business which were derived from the gift card segment. For example, that the Co-Branded Prepaid Card between the Company and China Construction Bank (Asia) Corporation Limited was launched on 7 February 2013. The Company is also exploring new applications of the powerful prepaid model. Such act could be evident by the launch of online air ticket booking platform under kopu.cn in 2012. It has now provided customers with comprehensive domestic and international air tickets and hotel booking services. The Group also seek lateral cooperation with industry peers. For example, the prepaid card named “高匯通•微樂付卡” which was launched in June 2013 is a cooperating product with Tenpay.com. This prepaid card provides a new QR code payment service to customers.

There are two major types of customers of the card businesses: 1) individual who purchases the prepaid cards for self-consumption as a convenient means of payment; and 2) corporations which purchase prepaid cards for their staff as means of monitoring expenses and staff benefits.

## Financial Review

The Group recorded a turnover of approximately HK\$81,059,000 for the six months ended 30 June 2013, representing a decrease of 10.9% compared with the same period in 2012. The gross profit ratio for current period improved due to better cost of control in cost of sales.

The Group's operating profit for the six months period was approximately HK\$8,432,000, whereas a profit of HK\$12,607,000 for same period in last year. The decrease in operating profit was mainly due to higher cost in selling and marketing expenses.

For the three months ended 30 June 2013, the Group made sales of HK\$46,419,000, representing an increase of 0.6% over the same period in last year. Gross profit margin increased from 33.4% in last year to 41% in current year due to better control in cost of sales. As at 30 June 2013, the Group had a total of HK\$76,266,000 cash on hand. The current ratio was at 2.55 times.

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

## Business Review

### *Major development*

During the six months from January 2013 to June 2013, the Company has been actively seeking further business development.

In July 2012, the Company signed a cooperation agreement with Shenzhen Tenpay Company Limited ("Tenpay.com"). In June 2013 it launched the "高匯通•微樂付卡".

During the second quarter, Kopu Ticket Agency Service (Beijing) Co. Ltd., a subsidiary of the Company, started to provide customers with comprehensive domestic and international air tickets and hotel booking services.

### *Changes in Circumstances that Affect the Company*

#### i) Goodwill

Beijing Gaohuitong Commercial Management Co. Limited ("Beijing Gaohuitong"), an indirect wholly-owned subsidiary of the Company, applied to the People's Bank of China (the "PBOC") on 29 August 2011 for the Certificates for Approval for Payment Business (the "License"). It was originally expected that the PBOC would finish processing of our application by the end of March 2012, The License was not granted until June 2012. Some of the card products were therefore withheld which affected the revenue in 2012 and business valuation results and accordingly resulted in the impairment of goodwill of HK\$160.5 million for year ended 2012.

However, because of the lower than expected business results in 2012, the prerequisites for “Adjusted Consideration 4 and 5” under the New Sale and Purchase Agreement (for details please refer to the circular dated 24 January 2011) were not met and the total purchase consideration of CPE Group was adjusted and reduced. The reduction in price was quantified as HK\$252.6 million which has been recorded in 2012.

It should be noted that all along the business performance of the CPE Group is better than expected, especially after obtaining the said License. The prepaid card business is catching up and the Board expects the segment will become more and more important in the future.

ii) Tax reform

The PRC Tax Reform (“Pilot Scheme”) was effective on 1 September 2012. The “Pilot Scheme” is for replacing Business Tax with Value-Added Tax” to pave the way of replacing Business Tax (“BT”) with Value Added Tax (“VAT”).

The Group’s financial performance of the prepaid cards operations after the taxation change would depend on future actual value-added-tax paid under the Pilot Scheme and the actual amount of financial assistance to be received. At the moment the Company is still communicating with relevant tax authorities. The Company and the Board will closely monitor the processes and notify the shareholders on a timely basis.

## **Significant Investment and Acquisition**

The Group has not had any significant investment and acquisition for the six months ended 30 June 2013.

## **Financial Resources and Liquidity**

As at 30 June 2013, the Group has a cash balance of approximately HK\$76,266,000.

As at 30 June 2013, the total current assets over the total current liabilities is 2.55 times. The ratio of all liabilities to total assets is about 13.6%.

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

## **Intellectual Property**

As at 30 June 2013, the Group had 11 trademarks registered in mainland China and Hong Kong, all trademarks have been approved. At the same time, the Group has been awarded 31 software copyrights and 2 patents in mainland China.



## Treasury Policy

Cash and bank deposits of the Group are either in HK dollars or Renminbi. 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 2013.

## Employees

As at 30 June 2013, the Group had 281 employees (2012: 189) working in Hong Kong and PRC. Employees are remunerated according to their performance and work experience. In addition to basic salaries and mandatory provident fund, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The Group provides other staff benefits include medical coverage scheme.

## Future Plans and Prospects

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

## Events After the Balance Sheet Date

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

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

As at 30 June 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the required standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) are as follows:

### Long Positions in Shares of the Company

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

*Note 1:*

These shares are held by Mighty Advantage Enterprises Limited (“Mighty Advantage”). Mighty Advantage is incorporated in the British Virgin Islands and is beneficially owned by Mr Guan Guisen. Mighty Advantage is deemed to be interest in 375,000,000 shares through its interest in the Convertible Bonds in the principal amount of HK\$120,000,000. Adding the 1,158,950,000 shares held by Mighty Advantage, Mighty Advantage is deemed to be interested in 1,533,950,000 shares of the Company. 1,158,950,000 shares held by Mighty Advantage represents 24.62% of the issued share capital of the Company as at this report date.

*Note 2:*

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

Save as disclosed above, as at 30 June 2013, none of the Directors of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

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

Save as disclosed below, as at 30 June 2013, there was no other person (other than a director or chief executive of the Company) who had any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## Long Positions in Shares of the Company

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

### Note 1:

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

### Note 2:

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

### Note 3:

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

### Note 4:

Senrigan Master Fund is managed by Senrigan Capital Group Limited.

Details of the interests of Mr Guan Guisen is duplicated in the section “Directors’ and Chief Executives’ Interests in Shares and Underlying Shares” disclosed above.

## EMPLOYEE SHARE OPTIONS

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

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

Details of the option under New Share Option Scheme during the date ended 30 June 2013 were as follows:

Date of grant	Exercise period	Exercise price	At 1 January 2013	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 30 June 2013
<b>New Share Option Scheme</b>							
<b>Directors and Chief Executives</b>							
6 July 2012	6 July 2013 to 5 July 2017	HK\$0.25	6,840,000	-	-	-	6,840,000
	6 July 2014 to 5 July 2017	HK\$0.25	6,840,000	-	-	-	6,840,000
	6 July 2015 to 5 July 2017	HK\$0.25	9,120,000	-	-	-	9,120,000
<b>Other employees</b>							
<b>6 July 2012</b>	6 July 2013 to 5 July 2017	HK\$0.25	54,477,000	-	-	-	54,477,000
	6 July 2014 to 5 July 2017	HK\$0.25	54,477,000	-	-	-	54,477,000
	6 July 2015 to 5 July 2017	HK\$0.25	72,636,000	-	-	-	72,636,000
Total share options			204,390,000	-	-	-	204,390,000



## **COMPETING INTERESTS**

The Directors are not aware of, as at 30 June 2013, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

As at 30 June 2013, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTOR**

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

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied throughout the six-month period ended 30 June 2013 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 throughout the six months ended 30 June 2013.

## AUDIT COMMITTEE

The Company has established an audit committee (the “Committee”) in compliance with the GEM Listing Rules. The Committee comprises three independent non-executive Directors, namely Dr Fong Chi Wah, Mr 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 2013 has complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made. And has reviewed the Company’s unaudited results for the six-month period ended 30 June 2013 and the draft of this report, and has provided advice and comments thereon.

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

Hong Kong, 9 August 2013

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

### ***Executive Directors***

Mr Guan Guisen  
Dr Lei Chunxiong  
Mr Cao Chunmeng

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

Dr Fong Chi Wah  
Mr Wang Zhongmin  
Mr Gu Jiawang

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