



China Innovationpay Group Limited

中國創新支付集團有限公司

Stock code : 8083

2015

INTERIM REPORT

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

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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

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\$53,910,000 for the six months ended 30 June 2015, representing an increase of 91.5% compared with the same period in 2014.

The Group's operating loss for the six months period was approximately HK\$31,183,000, whereas a loss of HK\$19,070,000 was recorded for same period in last year. The increase in operating loss was mainly due to higher cost in selling and marketing expenses.

For the three months ended 30 June 2015, the Group made sales of HK\$35,591,000, representing an increase of 139.5% over the same period in last year. Gross profit margin decreased from 55% in last year to 32% in current year. As at 30 June 2015, the Group had a total of HK\$146,096,000 cash on hand. The current ratio was at 3.76 times.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2015.

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

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended June 30		Six months ended June 30	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	2, 14	35,591	14,862	53,910	28,151
Cost of sales		(24,069)	(6,682)	(33,583)	(14,127)
Gross profit		11,522	8,180	20,327	14,024
Selling and marketing expenses		(16,497)	(4,878)	(23,132)	(10,520)
General and administrative expenses		(13,775)	(10,436)	(28,378)	(22,574)
		(30,272)	(15,314)	(51,510)	(33,094)
Loss from operations		(18,750)	(7,134)	(31,183)	(19,070)
Other revenue/(expenses)	3	(747)	440	(92)	448
Share of loss of an associate		-	-	-	-
Finance cost		-	-	-	-
Loss before taxation	4	(19,497)	(6,694)	(31,275)	(18,622)
Taxation	5	(145)	(601)	(226)	(962)
Loss for the period		(19,642)	(7,295)	(31,501)	(19,584)
Minority interests		(1,299)	(77)	(1,330)	(363)
Loss attributable to shareholders		(20,941)	(7,372)	(32,831)	(19,947)
Loss per share					
– basic	6	HK(0.35) cents	HK(0.15) cents	HK(0.56) cents	HK(0.41) cents
– diluted		N/A	N/A	N/A	N/A
Dividend	15	N/A	N/A	N/A	N/A

	Three months ended June 30		Six months ended June 30	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss for the period	(19,642)	(7,295)	(31,501)	(19,584)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period, net of tax	(19,642)	(7,295)	(31,501)	(19,584)
Attributable to:				
Owners of the Company	(19,642)	(7,295)	(31,501)	(19,584)
Minority Interest	(1,299)	(77)	(1,330)	(363)
	(20,941)	(7,372)	(32,831)	(19,947)

Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2014 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2014 (Unaudited) HK\$'000
Share capital	47,071	3,501	50,572
Share premium	640,060	175,051	815,111
Capital reserve	(2,850)	–	(2,850)
Statutory reserve	8,677	–	8,677
Exchange reserve	90,162	(2,822)	87,340
Share Option reserve	15,095	(6,022)	9,073
Convertible loans equity reserve	11,711	(4,259)	7,452
Warrant reserve	523	–	523
Retained profits/(accumulated losses)	12,829	(19,947)	(7,118)
	823,278	145,502	968,780
	As at 1 January 2015 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2015 (Unaudited) HK\$'000
Share capital	56,055	800	56,855
Share premium	991,322	31,200	1,022,522
Capital reserve	(2,850)	–	(2,850)
Statutory reserve	9,877	–	9,877
Exchange reserve	69,775	(957)	68,818
Share Option reserve	8,402	–	8,402
Convertible loans equity reserve	–	–	–
Warrant reserve	139	–	139
Retained profits/(accumulated losses)	(110,898)	(32,831)	(143,729)
	1,021,822	(1,788)	1,020,034

Condensed Consolidated Statement of Financial Position

		As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		6,829	8,122
Long term deposit		28,281	28,281
Intangible assets		21,616	16,450
Deferred tax asset		1,876	1,876
Available-for-sale financial assets		62,525	62,525
Goodwill	7	686,451	686,451
		<hr/>	
Total non-current assets		807,578	803,705
CURRENT ASSETS			
Inventories		27,245	6,770
Trade receivables	8	41,526	59,593
Prepayments, deposits and other receivables		87,730	72,873
Cash and cash equivalents		146,096	162,595
Tax recoverable		–	–
		<hr/>	
Total current assets		302,597	301,831
CURRENT LIABILITIES			
Trade payables	9	7,961	11,956
Other payables and accruals		38,302	22,366
Current tax liabilities		2,550	2,904
Due to directors		3	5
Settlement obligations	10	20,780	27,504
Borrowings		–	625
Amount due to a non-controlling shareholder of a subsidiary		665	666
Contingent consideration payable		10,110	10,110
		<hr/>	
Total current liabilities		80,371	76,136

	<i>Notes</i>	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
NET CURRENT ASSETS		222,226	225,695
TOTAL ASSETS LESS CURRENT LIABILITIES		1,029,804	1,029,400
NON-CURRENT LIABILITIES			
Convertible bonds	7	–	–
Deferred tax liabilities		1,074	1,076
NET ASSETS		1,028,730	1,028,324
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	56,855	56,055
Reserves		963,179	965,767
		1,020,034	1,021,822
Minority interests		8,696	6,502
Total equity		1,028,730	1,028,324

Condensed Consolidated Cash Flow Statement

	For the six months ended June 30	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	(69,918)	(19,023)
Net cash inflow/(outflow) from investing activities	(3,136)	(1,375)
Net cash inflow/(outflow) before financing activities	(73,054)	(20,398)
Net cash inflow/(outflow) from financing activities	32,000	131,282
Increase/(decrease) in cash and bank balances	(41,054)	110,884
Cash and bank balances, beginning of the six-month period	187,150	76,266
Cash and bank balances, end of the six-month period	146,096	187,150

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

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

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

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

	For the six months ended June 30	
	2015 HK\$'000	2014 HK\$'000
– Prepaid card business	19,714	10,191
– General trading	24,169	14,408
– Traveller related services	4,527	3,516
– Onecomm	5,500	–
– Others	–	36
	53,910	28,151

3. Other revenue/(expenses)

	For the three months ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other expenses	(747)	–	(92)	–
Other income	–	440	–	448
Sundries	–	–	–	–
	(747)	440	(92)	448

4. Loss before taxation

Loss before taxation was determined after charging (crediting):

	For the three months ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	10	16	10	16
Interest expense	1	1	2	1
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 2015 (2014: Nil).

The amount of taxation for Mainland China subsidiaries was HK\$145,000 and HK\$226,000 during the three-month period and the six-month period ended 30 June 2015 respectively (2014: HK\$601,000 and HK\$962,000).

The amount of deferred tax liabilities for the three-month period and the six-month period ended 30 June 2015 were HK\$1,074,000 and HK\$1,074,000 respectively (2014: Nil).

6. Loss per share

The calculation of the basic loss per share for the three-month period and the six-month period ended 30 June 2015 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$19,642,000 (2014: HK\$7,295,000) for the three-month period ended 30 June 2015 and the unaudited loss attributable to shareholders of approximately HK\$31,501,000 (2014: HK\$19,584,000) for the six-month period ended 30 June 2015 and on the weighted average number of approximately 5,670,478,832 shares (2014: 4,797,773,595 shares) in issue during the three-month period ended 30 June 2015 and approximately 5,685,506,457 shares (2014: 5,057,261,457 shares) in issue during the six-month period ended 30 June 2015.

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. All the convertible bonds were converted into ordinary shares of the Company before 31 December 2014.

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 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade receivables	41,526	59,593

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 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Up to 30 days	14,736	21,148
31 to 60 days	1,781	2,556
61 to 90 days	719	964
91 to 180 days	2,943	4,224
Over 181 days	21,347	30,701
	41,526	59,593

9. Trade payables

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade creditors	7,961	11,956

Aging analysis of trade payables is as follows:

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Current to 90 days	7,270	10,919
91 to 180 days	25	38
181 to 365 days	523	785
Over 365 days	143	214
	7,961	11,956

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 5,712,966,457 shares as at the date of this report.

12. Convertible bonds

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

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 the date of this report, Senrigan Master Fund has not held any Warrants of the Company.

On 6 February 2015 (after trading hours), the Company and Greater China Select Fund (the "Subscriber") entered into the Subscription Agreement. Following obtaining the Shareholders' approval of the Warrant Subscription and issue of the Warrant Shares at the SGM dated 29 June 2015, all conditions set out in the Subscription Agreement have been fulfilled and completion of the Warrant Subscription took place on 6 July 2015. Warrants of an aggregate amount of HK\$381.6 million have been issued to the Subscriber at the Issue Price of HK\$0.002 per Warrant. The Warrants entitle the Subscriber to subscribe a maximum of 530,000,000 Warrant Shares at the initial Subscription Price of HK\$0.72 per Warrant Share for a period of five (5) years commencing from the date of issue of the Warrants.

As at this report date, there were still outstanding 530,000,000 Warrant Shares with an aggregate fair value of HK\$381,600,000 to be subscribed.

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 2015, analyzed by principal activity and geographical location, are as follows:

a.

	Turnover		Contribution to loss after taxation	
	2015 From 1 January to 30 June (unaudited) HK\$'000	2014 From 1 January to 30 June (unaudited) HK\$'000	2015 From 1 January to 30 June (unaudited) HK\$'000	2014 From 1 January to 30 June (unaudited) HK\$'000
By principal activity:				
– General trading	24,169	14,408	5,057	4,584
– Prepaid cards	19,714	10,191	10,297	7,806
– Traveller related services	4,527	3,516	2,473	1,631
– Onecomm	5,500	–	2,500	–
– Others	–	36	–	3
	53,910	28,151	20,327	14,024
Other revenue/(expenses)			(92)	448
Selling and marketing expenses			(23,132)	(10,520)
General and administrative expenses			(28,378)	(22,574)
Finance cost			–	–
Share of loss of associates			–	–
Exchange difference on translation of foreign operations			–	–
Taxation			(226)	(962)
Non controlling interests			(1,330)	(363)
			(32,831)	(19,947)

b.

	Turnover		Contribution to loss after taxation	
	2015 From 1 January to 30 June (unaudited) HK\$'000	2014 From 1 January to 30 June (unaudited) HK\$'000	2015 From 1 January to 30 June (unaudited) HK\$'000	2014 From 1 January to 30 June (unaudited) HK\$'000
By geographical location:				
– Hong Kong	–	110	–	110
– Mainland China	53,910	28,041	20,327	13,914
	53,910	28,151	20,327	14,024
Other revenue			(92)	448
Selling and marketing expenses			(23,132)	(10,520)
General and administrative expenses			(28,378)	(22,574)
Share of loss of associates			–	–
Finance cost			–	–
Exchange difference on translation of foreign operations			–	–
Taxation			(226)	(962)
Non controlling interests			(1,330)	(363)
			(32,831)	(19,947)

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 2015 (2014: 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 four segments. Namely (i) General trading: trading of mobile phones, computers, communication equipments, currency sorters and other goods; (ii) Prepaid card business: provision of third party payment services and consultancy services; and marketing and sale of consumer goods in form of prepaid gift cards in the People’s Republic of China (“the PRC”); (iii) Travellers related services: provision of air-ticketing services and related customers services; and (iv) Onecomm: provision of third party payment system solution and sales of integrated smart point of sales (“POS”) devices.

Business Review

Business Review

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

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

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

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

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

Financial Review

The Group recorded a turnover of approximately HK\$53,910,000 for the six months ended 30 June 2015, representing an increase of 91.5% compared with the same period in 2014.

The Group's operating loss for the six months period was approximately HK\$31,183,000, whereas a loss of HK\$19,070,000 was recorded for same period in last year. The increase in operating loss was mainly due to higher cost in selling and marketing expenses.

For the three months ended 30 June 2015, the Group made sales of HK\$35,591,000, representing an increase of 139.5% over the same period in last year. Gross profit margin decreased from 55% in last year to 32% in current year. As at 30 June 2015, the Group had a total of HK\$146,096,000 cash on hand. The current ratio was at 3.76 times.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2015.

Significant Investment and Acquisition

Acquisition of Modern Times Payment Limited

On 18 June 2015 (after trading hours), Country Praise Enterprises Limited ("Country Praise") (a direct wholly-owned subsidiary of the Company) and Modern Times Payment Limited (the "Target Company") entered into the Subscription Agreement pursuant to which Country Praise has conditionally agreed to subscribe for the Subscription Shares at an aggregate consideration of HK\$49,510,000.

Upon the Subscription Completion, the Group will hold approximately 51% interest of the Target Group and thus the financial results of the Target Company will be consolidated into the financial statements of the Group.

On the same day, Country Praise, Essence Management Services Limited (“Essence Management”) and Modern Times Information Co., Ltd. (the “Vendor”) entered into the Loan Assignment pursuant to which the Vendor has conditionally agreed to assign the Shareholder’s Loan of HK\$13,090,000 to Country Praise in consideration of the sum of HK\$13,090,000 payable by Country Praise to the Vendor on the Subscription Completion Date.

Also, the Company, the Vendor and Mr. Joong Chi Wei entered into the Incentive Agreement pursuant to which the Company shall reward the Vendor with an aggregate amount not exceeding RMB200,000,000 (equivalent to approximately HK\$250,000,000) based on the number of Cumulative Virtual Prepaid Card Sold and/or the amount of Cumulative Virtual Prepaid Card Reload for the six months ending 31 December 2015 and each of the two years ending 31 December 2017, by way of issue and allotment of Incentive Shares.

For details of the above transactions please refer to the Company’s announcement dated 18 June 2015.

Possible subscription of convertible preference shares a issue of shares under general mandate, strategic cooperation and technology since agreement with a listed company.

On 25 June 2015 (after trading hours), the Company and National Agricultural Holdings Limited (“National Agricultural”) entered into the CPS Subscription Agreement and Share Subscription Agreement pursuant to which, subject to the fulfillment of certain conditions, the parties have agreed amongst other things as follows:

(i) the Proposed Subscription

The Company has conditionally agreed to subscribe for, and National Agricultural has conditionally agreed to allot and issue, a total of 49,140,000 National Agricultural Convertible Preferred Shares at the CPS Subscription Price of HK\$4.07 per National Agricultural Convertible Preferred Share. The aggregate CPS Subscription Price amounts to approximately HK\$200 million.

Assuming full conversion of the National Agricultural Convertible Preferred Shares and no adjustment to the conversion price, 49,140,000 National Agricultural Conversion Shares will be allotted and issued to the Company. The 49,140,000 National Agricultural Conversion Shares to be allotted and issued represent (i) approximately 2.34% of the number of National Agricultural Shares as at 25 June 2015; (ii) approximately 2.29% of the number of National Agricultural Shares as at enlarged by the allotment and issue of the National Agricultural Conversion Shares.

(ii) the Proposed Issue

The Company has conditionally agreed to issue 194,174,000 Subscription Shares at the Share Subscription Price of HK\$1.03 per Subscription Share, representing (i) approximately 3.42% of the entire issued share capital of the Company as at 25 June 2015; (ii) approximately 3.30% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares, to National Agricultural under the General Mandate. The aggregate Share Subscription Price amounts to approximately HK\$200 million.

(iii) The CPS Subscription Price and Share Subscription Price shall be deemed to be paid in full by the issue and allotment of the Subscription Shares by the Company to National Agricultural pursuant to the Share Subscription Agreement and the issue and allotment of the National Agricultural Convertible Preferred Shares by National Agricultural to the Company pursuant to the CPS Subscription Agreement respectively.

(iv) Completion of the CPS Subscription Agreement and the Share Subscription Agreement are interconditional and shall take place simultaneously.

On the same date, the Company and National Agricultural entered into the strategic Cooperation Framework Agreement pursuant to which the parties shall act as the strategic cooperation partner of each other.

Also, Beijing Gaohuitong, an indirect wholly-owned subsidiary of the Company, and Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd, and indirect partly owned subsidiary of National Agricultural, entered into the Technology Service Agreement in relation to the development of mobile application and internet payment system for National Agricultural.

Pursuant to the Strategic cooperation Framework Agreement, amongst other things, (i) the Company shall provide all-rounded software and hardware payment solutions plan to Nation Agricultural for tis fund collection and clearance services; (ii) the Company shall cooperation with National Agricultural in relation to the development of mobile application for Agripay system and the development of Agripay system pre-paid card if required by National Agricultural in the future and consider to invite the Company as its partner; (iii) the Company and National Agricultural shall explore the opportunities for the development of financial products and services in the agriculture product chain; (iv) the Company and National Agricultural shall explore the development of personal credit information system for rural village; and (v) the Company and National Agricultural shall develop online financial platform to fulfill the financial need of the farmers (collectively, the "Proposed Cooperation").

The Strategic Cooperation Framework Agreement does not constitute any legally binding commitment in respect of the Proposed Cooperation. The Proposed Cooperation is subject to the negotiation and execution of the formal agreement between the relevant parties, if any.

As the CPS Subscription Completion and the Share Subscription Completion are subject to the satisfaction of the conditions precedents under the CPS Subscription Agreement and Share Subscription Agreement, the Proposed Subscription and the Proposed Issue may or may not be completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

For details of the above transaction please refer to the Company's announcement dated 26 June 2015.

Financial Resources and Liquidity

As at 30 June 2015, the Group has a cash balance of approximately HK\$146,096,000.

As at 30 June 2015, the total current assets over the total current liabilities is 3.76 times. The ratio of all liabilities to total assets is about 7.34%.

As at 30 June 2015, the Group has no bank borrowings.

Intellectual Property

As at 30 June 2015, the Group had 28 trademarks registered in mainland China and Hong Kong, all trademarks have been approved. At the same time, the Group had 60 software copyrights in 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 2015.

Employees

As at 30 June 2015, the Group had 332 employees (2014: 256) 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 Company completed the acquisition of CPE and its subsidiaries on 28 February 2011. Beijing Gaohuitong Commercial Management Co. Limited, an indirect wholly-owned subsidiary of the Company, obtained the Certificates for Approval for Payment Business issued by the People's Bank of China on 28 June 2012 and was further approved to add new geographical areas for the business of online payment and the issuance and acceptance of prepaid cards in July 2013. A payment system has been established by the Company on the basis of prepaid cards business, which incorporates online and offline payment scenarios with various payment methods including magnetic stripe cards, QR code.

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

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

Events After the Balance Sheet Date

Completion of Issue of Unlisted Warrants

Following obtaining the Shareholders' approval of the Warrant Subscription and issue of the Warrant Shares at the SGM held on 29 June 2015, all conditions precedent became unconditional and completion of the Warrant Subscription took place on 6 July 2015. Warrants of an aggregate amount of HK\$381.6 million have been issued to the Subscriber at the Issue Price of HK\$0.002 per Warrant.

The Warrants entitle the Subscriber to subscribe for the Warrant Shares at the initial Subscription Price of HK\$0.72 each for a period of five (5) years commencing from the date of issue of the Warrants.

Provision of Guarantee to a Subsidiary

On 4 August 2015, Beijing Tiantongsaibo Information Technology Co., Ltd. (“TTSB”, a subsidiary of the Group) provided a guarantee in favor of Haier Finance Company Limited (“Haier Finance”) for the financing facility granted to Haier Finance Company Limited (“Haier Consumer Finance”). Pursuant to the Credit Facility Agreement, Haier Finance will grant a financing facility of RMB1.5 billion to Haier Consumer Finance, and Beijing TTSB will provide a joint and several guarantee amounted to RMB150 million (equivalent to approximately HK\$187.2 million) on a pro rata basis for the 10% shareholdings in Haier Consumer Finance held by it. The guarantee covers a period of two years from the expiry of the term of the Credit Facility Agreement (or the expiry of the extended term agreed by the parties).

For details of the above transaction please refer to the Company’s announcement dated 10 August 2015.

DIRECTORS’ INTEREST IN SHARES

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

Long (short) position in Shares

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Guan Guisen <i>(Note 1)</i>	1,311,792,000(L) 540,000,000(S)	– –	1,311,792,000(L) 540,000,000(S)	22.96% 9.45%
Mr. Cao Chunmeng	47,620,000	55,800,000 <i>(Note 2)</i>	103,420,000	1.81%
Mr. Yan Xiaotian	21,640,000	25,000,000	46,640,000	0.82%
Dr. Fong Chi Wah	–	4,000,000 <i>(Note 2)</i>	4,000,000	0.07%
Mr. Wang Zhongmin	600,000	3,400,000 <i>(Note 2)</i>	4,000,000	0.07%
Mr. Gu Jiawang	600,000	3,400,000 <i>(Note 2)</i>	4,000,000	0.07%

Note 1:

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

Note 2:

The Company granted the share options under New Share Option Scheme on 6 July 2012 and 11 June 2015.

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

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the date of this report, 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 (short) position in Shares

Name of Directors	Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Guan Guisen (<i>Note</i>)	1,311,792,000(L) 540,000,000(S)	–	1,311,792,000(L) 540,000,000(S)	22.96% 9.45%

Note:

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

EMPLOYEE SHARE OPTIONS

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

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

As at the date of this report, details of the option under New Share Option Scheme were as follows:

Date of grant	Exercise period	Exercise price	At 1 January 2015	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	At the report date
New Share Option Scheme							
Directors and Chief Executives							
6 July 2012	6 July 2013 to 5 July 2017	HK\$0.25	6,240,000	-	-	-	6,240,000
	6 July 2014 to 5 July 2017	HK\$0.25	6,240,000	-	-	-	6,240,000
	6 July 2015 to 5 July 2017	HK\$0.25	9,120,000	-	-	-	9,120,000
Other employees							
6 July 2012	6 July 2013 to 5 July 2017	HK\$0.25	236,000	-	(21,000)	(215,000)	-
	6 July 2014 to 5 July 2017	HK\$0.25	298,000	-	(37,000)	(261,000)	-
	6 July 2015 to 5 July 2017	HK\$0.25	67,556,000	-	(524,000)	(26,984,000)	40,048,000
Total share options			89,690,000	-	(582,000)	(27,460,000)	61,648,000

On 11 June 2015, 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 202,714,000 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\$1.25 per share.

Details of the options under New Share Option Scheme granted on 11 June 2015 as at the report date were as follows:

Date of grant	Exercise period	Exercise price	At 1 January 2015	Granted during the year	Cancelled/ lapsed during the period	Exercised during the period	At report date
New Share Option Scheme							
Directors and Chief Executives							
11 June 2015	1 February 2016 to 31 January 2017	HK\$1.25	-	21,000,000	-	-	21,000,000
	1 February 2017 to 31 January 2018	HK\$1.25	-	21,000,000	-	-	21,000,000
	1 February 2018 to 31 January 2019	HK\$1.25	-	28,000,000	-	-	28,000,000
Other employees							
11 June 2015	1 February 2016 to 31 January 2017	HK\$1.25	-	39,814,200	-	-	39,814,200
	1 February 2017 to 31 January 2018	HK\$1.25	-	39,814,200	-	-	39,814,200
	1 February 2018 to 31 January 2019	HK\$1.25	-	53,085,600	-	-	53,085,600
Total share options			-	202,714,000	-	-	202,714,000

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2015, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

As at 30 June 2015, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY 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 2015, 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 2015 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 2015.

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 2015 has complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made. And has reviewed the Company's unaudited results for the six-month period ended 30 June 2015 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, 13 August 2015

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

Executive Directors

Mr Guan Guisen

Dr Lei Chunxiong (Resigned on 19 June 2015)

Mr Cao Chunmeng

Mr Yan Xiaotian

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.