

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

 **中国创新支付集团**  
CHINA INNOVATIONPAY GROUP  
**China Innovationpay Group Limited**  
**中國創新支付集團有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 8083)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**For the year ended 31 December 2013**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

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

## **EXTRACTS OF INDEPENDENT AUDITOR'S MODIFIED REPORT**

### **Opinion**

In auditors' opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of matter**

Without qualifying their opinion, the auditors of the Company draw attention to relevant notes in the consolidated financial statements (as reproduced in note 14 to this annual results announcement) relating to the key assumptions of management made when determining the amount of impairment of goodwill at end of reporting period.

## AUDITED CONSOLIDATED RESULTS

The board of directors (the “Board”) of the Company are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013 together with the comparative figures for the corresponding period in 2012 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Turnover</b>	4	<b>142,896</b>	212,805
Cost of sales		<u>(93,173)</u>	<u>(131,374)</u>
<b>Gross profit</b>		<b>49,723</b>	81,431
Other income	5	<b>3,943</b>	7,031
Selling expenses		<b>(19,911)</b>	(5,353)
Administrative expenses		<b>(52,025)</b>	(45,681)
Other operating expenses		–	(6,000)
Equity-settled share-based payments		<u>(9,173)</u>	<u>(6,022)</u>
<b>(Loss)/profit from operations</b>		<b>(27,443)</b>	25,406
Finance costs	6	<b>(13,187)</b>	(12,371)
Impairment of intangible assets		<b>(933)</b>	–
Impairment of goodwill	14	<b>(228,787)</b>	(160,499)
Impairment of investment in an associate		–	(822)
Impairment of amount due from an associate		<b>(4,733)</b>	–
Gain on fair value change of contingent consideration payable		–	252,640
Gain on fair value change of investment in an associate		<u>1,273</u>	<u>–</u>
<b>(Loss)/profit before tax</b>		<b>(273,810)</b>	104,354
Income tax expense	7	<u>(4,927)</u>	<u>(12,757)</u>
<b>(Loss)/profit for the year</b>	8	<b><u>(278,737)</u></b>	<b><u>91,597</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>(279,352)</b>	91,362
Non-controlling interests		<b>615</b>	235
		<u>(278,737)</u>	<u>91,597</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>(Loss)/earnings per share</b>	9		
Basic		<u>(5.93)</u>	<u>2.07</u>
Diluted		<u>N/A</u>	<u>2.07</u>

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>(Loss)/profit for the year</b>	<b>(278,737)</b>	91,597
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>31,795</u>	<u>10,637</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>31,795</u>	<u>10,637</u>
<b>Total comprehensive income for the year</b>	<u><b>(246,942)</b></u>	<u>102,234</u>
<b>Attributable to:</b>		
Owners of the Company	<b>(247,557)</b>	101,999
Non-controlling interests	<u>615</u>	<u>235</u>
	<u><b>(246,942)</b></u>	<u>102,234</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		6,546	5,660
Long term deposits		28,216	27,421
Intangible assets		10,210	8,639
Goodwill	14	743,092	940,671
Investment in an associate		–	–
Amount due from an associate		–	4,106
Deferred tax assets		1,918	1,866
		<u>789,982</u>	<u>988,363</u>
<b>Current assets</b>			
Inventories		1,921	2,109
Trade receivables	11	48,570	60,879
Prepayments, deposits and other receivables		37,170	55,205
Bank and cash balances		109,639	143,425
Tax recoverable		296	1,869
		<u>197,596</u>	<u>263,487</u>
<b>Current liabilities</b>			
Trade payables	12	4,961	10,749
Accruals and other payables		60,555	95,885
Amounts due to directors		9,253	5,000
Current tax liabilities		2,228	5,057
		<u>76,997</u>	<u>116,691</u>
<b>Net current assets</b>		<u>120,599</u>	<u>146,796</u>
<b>Total assets less current liabilities</b>		<u>910,581</u>	<u>1,135,159</u>
<b>Non-current liabilities</b>			
Contingent consideration payable		–	–
Convertible bonds		86,596	73,409
Deferred tax liabilities		–	–
		<u>86,596</u>	<u>73,409</u>
<b>NET ASSETS</b>		<u>823,985</u>	<u>1,061,750</u>
<b>Capital and reserves</b>			
Share capital	13	47,071	47,071
Reserves		776,207	1,014,591
Equity attributable to owners of the Company		823,278	1,061,662
Non-controlling interests		707	88
<b>TOTAL EQUITY</b>		<u>823,985</u>	<u>1,061,750</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2013*

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserve	Statutory reserve	Exchange reserve	Share option reserve	Convertible bonds equity reserve	Warrant reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2012	39,646	493,744	(2,850)	4,240	47,730	3,158	-	-	204,777	790,445	(147)	790,298
Total comprehensive income for the year	-	-	-	-	10,637	-	-	-	91,362	101,999	235	102,234
Transfer to statutory reserve	-	-	-	3,882	-	-	-	-	(3,882)	-	-	-
Release upon lapse of share options	-	-	-	-	-	(379)	-	-	379	-	-	-
Share-based payments	-	-	-	-	-	6,022	-	-	-	6,022	-	6,022
Issuance of convertible bonds	-	-	-	-	-	-	33,804	-	-	33,804	-	33,804
Conversion of convertible bonds	7,075	140,296	-	-	-	-	(22,093)	-	-	125,278	-	125,278
Exercise of share options	350	6,020	-	-	-	(2,779)	-	-	-	3,591	-	3,591
Issuance of unlisted warrants	-	-	-	-	-	-	-	523	-	523	-	523
<b>At 31 December 2012</b>	<b>47,071</b>	<b>640,060</b>	<b>(2,850)</b>	<b>8,122</b>	<b>58,367</b>	<b>6,022</b>	<b>11,711</b>	<b>523</b>	<b>292,636</b>	<b>1,061,662</b>	<b>88</b>	<b>1,061,750</b>
At 1 January 2013	47,071	640,060	(2,850)	8,122	58,367	6,022	11,711	523	292,636	1,061,662	88	1,061,750
Total comprehensive income for the year	-	-	-	-	31,795	-	-	-	(279,352)	(247,557)	615	(246,942)
Transfer to statutory reserve	-	-	-	555	-	-	-	-	(555)	-	-	-
Arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	4	4
Share-based payments	-	-	-	-	-	9,173	-	-	-	9,173	-	9,173
Release upon lapse of share options	-	-	-	-	-	(100)	-	-	100	-	-	-
<b>At 31 December 2013</b>	<b>47,071</b>	<b>640,060</b>	<b>(2,850)</b>	<b>8,677</b>	<b>90,162</b>	<b>15,095</b>	<b>11,711</b>	<b>523</b>	<b>12,829</b>	<b>823,278</b>	<b>707</b>	<b>823,985</b>

## NOTES TO FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is Unit 2708, 27/F, The Centre, 99 Queen's Road Central, Hong Kong.

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

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in provision of prepaid card payment services and information system maintenance and development services, provision of prepaid card and related customer services, trading of mobile phones, computer, communication equipments, internet based travel service and related services in the PRC.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

#### (a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

#### (b) HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 "Consolidated Financial Statements" supersedes the requirements relating to consolidated financial statements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" and Hong Kong (SIC) Interpretation 12 "Consolidation – Special Purpose Entities". HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. It requires the consolidation of an investee if the entity controls the investee on the basis of de facto circumstances.

**(c) HKFRS 12 “Disclosure of Interests in Other Entities”**

HKFRS 12 “Disclosure of Interests in Other Entities” specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structure entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group’s associates in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

**(d) HKFRS 13 “Fair Value Measurement”**

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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

**3. SEGMENT INFORMATION**

The Group has three reportable segments as follows:

- |                             |   |  |
|-----------------------------|---|--|
| General trading             | – | trading of mobile phones, computer, communication equipments, liquor, currency sorter and other goods  |
| Prepaid card business       | – | provision of prepaid card payment services and consultancy services; and marketing and sale of consumer goods in form of prepaid gift cards in the PRC |
| Travellers related services | – | provision of air-ticketing services and related customer services  |

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group’s other operating segment includes certain inactive operations. None of the segment meets any of the quantitative thresholds for determining reportable segment. The information of the other operating segment is included in the ‘others’ column.

Segment profits or losses do not include equity-settled share-based payment, dividend income, goodwill impairment, imputed interest on convertible bonds, gains or losses from investments and changes in fair value of contingent consideration payable. Segment assets do not include deferred tax assets, goodwill, amounts due from related parties, investments and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets and goodwill.

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



Information about reportable segment profit or loss and assets:

	<b>General trading HK\$'000</b>	<b>Prepaid card business HK\$'000</b>	<b>Travellers related services HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31 December 2013</b>					
Revenue from external customers	98,213	39,302	5,381	–	142,896
Segment profit/(loss)	9,069	(4,258)	(14,984)	(746)	(10,919)
Interest income	1,466	1,661	86	–	3,213
Depreciation and amortisation	(1,605)	(1,173)	(1,265)	–	(4,043)
Other material items:					
– Gain on fair value change of investment of an associate	–	1,273	–	–	1,273
– Impairment of intangible assets	(933)	–	–	–	(933)
– Impairment of amount due from an associate	(2,865)	–	(1,868)	–	(4,733)
– Additions to segment non-current assets	2,018	739	4,406	–	7,163
<b>As at 31 December 2013</b>					
Segment assets	<u>81,467</u>	<u>145,141</u>	<u>12,931</u>	<u>392</u>	<u>239,931</u>

	General trading <i>HK\$'000</i>	Prepaid card business <i>HK\$'000</i>	Travellers related services <i>HK\$'000</i> (restated)	Others <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i>
<b>Year ended 31 December 2012</b>					
Revenue from external customers	168,118	44,449	–	238	212,805
Intersegment revenue	–	1,826	–	–	1,826
Segment profit/(loss)	37,833	9,112	(1,727)	1,747	46,965
Interest income	707	3,163	19	–	3,889
Depreciation and amortisation	(1,930)	(774)	(17)	(410)	(3,131)
Other material items:					
– Impairment of investment in an associate	–	(822)	–	–	(822)
– Additions to segment non-current assets	148	4,131	701	2,000	6,980

**As at 31 December 2012**

Segment assets	<u>90,249</u>	<u>194,659</u>	<u>11,391</u>	<u>4,242</u>	<u>300,541</u>
----------------	---------------	----------------	---------------	--------------	----------------

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	<b>142,896</b>	214,631
Elimination of intersegment revenue	–	(1,826)
Consolidated revenue	<u><b>142,896</b></u>	<u>212,805</u>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	<b>(10,919)</b>	46,965
Unallocated corporate income and expense, net	<b>(11,744)</b>	(16,447)
Impairment of goodwill	<b>(228,787)</b>	(160,499)
Gain on fair value change of contingent consideration payable	–	252,640
Equity-settled share-based payment	<b>(9,173)</b>	(6,022)
Imputed interest on convertible bonds	<b>(13,187)</b>	(12,283)
Consolidated (loss)/profit before income tax	<u><b>(273,810)</b></u>	<u>104,354</u>
<b>Assets</b>		
Total assets of reportable segments	<b>239,931</b>	300,541
Deferred tax assets	<b>1,918</b>	1,866
Amount due from an associate	–	4,106
Goodwill	<b>743,092</b>	940,671
Other corporate assets	<b>2,637</b>	4,666
Consolidated total assets	<u><b>987,578</b></u>	<u>1,251,850</u>

Geographical information:

No separate analysis of segment information by geographical information is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is the PRC.

**4. TURNOVER**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Sale of goods	<b>121,303</b>	188,526
Rendering of services	<b>21,593</b>	24,279
	<b>142,896</b>	212,805

**5. OTHER INCOME**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest income	<b>3,213</b>	3,889
Compensation receivable	–	3,000
Government grant	<b>569</b>	–
Others	<b>161</b>	142
	<b>3,943</b>	7,031

**6. FINANCE COSTS**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on bank loans	–	88
Imputed interest on convertible bonds	<b>13,187</b>	12,283
	<b>13,187</b>	12,371

## 7. INCOME TAX EXPENSE

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax – the PRC		
Provision for the year	<b>4,798</b>	13,907
Under-provision in prior years	<b>129</b>	99
	<u><b>4,927</b></u>	<u>14,006</u>
Deferred tax	<u>–</u>	<u>(1,249)</u>
	<u><b>4,927</b></u>	<u>12,757</u>

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

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law becomes effective from 1 January 2009.

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(Loss)/profit before tax	<u><b>(273,810)</b></u>	<u>104,354</u>
Tax at the PRC enterprise income tax rate of 25% (2012: 25%)	<b>(68,452)</b>	26,089
Tax effect of income that is not taxable	–	(63,163)
Tax effect of expenses that are not deductible	<b>65,563</b>	47,777
Tax effect of temporary differences not recognised	<b>55</b>	–
Tax effect of unused tax losses not recognised	<b>9,148</b>	3,580
Tax effect of utilisation of tax losses not previously recognised	<b>(793)</b>	(376)
Reversal of provision of PRC dividend withholding tax	–	(1,249)
Under-provision in prior years	<b>129</b>	99
Effect of different tax rates of subsidiaries	<u><b>(723)</b></u>	<u>–</u>
Income tax expense	<u><b>4,927</b></u>	<u>12,757</u>

## 8. (LOSS)/PROFIT FOR THE YEAR

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

	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	<b>1,092</b>	950
Amortisation of intangible assets	<b>1,460</b>	569
Cost of inventories sold	<b>90,830</b>	128,804
Depreciation of property, plant and equipment	<b>2,656</b>	2,562
Directors' emoluments		
– As directors	<b>501</b>	498
– For management	<b>5,176</b>	4,214
	<b>5,677</b>	4,712
Loss on disposals of property, plant and equipment	<b>5</b>	198
Operating leases charges	<b>6,939</b>	6,010
Exchange loss	<b>381</b>	115
Property, plant and equipment written off	<b>82</b>	–
Trade receivables written off	–	774
Other receivables written off	<b>659</b>	–
Impairment loss on trade receivables	<b>1,080</b>	–
Impairment of intangible assets	<b>933</b>	–
Impairment of goodwill	<b>228,787</b>	160,499
Impairment of amount due from an associate	<b>4,733</b>	–
Impairment of investment in an associate	–	822
Staff costs including directors' remuneration		
Salaries, bonus and allowances	<b>29,468</b>	20,804
Equity-settled share-based payments	<b>9,173</b>	6,022
Contribution to retirement benefit schemes	<b>7,686</b>	4,669
	<b>46,237</b>	31,495

## 9. (LOSS)/EARNINGS PER SHARE

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(279,352)</u>	<u>91,362</u>
<b>Number of shares ('000)</b>		
Issued ordinary shares at 1 January	4,707,139	3,964,639
Effect of exercise of share options	–	16,926
Effect of conversion of convertible bonds	<u>–</u>	<u>424,905</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,707,139	4,406,470
Effect of dilutive potential ordinary shares arising from share options outstanding	<u>N/A</u>	<u>8,568</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>N/A</u>	<u>4,415,038</u>

For the year ended 31 December 2013, the effects of the Company's potential ordinary shares are either anti-dilutive or no dilutive effect as the exercise prices are above the average share price during the reporting period. No diluted loss per share was presented for the year ended 31 December 2013.

## 10. DIVIDEND

The directors do not recommend the payment of any dividend (2012: nil) in respect of the year.

## 11. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 60 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Up to 30 days	40,050	33,199
31 to 60 days	1,424	10,446
61 to 90 days	841	4,137
91 to 180 days	2,147	12,876
Over 181 days	<u>4,108</u>	<u>221</u>
	<u>48,570</u>	<u>60,879</u>

As at 31 December 2013, an allowance was made for estimated irrecoverable trade receivables for approximately HK\$1,094,000 (2012: Nil).

Reconciliation of allowance for trade receivables:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 January	–	–
Allowance for the year	<b>1,080</b>	–
Exchange difference	<b>14</b>	–
	<hr/>	<hr/>
At 31 December	<b>1,094</b>	–
	<hr/>	<hr/>

As of 31 December 2013, trade receivables of HK\$6,394,000 (2012: HK\$20,616,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Up to 30 days	<b>140</b>	4,371
31 to 60 days	<b>471</b>	6,709
61 to 90 days	<b>994</b>	8,661
91 to 180 days	<b>1,533</b>	875
Over 181 days	<b>3,256</b>	–
	<hr/>	<hr/>
	<b>6,394</b>	20,616
	<hr/>	<hr/>

The carrying amounts of the Group's trade receivables are denominated in RMB as at 31 December 2012 and 2013.

## 12. TRADE PAYABLES

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 to 90 days	<b>4,394</b>	7,853
91 to 180 days	<b>174</b>	2,870
181 to 365 days	<b>373</b>	26
Over 365 days	<b>20</b>	–
	<hr/>	<hr/>
	<b>4,961</b>	10,749
	<hr/>	<hr/>

The carrying amounts of the Group's trade payables are denominated in RMB as at 31 December 2012 and 2013.

### 13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 (2012: HK\$0.01) each		
At 1 January 2012, 31 December 2012 and 2013	<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 (2012: HK\$0.01) each		
At 1 January 2012	3,964,639	39,646
Exercise of share options	35,000	350
Convertible bonds converted into shares	<u>707,500</u>	<u>7,075</u>
At 31 December 2012 and 2013	<u>4,707,139</u>	<u>47,071</u>

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the year ended 31 December 2013.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

### 14. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination.

	General trading operations ("CGU 1") HK\$'000	Prepaid card and related operations ("CGU 2") HK\$'000	Travellers related services ("CGU 3") HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 January 2012	211,265	881,107	–	1,092,372
Exchange differences	<u>2,079</u>	<u>8,546</u>	<u>–</u>	<u>10,625</u>
At 31 December 2012 and 1 January 2013	213,344	889,653	–	1,102,997
Acquisition of a subsidiary	–	–	4,691	4,691
Exchange differences	<u>5,986</u>	<u>24,959</u>	<u>126</u>	<u>31,071</u>
At 31 December 2013	<u>219,330</u>	<u>914,612</u>	<u>4,817</u>	<u>1,138,759</u>



	<b>General trading operations (“CGU 1”)</b> <i>HK\$’000</i>	<b>Prepaid card and related operations (“CGU 2”)</b> <i>HK\$’000</i>	<b>Travellers related services (“CGU 3”)</b> <i>HK\$’000</i>	<b>Total</b> <i>HK\$’000</i>
<b>Accumulated impairment losses</b>				
At 1 January 2012	–	–	–	–
Impairment loss recognised in the current year	–	160,499	–	160,499
Exchange differences	–	1,827	–	1,827
At 31 December 2012 and 1 January 2013	–	162,326	–	162,326
Impairment loss recognised in the current year	164,794	63,993	–	228,787
Exchange differences	–	4,554	–	4,554
At 31 December 2013	164,794	230,873	–	395,667
<b>Carrying amount</b>				
At 31 December 2013	54,536	683,739	4,817	743,092
At 31 December 2012	213,344	727,327	–	940,671

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2012: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax rates used to discount the forecast cash flows from the Group’s CGU 1, CGU 2 and CGU 3 are 31.26% (2012: 21.29%), 30.60% (2012: 19.00%) and 33.04% (2012: N/A) respectively.

Due to changes in market condition and the Group’s marketing strategy, the Group has revised its cash flow forecasts for CGU 1 and CGU 2. The goodwill allocated to CGU 1 and CGU 2 has therefore been impaired by HK\$164,794,000 (2012: Nil) and HK\$63,993,000 (2013: HK\$160,499,000) respectively.

The key assumptions that the management made when performing impairment test of goodwill at end of reporting period are:

*For CGU 1:*

- (1) The Group will successfully open new markets by launching certain new products.

*For CGU 2:*

- (2) The Group will successfully reach the target number of cardholders and contracted merchants of its “高匯通•微樂付卡”.
- (3) The Group will successfully get relevant licenses for launching “高匯通•微樂付卡” in the provinces and cities that are currently not covered by existing licenses.
- (4) The Group will successfully contract with new contracted merchants of its “高匯通•微樂付卡” which agree to pay at the Group’s target minimum commission rate.
- (5) There will be no major policy change in the PRC which would hinder the Group’s development of “高匯通•微樂付卡”.

*For CGU 3:*

- (6) The Group will successfully increase the number of sales points for its “tourism VIP cards” products.

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

Save as disclosed below, as at 31 December 2013, there was no other person (other than a director or chief executive officer of the Company) who had any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### **Long Positions in Shares**

<b>Name of Directors</b>	<b>Interest in shares</b>	<b>Interest in underlying shares</b>	<b>Total interest in shares</b>	<b>% Shareholding</b>
Mr. Guan Guisen ( <i>Note 1</i> )	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 ( <i>Note 2</i> )	67,420,000	1.43%
Dr. Fong Chi Wah	–	1,000,000 ( <i>Note 2</i> )	1,000,000	0.02%
Mr. Wang Zhongmin	–	1,000,000 ( <i>Note 2</i> )	1,000,000	0.02%
Mr. Gu Jiawang	–	1,000,000 ( <i>Note 2</i> )	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. As at the date of this announcement, 1,158,950,000 shares held by Mighty Advantage are 23.38% of the issued share capital of the Company.

*Note 2:* The Company granted the share options under Share Option Scheme on 6 July 2012.

## **DIRECTORS’ AND SUPERVISORS’ RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES**

As at 31 December, 2013, the Company was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

## **REVIEW OF FINANCIAL INFORMATION**

The Audit Committee has reviewed the Group’s annual results for the year ended 31 December 2013.

## **SCOPE OF WORK OF RSM NELSON WHEELER**

The figures in respect of the preliminary announcement of the Group’s result for the year ended 31 December 2013 have been agreed by the Group’s auditors, RSM Nelson Wheeler, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group consists of the Company, Country Praise Enterprises Limited (“CPE”) and its subsidiaries (collectively the “CPE Group”). The Company is an investment holding company. Its subsidiaries are principally engaged in four 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) Travellers related services: provision of air-ticketing services and related customers services; and (iv) Others.

The trading segment continues to contribute the largest proportion of revenue to the Group. The Group will also continue to retain basic capital input for this segment. 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” cards 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” cards. Such products will gain more invested resources to keep rapid growth in a new year.

The online air-ticket and hotel booking services of the travellers related services section have been making good progress. 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.

During the year, due to the tightened expenditure policy spread over the PRC, both the trading segment and prepaid card business segment were affected. As a result a moderate amount of impairment on goodwill was made.

The effect of the PRC Tax Reform (i.e. replacing “Business Tax” with “Value Added Tax”) which became effective was minimal and not continuous. During 2013, an additional amount of some RMB2.6 million was provided for this change. The Company foresees that there will be no further effect from 2014 onwards.

## **Financial Review**

During the year under review, the Group's turnover was approximately HK\$142,896,000, a 33% decrease as compared to last year HK\$212,805,000. It was mainly due to global economic climate clouded with various uncertainties. The Group recorded a loss attributable to shareholders of the Company amounted to approximately HK\$279,352,000 for the year ended 31 December 2013 (2012: profit HK\$91,362,000).

Of the said loss, HK\$228,787,000 (2012: HK\$160,499,000) was attributable to impairment of goodwill.

## **Sales and Marketing**

For the twelve months ended 31 December 2013, the Group adopted more-client-oriented promotional strategies to promote the products, resulting a 272% increase in sales and marketing expenses over the same period last year.

## **Significant Investment**

During the year ended 31 December 2013, the Group did not have any significant investment.

## **Financial Resources and Liquidity**

As at 31 December 2013, the Group has cash and cash equivalents of approximately HK\$109,639,000.

As at 31 December 2013, the Group has no bank borrowings.

## **Capital Commitments and Pledge of Assets**

As at 31 December 2013, the Group has no material capital commitments or substantial pledges on its assets.

## **Contingent Liabilities**

As at 31 December 2013, the Group has no material contingent liabilities.

As at 31 December 2013, the current assets over the current liabilities was 2.57 times (2012: 2.26 times). The ratio of all debts to total assets was 0 (2012: 0). As most sales are made in Renminbi, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

## **Foreign Exchange Exposure**

Since the Group's operations are mainly located in the PRC and its transactions, monetary assets and liabilities are primarily denominated in Renminbi, there is minimal exposure to foreign currency risks. The Group monitors its foreign currency risks and will consider hedging significant currency exposures should the need arises.

## **Intellectual Property**

As at 31 December 2013, the Group had 12 trademarks registered in China and Hong Kong, of which all trademarks have been approved.

At the same time, the Group had 50 software copyrights in China.

## **Major Events**

On 28 June 2012 Beijing Gaohuitong Management, an indirect wholly owned subsidiary of the Company which submitted to operations office (營業管理部) of PBOC to seek PBOC's approval, has obtained the Certificate for Approval for Payment Business from PBOC pursuant to the Administrative Measures of Payment Services for Non-Financial Institutions 《非金融機構支付服務管理辦法》 and the Detailed Rules for the Implementation of the Administrative Measures of Payment Services for Non-Financial Institutions 《非金融機構支付服務管理辦法實施細則》. In July 2013, the PBOC further approved to Beijing Guohuifong Management to operate the business of “Online Payment (National)” and “Issuance and Acceptance of Prepaid Cards”, covering Beijing, Shanghai, Zhejiang, Guangdong and Liaoning Provinces.

## **Employees**

As at 31 December 2013, the Group has approximately 257 employees. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include performance bonus and employee share options. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. The Group recognizes the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

## **Litigation**

As at 31 December 2013, the Group has no material outstanding litigation.

## **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 and QR code.

Under the macro environment that the online financial and payment industry is undergoing robust development, the Company strives to deliver more comprehensive online and offline payment services, marketing services and customer management services to the merchants based on the prepaid card business and with unremitted innovations. The Company will focus on the promotion of “高匯通•微樂付卡”, a product jointly issued with Tenpay.com, 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.

## **Event After Year End Date**

After the trading hours of the Stock Exchange on 12 February 2014, the Company and the Placing Agent entered into the Placing Agreement that the Company has conditionally agreed to place through the Placing Agent, up to 200,000,000 Placing Shares, to not less than six Placers who and whose ultimate beneficial owners are Independent Third Parties at a price of HK\$0.64 per Placing Share. The completion of the Placing took place on 20 February 2014 in accordance with the terms and conditions of the Placing Agreement.

## **CORPORATE GOVERNANCE PRACTICES**

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2013.

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("Code") in Appendix 15 to the GEM Listing Rules. The Company complied with the Code for the year ended 31 December 2013.

Below are the corporate governance practices adopted by the Group. On 30 June 2005, pursuant to a resolution in writing passed by the Directors, the corporate governance practices adopted by the Group are as follows:

- Code of ethics and securities transactions;
- Corporate governance practice manual;
- Term of reference for audit committee;
- Term of reference for board committee;
- Term of reference for remuneration committee; and
- Term of reference for nomination committee.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group adopted the required standard of dealings set out in rules 5.48 to 5.67 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 year ended 31 December 2013, they had fully complied with the required standard of dealings and there was no event of non-compliance.

## **INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS**

The Board is committed to providing clear and full information about the Company's performance to shareholders through the publication of quarterly reports and annual reports. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the websites of the Stock Exchange and the Company, which is updated regularly. The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 working days' notice. The Chairman, Directors and external auditors are available to answer questions on the Company's businesses at the meeting. The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships.



## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board of Directors as set out in Chapter 5 of the GEM Listing Rules throughout year ended 31 December 2013.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. The current Committee is chaired by Dr. Fong Chi Wah, and the other Audit Committee members are Mr. Wang Zhongmin and Mr. Gu Jiawang. Under its terms of reference for audit committee passed under a directors' resolution dated 30 June 2005, is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements and to monitor compliance with statutory and listing requirements, to engage independent legal or other advisers as it determines is necessary and to perform any investigations. The Audit Committee members held four meetings in 2013.

## **AUDITORS**

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

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

Hong Kong, 28 March 2014

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Guan Guisen, Dr. Lei Chunxiong and Mr. Cao Chunmeng; and three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Wang Zhongmin and Mr. Gu Jiawang.*

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the Company's website at [www.innovationpay.com.hk](http://www.innovationpay.com.hk).*