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

**ANNUAL RESULTS ANNOUNCEMENT**  
**For the year ended 31 December 2014**

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

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

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*This announcement, for which the directors (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 2014, 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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

|   | <i>Note</i> | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>Turnover</b>   | 4           | <b>81,222</b>                  | 142,896                 |
| Cost of sales   |             | <u>(46,173)</u>                | <u>(93,173)</u>         |
| <b>Gross profit</b>                                     |             | <b>35,049</b>                  | 49,723                  |
| Other income  | 5           | <b>4,461</b>                   | 3,943                   |
| Selling expenses  |             | <b>(31,181)</b>                | (19,911)                |
| Administrative expenses                                 |             | <b>(60,675)</b>                | (52,025)                |
| Equity-settled share-based payments                     |             | <u>(4,463)</u>                 | <u>(9,173)</u>          |
| <b>Loss from operations</b>                             |             | <b>(56,809)</b>                | (27,443)                |
| Finance costs   | 6           | <b>(9,714)</b>                 | (13,187)                |
| Impairment of intangible assets                         |             | –                              | (933)                   |
| Impairment of goodwill                                  | 14          | <b>(53,323)</b>                | (228,787)               |
| Impairment of amount due from an associate              |             | –                              | (4,733)                 |
| Gain on fair value change of investment in an associate |             | –                              | 1,273                   |
| <b>Loss before tax</b>                                  |             | <b>(119,846)</b>               | (273,810)               |
| Income tax expense                                      | 7           | <b>(3,740)</b>                 | (4,927)                 |
| <b>Loss for the year</b>                                | 8           | <b><u>(123,586)</u></b>        | <b><u>(278,737)</u></b> |
| <b>Attributable to:</b>                                 |             |                                |                         |
| Owners of the Company                                   |             | <b>(122,724)</b>               | (279,352)               |
| Non-controlling interests                               |             | <b>(862)</b>                   | 615                     |
|   |             | <b><u>(123,586)</u></b>        | <b><u>(278,737)</u></b> |
|   |             | <i>HK cents</i>                | <i>HK cents</i>         |
| <b>Loss per share</b>                                   | 9           |                                |                         |
| Basic   |             | <b><u>(2.37)</u></b>           | <b><u>(5.93)</u></b>    |
| Diluted   |             | <b><u>N/A</u></b>              | <b><u>N/A</u></b>       |

|  | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| <b>Loss for the year</b>                                   | <b>(123,586)</b>               | (278,737)               |
| <b>Other comprehensive income:</b>                         |                                |                         |
| <i>Items that may be reclassified to profit or loss:</i>   |                                |                         |
| Exchange differences on translating foreign operations     | <u>(20,387)</u>                | <u>31,795</u>           |
| <b>Other comprehensive income for the year, net of tax</b> | <u>(20,387)</u>                | <u>31,795</u>           |
| <b>Total comprehensive income for the year</b>             | <u><b>(143,973)</b></u>        | <u>(246,942)</u>        |
| <b>Attributable to:</b>                                    |                                |                         |
| Owners of the Company                                      | <b>(143,111)</b>               | (247,557)               |
| Non-controlling interests                                  | <u>(862)</u>                   | <u>615</u>              |
|  | <u><b>(143,973)</b></u>        | <u>(246,942)</u>        |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

|  | <i>Note</i> | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| <b>Non-current assets</b>                                      |             |                         |                         |
| Property, plant and equipment                                  |             | 8,122                   | 6,546                   |
| Long term deposits   |             | 28,281                  | 28,216                  |
| Intangible assets  |             | 16,450                  | 10,210                  |
| Goodwill   | 14          | 686,451                 | 743,092                 |
| Investment in an associate                                     |             | –                       | –                       |
| Amount due from an associate                                   |             | –                       | –                       |
| Available for sale financial assets                            |             | 62,525                  | –                       |
| Deferred tax assets  |             | 1,876                   | 1,918                   |
|  |             | <u>803,705</u>          | <u>789,982</u>          |
| <b>Current assets</b>  |             |                         |                         |
| Inventories  |             | 6,770                   | 1,921                   |
| Trade receivables  | 11          | 59,593                  | 48,570                  |
| Prepayments, deposits and other receivables                    |             | 72,873                  | 37,170                  |
| Bank and cash balances   |             | 162,595                 | 109,639                 |
| Tax recoverable  |             | –                       | 296                     |
|  |             | <u>301,831</u>          | <u>197,596</u>          |
| <b>Current liabilities</b>                                     |             |                         |                         |
| Trade payables   | 12          | 11,956                  | 4,961                   |
| Accruals and other payables                                    |             | 49,870                  | 60,555                  |
| Borrowings   |             | 625                     | –                       |
| Amount due to a non-controlling shareholder<br>of a subsidiary |             | 666                     | –                       |
| Contingent consideration payable                               |             | 10,110                  | –                       |
| Amounts due to directors                                       |             | 5                       | 9,253                   |
| Current tax liabilities  |             | 2,904                   | 2,228                   |
|  |             | <u>76,136</u>           | <u>76,997</u>           |
| <b>Net current assets</b>                                      |             | <u>225,695</u>          | <u>120,599</u>          |
| <b>Total assets less current liabilities</b>                   |             | <u>1,029,400</u>        | <u>910,581</u>          |
| <b>Non-current liabilities</b>                                 |             |                         |                         |
| Convertible bonds  |             | –                       | 86,596                  |
| Deferred tax liabilities                                       |             | 1,076                   | –                       |
|  |             | <u>1,076</u>            | <u>86,596</u>           |
| <b>NET ASSETS</b>  |             | <u>1,028,324</u>        | <u>823,985</u>          |
| <b>Capital and reserves</b>                                    |             |                         |                         |
| Share capital  | 13          | 56,055                  | 47,071                  |
| Reserves   |             | 965,767                 | 776,207                 |
| Equity attributable to owners of the Company                   |             | 1,021,822               | 823,278                 |
| Non-controlling interests                                      |             | 6,502                   | 707                     |
| <b>TOTAL EQUITY</b>  |             | <u>1,028,324</u>        | <u>823,985</u>          |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2014*

|   | 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/(loss) | Total            |                           |                  |
|   | HK\$'000                              | HK\$'000              | HK\$'000        | HK\$'000          | HK\$'000         | HK\$'000             | HK\$'000                         | HK\$'000        | HK\$'000                | HK\$'000         | HK\$'000                  | HK\$'000         |
| At 1 January 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                     | -                | -                         | -                |
| At 31 December 2013                                   | <u>47,071</u>                         | <u>640,060</u>        | <u>(2,850)</u>  | <u>8,677</u>      | <u>90,162</u>    | <u>15,095</u>        | <u>11,711</u>                    | <u>523</u>      | <u>12,829</u>           | <u>823,278</u>   | <u>707</u>                | <u>823,985</u>   |
| At 1 January 2014                                     | 47,071                                | 640,060               | (2,850)         | 8,677             | 90,162           | 15,095               | 11,711                           | 523             | 12,829                  | 823,278          | 707                       | 823,985          |
| Total comprehensive income for the year               | -                                     | -                     | -               | -                 | (20,387)         | -                    | -                                | -               | (122,724)               | (143,111)        | (862)                     | (143,973)        |
| Transfer to statutory reserve                         | -                                     | -                     | -               | 1,200             | -                | -                    | -                                | -               | (1,200)                 | -                | -                         | -                |
| Arising from acquisition of a subsidiary (Note 37(a)) | -                                     | -                     | -               | -                 | -                | -                    | -                                | -               | -                       | -                | 6,657                     | 6,657            |
| Issued from placing                                   | 2,000                                 | 125,040               | -               | -                 | -                | -                    | -                                | -               | -                       | 127,040          | -                         | 127,040          |
| Conversion of convertible bonds                       | 3,750                                 | 104,271               | -               | -                 | -                | -                    | (11,711)                         | -               | -                       | 96,310           | -                         | 96,310           |
| Exercise of warrants                                  | 2,200                                 | 86,184                | -               | -                 | -                | -                    | -                                | (384)           | -                       | 88,000           | -                         | 88,000           |
| Exercise of share options                             | 1,034                                 | 35,767                | -               | -                 | -                | (10,959)             | -                                | -               | -                       | 25,842           | -                         | 25,842           |
| Share-based payments                                  | -                                     | -                     | -               | -                 | -                | 4,463                | -                                | -               | -                       | 4,463            | -                         | 4,463            |
| Release upon lapse of share options                   | -                                     | -                     | -               | -                 | -                | (197)                | -                                | -               | 197                     | -                | -                         | -                |
| Changes in equity for the year                        | <u>8,984</u>                          | <u>351,262</u>        | <u>-</u>        | <u>1,200</u>      | <u>(20,387)</u>  | <u>(6,693)</u>       | <u>(11,711)</u>                  | <u>(384)</u>    | <u>(123,727)</u>        | <u>198,544</u>   | <u>5,795</u>              | <u>204,339</u>   |
| At 31 December 2014                                   | <u>56,055</u>                         | <u>991,322</u>        | <u>(2,850)</u>  | <u>9,877</u>      | <u>69,775</u>    | <u>8,402</u>         | <u>-</u>                         | <u>139</u>      | <u>(110,898)</u>        | <u>1,021,822</u> | <u>6,502</u>              | <u>1,028,324</u> |

## 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 AND REQUIREMENTS

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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

#### (a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

##### **Amendment to HKAS 32, Offsetting financial assets and financial liabilities**

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

##### **Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets**

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

### **HK(IFRIC) 21, Levies**

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these consolidated financial statements as the Group is not currently subjected to significant levies.

### **Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting**

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

### **Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)**

This amendment clarifies the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group’s consolidated financial statements.

### **Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010-2012 Cycle)**

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

### **Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)**

This amendment to the standard’s basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

#### **(b) New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group has assessed, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.



**List of new and revised HKFRSs in issue but not yet effective that are relevant to the Group's operation**

|                                   |   |
|-----------------------------------|---|
| HKFRS 9                           | Financial Instruments <sup>1</sup>  |
| HKFRS 15                          | Revenue from Contracts with Customers <sup>2</sup>                                |
| Amendments to HKAS 1              | Disclosure Initiative <sup>4</sup>  |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup> |
| Amendments to HKFRSs              | Annual Improvements to HKFRSs 2010-2012 Cycle <sup>5</sup>                        |
| Amendments to HKFRSs              | Annual Improvements to HKFRSs 2011-2013 Cycle <sup>3</sup>                        |
| Amendments to HKFRSs              | Annual Improvements to HKFRSs 2012-2014 Cycle <sup>4</sup>                        |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

**3. SEGMENT INFORMATION**

The Group has four (2013: three) operating segments as follows:

|                                     |   |  |
|-------------------------------------|---|--|
| General trading operations          | – | trading of mobile phones, computers, communication equipments, currency sorters and other goods  |
| Prepaid card and related operations | – | 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") |
| Travellers related services         | – | provision of air-ticketing services and related customer services  |
| Onecomm                             | – | provision of third party payment system solution and sales of integrated smart point of sales ("POS") devices  |

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

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include equity-settled share-based payment, impairment of goodwill and imputed interest on convertible bonds. Segment assets do not include deferred tax assets, goodwill and available-for-sale financial assets and other corporate assets. 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 operating segment profit or loss, assets and liabilities:

|   | General<br>trading<br>operations<br><i>HK\$'000</i> | Prepaid<br>card<br>and related<br>operations<br><i>HK\$'000</i> | Travellers<br>related<br>services<br><i>HK\$'000</i> | Onecomm<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|---|--|----------------------------|---------------------------|--------------------------|
| <b>Year ended</b>                       |   |   |  |                            |                           |                          |
| <b>31 December 2014</b>                 |   |   |  |                            |                           |                          |
| Revenue from external customers         | 51,160  | 22,911  | 7,151  | -                          | -                         | 81,222                   |
| Segment profit/(loss)                   | (3,235)   | (16,346)  | (14,690)   | -                          | (710)                     | (34,981)                 |
| Interest income                         | 2,332   | 1,054   | 7  | -                          | 30                        | 3,423                    |
| Depreciation and amortisation           | (855)   | (1,513)   | (2,380)  | -                          | -                         | (4,748)                  |
| Income tax expense                      | (730)   | (3,010)   | -  | -                          | -                         | (3,740)                  |
| Other material items of non-cash items: |   |   |  |                            |                           |                          |
| – Intangible assets written off         | (928)   | (167)   | -  | -                          | -                         | (1,095)                  |
| Additions to segment non-current assets | 192   | 5,277   | 1,106  | 8,534                      | -                         | 15,109                   |
| <b>As at 31 December 2014</b>           |   |   |  |                            |                           |                          |
| Segment assets                          | <u>137,252</u>                                      | <u>115,589</u>  | <u>14,734</u>  | <u>20,493</u>              | <u>128</u>                | <u>288,196</u>           |

|   | General trading operations<br><i>HK\$'000</i> | Prepaid card and related operations<br><i>HK\$'000</i> | Travellers related services<br><i>HK\$'000</i> | Onecomm<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|--|--|----------------------------|---------------------------|--------------------------|
| <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)                  |
| Income tax expense  | (1,374)                                       | (3,553)  | –  | –                          | –                         | (4,927)                  |
| Other material items of non-cash items:                   |   |  |  |                            |                           |                          |
| – Gain on fair value change of investment in 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>–</u>                   | <u>392</u>                | <u>239,931</u>           |

Reconciliations of segment revenue and profit or loss:

|  | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| <b>Revenue</b>                                 |                                |                         |
| Total revenue of reportable segments           | <u>81,222</u>                  | <u>142,896</u>          |
| <b>Loss</b>                                    |                                |                         |
| Total profit or loss of reportable segments    | (34,981)                       | (10,919)                |
| Unallocated corporate income and expenses, net | (17,365)                       | (11,744)                |
| Impairment of goodwill                         | (53,323)                       | (228,787)               |
| Equity-settled share-based payment             | (4,463)                        | (9,173)                 |
| Imputed interest on convertible bonds          | <u>(9,714)</u>                 | <u>(13,187)</u>         |
| Consolidated loss before income tax            | <u>(119,846)</u>               | <u>(273,810)</u>        |
| <b>Assets</b>                                  |                                |                         |
| Total assets of reportable segments            | 288,196                        | 239,931                 |
| Unallocated amounts:                           |                                |                         |
| Available-for-sale financial assets            | 62,525                         | –                       |
| Deferred tax assets                            | 1,876                          | 1,918                   |
| Goodwill                                       | 686,451                        | 743,092                 |
| Other corporate assets                         | <u>66,488</u>                  | <u>2,637</u>            |
| Consolidated total assets                      | <u>1,105,536</u>               | <u>987,578</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.

Revenue from major customers:

|                         | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| General trading segment |                                |                         |
| Largest customer        | 12,026                         | 34,117                  |
| Second largest customer | 9,656                          | 24,145                  |
| Third largest customer  | <u>5,243</u>                   | <u>18,042</u>           |

**4. TURNOVER**

|                       | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Sale of goods         | 66,342                         | 121,303                 |
| Rendering of services | <u>14,880</u>                  | <u>21,593</u>           |
|                       | <u>81,222</u>                  | <u>142,896</u>          |

**5. OTHER INCOME**

|   | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interest income                                   | <b>3,423</b>                   | 3,213                   |
| Government grant                                  | –                              | 569                     |
| Others  | <b>25</b>                      | 161                     |
| Gain on deregistration of a branch                | <b>812</b>                     | –                       |
| Gain on disposal of property, plant and equipment | <b>201</b>                     | –                       |
|   | <u><b>4,461</b></u>            | <u>3,943</u>            |

**6. FINANCE COSTS**

|                                       | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---------------------------------------|--------------------------------|-------------------------|
| Imputed interest on convertible bonds | <b>9,714</b>                   | 13,187                  |
|                                       | <u><b>9,714</b></u>            | <u>13,187</u>           |

**7. INCOME TAX EXPENSE**

|                                | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| Current tax – the PRC          |                                |                         |
| Provision for the year         | <b>3,350</b>                   | 4,798                   |
| Under-provision in prior years | <b>390</b>                     | 129                     |
|                                | <u><b>3,740</b></u>            | <u>4,927</u>            |

PRC Enterprise Income Tax has been provided at a rate of 25% (2013: 25%). However, one of the Group's subsidiaries has been recognised as a "New and High Technology Enterprise" in the PRC and were therefore subject to a preferential tax rate of 15% (2013: 15%) for the year ended 31 December 2014.

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 reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

|   | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Loss before tax   | <b>(119,846)</b>               | (273,810)               |
| Tax at the PRC Enterprise Income Tax rate of 25% (2013: 25%)      | <b>(29,962)</b>                | (68,452)                |
| Tax effect of expenses that are not deductible                    | <b>20,057</b>                  | 65,563                  |
| Tax effect of temporary differences not recognised                | <b>607</b>                     | 55                      |
| Tax effect of unused tax losses not recognised                    | <b>13,018</b>                  | 9,148                   |
| Tax effect of utilisation of tax losses not previously recognised | –                              | (793)                   |
| Under-provision in prior years                                    | <b>390</b>                     | 129                     |
| Effect of different tax rates of subsidiaries                     | <b>(370)</b>                   | (723)                   |
| Income tax expense  | <b>3,740</b>                   | 4,927                   |

## 8. LOSS FOR THE YEAR

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

|   | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Auditor's remuneration                                    | <b>1,155</b>                   | 1,092                   |
| Amortisation of intangible assets                         | <b>2,464</b>                   | 1,460                   |
| Cost of inventories sold                                  | <b>44,806</b>                  | 90,830                  |
| Depreciation of property, plant and equipment             | <b>2,359</b>                   | 2,656                   |
| Directors' emoluments                                     |                                |                         |
| – As directors  | <b>429</b>                     | 501                     |
| – For management  | <b>4,799</b>                   | 5,176                   |
|   | <b>5,228</b>                   | 5,677                   |
| Gain on deregistration of a branch                        | <b>(812)</b>                   | –                       |
| (Gain)/loss on disposals of property, plant and equipment | <b>(201)</b>                   | 5                       |
| Operating leases charges                                  | <b>8,678</b>                   | 6,939                   |
| Exchange loss   | <b>1,392</b>                   | 381                     |
| Property, plant and equipment written off                 | –                              | 82                      |
| Impairment of prepayment                                  | <b>75</b>                      | –                       |
| Other receivables written off                             | –                              | 659                     |
| Impairment loss on trade receivables                      | –                              | 1,080                   |
| Intangible assets written off                             | <b>1,095</b>                   | –                       |
| Impairment of intangible assets                           | –                              | 933                     |
| Impairment of goodwill                                    | <b>53,323</b>                  | 228,787                 |
| Impairment of amount due from an associate                | –                              | 4,733                   |
| Staff costs including directors' remuneration             |                                |                         |
| Salaries, bonus and allowances                            | <b>36,390</b>                  | 29,468                  |
| Equity-settled share-based payments                       | <b>4,463</b>                   | 9,173                   |
| Retirement benefits scheme contributions                  | <b>9,567</b>                   | 7,686                   |
|   | <b>50,420</b>                  | 46,327                  |

## 9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following:

|  | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| <b>Loss</b>  |                                |                         |
| Loss for the purpose of calculating basic loss per share   | <u>(122,724)</u>               | <u>(279,352)</u>        |
| <b>Number of shares ('000)</b>   |                                |                         |
| Issued ordinary shares at 1 January  | 4,707,139                      | 4,707,139               |
| Effect of exercise of share options  | 69,726                         | –                       |
| Effect of issue from placing   | 172,603                        | –                       |
| Effect of exercise of warrants   | 57,205                         | –                       |
| Effect of conversion of convertible bonds  | <u>165,767</u>                 | <u>–</u>                |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | <u>5,172,440</u>               | <u>4,707,139</u>        |

As exercise of the Group's outstanding share options, warrants and contingent consideration payable for the year ended 31 December 2014 would be anti-dilutive, no diluted loss per share was presented for the year ended 31 December 2014.

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 (2013: 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 trade receivables based on the invoice date, and net of allowance, is as follows:

|                | <b>Group</b>                   |                         |
|----------------|--------------------------------|-------------------------|
|                | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
| 0 to 30 days   | 21,148                         | 40,050                  |
| 31 to 60 days  | 2,556                          | 1,424                   |
| 61 to 90 days  | 964                            | 841                     |
| 91 to 180 days | 4,224                          | 2,147                   |
| Over 180 days  | <u>30,701</u>                  | <u>4,108</u>            |
|                | <u>59,593</u>                  | <u>48,570</u>           |

As at 31 December 2014, an allowance was made for estimated irrecoverable trade receivables for approximately HK\$1,070,000 (2013: HK\$1,094,000).

Reconciliation of allowance for trade receivables:

|                        | <b>Group</b>    |                 |
|------------------------|-----------------|-----------------|
|                        | <b>2014</b>     | 2013            |
|                        | <b>HK\$'000</b> | <b>HK\$'000</b> |
| At 1 January           | <b>1,094</b>    | –               |
| Allowance for the year | –               | 1,080           |
| Exchange difference    | <b>(24)</b>     | 14              |
|                        | <hr/>           | <hr/>           |
| At 31 December         | <b>1,070</b>    | <b>1,094</b>    |
|                        | <hr/>           | <hr/>           |

As of 31 December 2014, trade receivables of HK\$34,926,000 (2013: HK\$6,394,000) 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>Group</b>    |                 |
|----------------|-----------------|-----------------|
|                | <b>2014</b>     | 2013            |
|                | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Up to 30 days  | <b>964</b>      | 140             |
| 31 to 60 days  | <b>3,193</b>    | 471             |
| 61 to 90 days  | <b>1,029</b>    | 994             |
| 91 to 180 days | <b>7,334</b>    | 1,533           |
| Over 180 days  | <b>22,406</b>   | 3,256           |
|                | <hr/>           | <hr/>           |
|                | <b>34,926</b>   | <b>6,394</b>    |
|                | <hr/>           | <hr/>           |

The carrying amounts of the Group's trade receivables are denominated in RMB as at 31 December 2013 and 2014.

## 12. TRADE PAYABLES

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

|                 | <b>2014</b>     | 2013            |
|-----------------|-----------------|-----------------|
|                 | <b>HK\$'000</b> | <b>HK\$'000</b> |
| 0 to 90 days    | <b>10,919</b>   | 4,394           |
| 91 to 180 days  | <b>38</b>       | 174             |
| 181 to 365 days | <b>785</b>      | 373             |
| Over 365 days   | <b>214</b>      | 20              |
|                 | <hr/>           | <hr/>           |
|                 | <b>11,956</b>   | <b>4,961</b>    |
|                 | <hr/>           | <hr/>           |

The carrying amounts of the Group's trade payables are denominated in RMB as at 31 December 2013 and 2014.



### 13. SHARE CAPITAL

|   | Note | 2014                  |                 | 2013                  |                 |
|---|------|-----------------------|-----------------|-----------------------|-----------------|
|   |      | Number of shares '000 | Amount HK\$'000 | Number of shares '000 | Amount HK\$'000 |
| Authorised:                             |      |                       |                 |                       |                 |
| Ordinary shares of HK\$0.01 each        |      | <u>20,000,000</u>     | <u>200,000</u>  | 20,000,000            | 200,000         |
| Ordinary, issued and fully paid:        |      |                       |                 |                       |                 |
| At 1 January                            |      | 4,707,139             | 47,071          | 4,707,139             | 47,071          |
| Share issued under placing              | (a)  | 200,000               | 2,000           | –                     | –               |
| Share issued under share option scheme  |      | 103,367               | 1,034           | –                     | –               |
| Share issued under convertible bonds    |      | 375,000               | 3,750           | –                     | –               |
| Share issued under exercise of warrants |      | <u>220,000</u>        | <u>2,200</u>    | –                     | –               |
| At 31 December                          |      | <u>5,605,506</u>      | <u>56,055</u>   | 4,707,139             | 47,071          |

*Note:*

- (a) On 12 February 2014, the Company entered into a placing agreement with CCB International Capital Limited (the “Placing Agent”) pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to 200,000,000 placing shares at a price of HK\$0.64 per placing share. The placing was completed on 20 February 2014 and the net proceeds from placing was approximately HK\$127,040,000.

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

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 2014.

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

|  | General trading<br>operations<br>("CGU 1")<br>HK\$'000 | Prepaid card<br>and related<br>operations<br>("CGU 2")<br>HK\$'000 | Travellers<br>related services<br>("CGU 3")<br>HK\$'000 | Onecomm<br>("CGU 4")<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|---|----------------------------------|-------------------|
| <b>Cost</b>                                    |  |  |   |                                  |                   |
| At 1 January 2013                              | 213,344  | 889,653  | –   | –                                | 1,102,997         |
| Acquisition of a subsidiary                    | –  | –  | 4,691   | –                                | 4,691             |
| Exchange differences                           | 5,986  | 24,959   | 126   | –                                | 31,071            |
| At 31 December 2013 and 1 January 2014         | 219,330  | 914,612  | 4,817   | –                                | 1,138,759         |
| Acquisition of a subsidiary                    | –  | –  | –   | 13,186                           | 13,186            |
| Exchange differences                           | (4,872)  | (20,310)   | (107)   | –                                | (25,289)          |
| At 31 December 2014                            | 214,458  | 894,302  | 4,710   | 13,186                           | 1,126,656         |
| <b>Accumulated impairment losses</b>           |  |  |   |                                  |                   |
| At 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 and 1 January 2014         | 164,794  | 230,873  | –   | –                                | 395,667           |
| Impairment loss recognised in the current year | 53,323   | –  | –   | –                                | 53,323            |
| Exchange differences                           | (3,659)  | (5,126)  | –   | –                                | (8,785)           |
| At 31 December 2014                            | 214,458  | 225,747  | –   | –                                | 440,205           |
| <b>Carrying amount</b>                         |  |  |   |                                  |                   |
| At 31 December 2014                            | –  | 668,555  | 4,710   | 13,186                           | 686,451           |
| At 31 December 2013                            | 54,536   | 683,739  | 4,817   | –                                | 743,092           |

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the 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.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2014, 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 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> ) | 1,300,200,000      | –                               | 1,300,200,000            | 23.20%         |
| Dr. Lei Chunxiong                 | 159,290,000        | –                               | 159,290,000              | 2.84%          |
| Mr. Cao Chunmeng                  | 47,620,000         | 19,800,000<br>( <i>Note 2</i> ) | 67,420,000               | 1.20%          |
| Mr. Yan Xiaotian                  | 21,640,000         | –                               | 21,640,000               | 0.39%          |
| Dr. Fong Chi Wah                  | –                  | 1,000,000<br>( <i>Note 2</i> )  | 1,000,000                | 0.02%          |
| Mr. Wang Zhongmin                 | 600,000            | 400,000<br>( <i>Note 2</i> )    | 1,000,000                | 0.02%          |
| Mr. Gu Jiawang                    | 600,000            | 400,000<br>( <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.

*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, 2014, 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 2014.

## **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 2014 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 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**

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.

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.

As mentioned in Third Quarterly Report of 2014, it is management strategy to scale down the general trading segment. As a result, the revenue from the general trading segment continue to decrease and in 2014 the Company had made impairment of goodwill of approximately HK\$53,323,000 (2013: HK\$164,794,000).

During the year, no impairment of goodwill on the prepaid card business segment has been made (2013: HK\$63,993,000).

During the year of 2014, 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.

For 2014, the PRC Tax Reform (i.e. replacing “Business Tax” with “Value Added Tax”) has no further effect to the Group. No additional provision was provided (2013: RMB2.6 million). There will be no further effect from 2015 onwards.

### **Financial Review**

During the year ended 31 December 2014, the Group’s turnover was approximately HK\$81,222,000 (2013: HK\$142,896,000), a 43% decrease as compared to last year. The Group recorded a loss attributable to shareholders of the Company amounted to approximately HK\$122,724,000 (2013: loss HK\$279,352,000). The gross profit margin of the Group recorded 43% (2013: 35%). Of the said loss, HK\$53,323,000 (2013: HK\$228,787,000) was attributable to impairment of goodwill.

### **Sales and Marketing**

For the twelve months ended 31 December 2014, the Group adopted more-client-oriented promotional strategies to promote the products, sales and marketing expenses recorded HK\$31,181,000 (2013:HK\$19,911,000), resulting a 56.6% increase over the same period last year.

### **Significant Investment**

On 10 October 2014, Beijing Tiantongsaibo Information Technology Co., Ltd. (Beijing TTSB, a wholly-owned subsidiary of the Company), 北京一鳴神州科技有限公司 (Beijing ONECOMM Technology Company Limited) (the “Target Company”) and the Existing Shareholders of the Target Company entered into the Capital Contribution Agreement pursuant to which Beijing TTSB conditionally agreed to invest RMB8,000,000 (equivalent to approximately HK\$10,094,764) in the registered capital of the Target Company by way of cash. Upon Completion, Beijing TTSB shall be entitled to 51% of (i) the voting right at general meetings of the Target Company, (ii) the total amount of dividend distributed by the Target Company; and (iii) the remaining assets of the Target Company upon liquidation.

On 10 October 2014, the Company and Mr. Sun (one of the Existing Shareholders of the Target Company) entered into the Incentive Agreement pursuant to which the Company shall conditionally reward Mr. Sun with an aggregate amount not exceeding RMB25,750,000 (equivalent to approximately HK\$32,492,523) based on the level of Net Profit for the six months ending 31 December 2014 and each of the two years ending 31 December 2016, by way of issue and allotment of the Incentive Shares.

Details of Share Transaction has been disclosed in the Announcement by the Company on 10 October 2014.

Pursuant to a shareholders contribution agreement dated 19 November 2014, Beijing Tiantongsaibo Information Technology Co., Ltd. (“Beijing TTSB”) together with four other companies including 海爾集團公司, jointly established 海爾消費金融 in accordance with “The Company Law of the People’s Republic of China” and the requirements of the “Pilot Administrative Measures for Consumer Finance Companies” (《消費金融公司試點管理辦法》) of Chinese Banking Regulatory Commission (“CBRC”). The capital contribution made by Beijing TTSB was RMB50 million (equivalent to approximately HK\$63.1 million), at a capital contribution ratio of 10%.

The main business of 海爾消費金融 are: (1) personal consumer loans; (2) acceptance of deposits from domestic shareholders and their subsidiaries; (3) borrowings from domestic financial institutions; (4) issuance of financial bonds upon approval; (5) domestic inter-bank lending; (6) consultancy and agency business in relation to consumer finance; (7) agency sales of insurance products in relation to consumer loans; (8) fixed-income securities investment business; and (9) other businesses as approved by CBRC.

As a capital contributor to 海爾消費金融, Beijing TTSB’s wholly-owned subsidiary, Beijing Gaohuitong Commercial Management Company Limited (北京高匯通商業管理有限公司), which holds a “license of payment operations”, will provide all-faceted payment services for the operations of 海爾消費金融, including the development and launch of integrated intelligent POS, the operations and management of prepaid card system and the development of relevant payment software. The prepaid cards business of the Company would also accelerate the accumulation of individual users and expand the acceptance of the prepaid cards, through the cooperation with 海爾消費金融. This will actively stimulate the development of the prepaid cards business of the Company.

## **Major Events**

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, on a best endeavours basis, up to 200,000,000 Placing Shares, to not less than six Placees 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.

In May 2014, the Company entered into a strategic cooperation framework agreement with Orange Sky Golden Harvest Cinemas (China) Co., Ltd (“Orange Sky Golden Harvest”, which is a wholly-owned subsidiary of Orange Sky Golden Harvest Entertainment (Holdings) Limited listed on the Hong Kong Stock Exchange) in order to motivate the application and development of the prepaid cards in the cinema industry. Both parties will consolidate their respective technologies, channels and operating resources and will jointly issue and operate co-branded prepaid card products so as to provide payment services covering numerous payment methods and more diversified membership services for members of “Orange Sky Golden Harvest”. The cooperation will set an active and positive role for expanding the industrial application of the Group’s prepaid cards and the optimization of the acceptance environment of prepaid cards.

On 28 June 2012 Beijing Gaohuitong Commercial Management, an indirect wholly owned subsidiary of the Company 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 Gaohuitong Commercial Management to operate the business of “Online Payment (National)” and “Issuance and Acceptance of Prepaid Cards”, covering Beijing, Shanghai, Zhejiang, Guangdong and Liaoning Provinces.

On 26 November 2014, the payment and settlement division of the operations office (營業管理部) of PBOC has released a reply document to Beijing Gaohuitong Commercial Management (“Gaohuitong”) for their approval to Gaohuitong (the “Approval”). The Approval allowed Gaohuitong permitted to operate the card of “高匯通•微樂付卡” in China countrywide on a pilot basis. The card is to be used for individuals, small value (single card amount not more than RMB1,000), and is a convenience form of a virtual prepaid cards. The Company and Gaohuitong will strictly comply with the requirements of the Approval, positive, safe, and orderly conduct of this new business under the management guidance of PBOC.

### **Financial Resources and Liquidity**

As at 31 December 2014, the Group has cash and cash equivalents of approximately HK\$162,595,000 (2013: HK\$109,639,000).

As at 31 December 2014, the Group has bank borrowings of HK\$625,000.

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

As at 31 December 2014, the Group has no material capital commitments or substantial pledges on its assets.

### **Contingent Liabilities**

As at 31 December 2014, the Group has no material contingent liabilities.

As at 31 December 2014, the total current assets over the total current liabilities was 3.96 times (2013: 2.57 times). The ratio of all debts to total assets was 0 (2013: 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 2014, the Group had 28 trademarks (2013: 12) registered in China and Hong Kong, of which all trademarks have been approved.

At the same time, the Group had 60 software copyrights (2013: 50) and 5 patents (2013: 0) in China.

## **Employees**

As at 31 December 2014, the Group has approximately 332 employees (2013: 257). 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 2014, 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, 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”, 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.



As one of the major development trend in the industry, the virtual prepaid card can effectively resolves the problems that exist in the O2O situation. The Group sees the “高匯通•微樂付” business as our core business in the coming years. The Group will gradually launch the card throughout the country by region and stages. On one hand the Group will continue to enhance the card acceptance environment, including soliciting more merchant users as well as promoting the usage of the integrated intelligent POS machines. On the other hand, the Group will also actively promote this payment solution to penetrate into different industries, for example, the consumer finance industry etc..

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 The Reporting Period**

On 6 February 2015, the Company and Greater China Select Fund (“Subscriber”) entered into a Subscription Agreement (“Agreement”). Pursuant to the Agreement, the Company agreed to issue 530,000,000 unlisted warrants at an issue price of HK\$0.002 per warrant. Each warrant entitled the Subscriber for one ordinary share of HK\$0.01 each at an initial subscription price of HK\$0.72 per share at any time within 5 years commencing from the date of issue of warrants.

On 5 March 2015, the Company and the Subscriber entered into a Supplemental Agreement (“Supplemental Agreement”) on 5 March 2015. Pursuant to which completion of the Agreement shall be subject to and conditional upon passing the resolution(s) at a general meeting of the Company to approve the Agreement and the long stop date for fulfillment of the conditions precedent under the Agreement has been postponed to 31 May 2015.

### **CORPORATE GOVERNANCE PRACTICES**

The Board hereby presents this Corporate Governance Report in the Company’s annual report for the year ended 31 December 2014.

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 2014.

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 2014, 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 20 business days' notice as stipulated in the Company bye-laws. 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 2014.

## 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 2014.

## 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, 30 March 2015

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Guan Guisen, Dr. Lei Chunxiong, Mr. Cao Chunmeng and Yan Xiaotian; 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).*