



**2012**  
*Annual Report* 年報



**Jian ePayment Systems Limited**  
華普智通系統有限公司

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立之有限公司)  
Stock Code 股份代號: 8165

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profit ability nor any obligation to forecast future profitability.

Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (the “Directors”) of Jian ePayment Systems Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Li Sui Yang (*Chairman*)  
Mr. Tan Wen (*Chief Executive Officer*)  
Mr. Fok Ho Yin Thomas (*Chief Financial Officer*)

## NON-EXECUTIVE DIRECTORS

Mr. Hu Hai Yuan  
Mr. Tang Hao  
Mr. Fan Bao Shan

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qu Xiao Guo  
Mr. Zhang Xiao Jing  
Ms. Tung Fong

## AUDIT COMMITTEE

Mr. Qu Xiao Guo (*Chairman*)  
Mr. Zhang Xiao Jing  
Ms. Tung Fong

## REMUNERATION COMMITTEE

Mr. Qu Xiao Guo (*Chairman*)  
Mr. Zhang Xiao Jing  
Ms. Tung Fong

## NOMINATION COMMITTEE

Mr. Li Sui Yang (*Chairman*)  
Mr. Qu Xiao Guo  
Mr. Zhang Xiao Jing  
Ms. Tung Fong

## COMPLIANCE OFFICER

Mr. Li Sui Yang

## COMPANY SECRETARY

Mr. Fok Ho Yin Thomas

## AUTHORISED REPRESENTATIVES

Mr. Tan Wen  
Mr. Fok Ho Yin Thomas

## AUDITOR

RSM Nelson Wheeler, Certified Public Accountants  
29th Floor, Caroline Centre  
Lee Gardens Two, 28 Yun Ping Road, Hong Kong

## REGISTERED OFFICE

Century Yard, Cricket Square  
Hutchins Drive, P.O. Box 2681 GT  
George Town, Grand Cayman, British West Indies

## PRINCIPAL PLACE OF BUSINESS

84 Jing Bei Yi Lu,  
Economic and Technological Development District  
Zhengzhou, Henan, PRC

## BEIJING OFFICE

17/F, Huapu International Plaza  
19 Chaoyangmen Waidijie, Chaoyang District  
Beijing, PRC

## HONG KONG OFFICE

2104, Saxon Tower, 7 Cheung Shun Street  
Lai Chi Kok, Kowloon, Hong Kong

## PRINCIPAL BANKER

Bank of China

## PRINCIPAL REGISTRARS

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH REGISTRARS

Hong Kong Registrars Limited  
Room 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wan Chai, Hong Kong

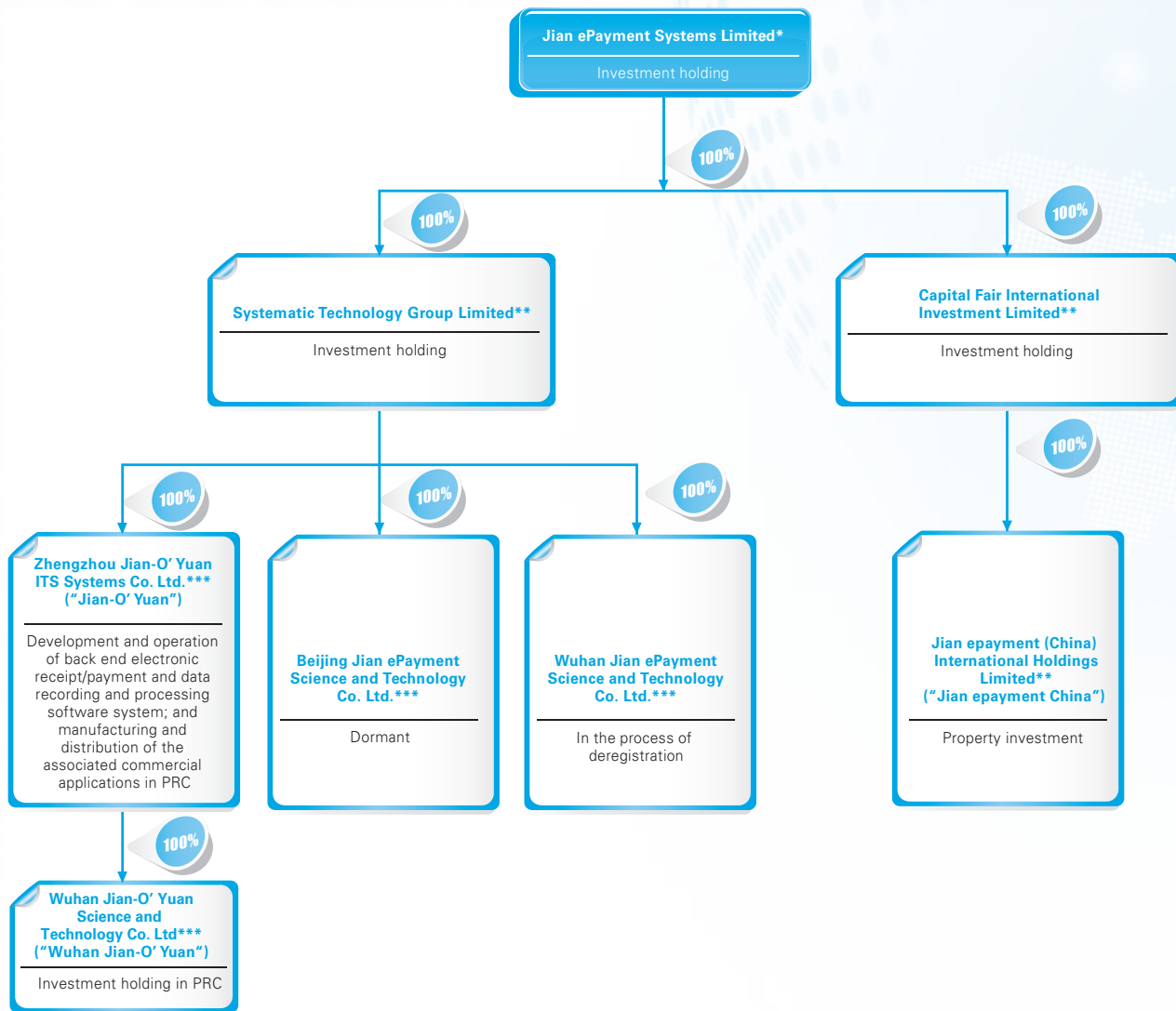
## STOCK CODE

8165

## COMPANY WEBSITE

[www.jianepayment.com](http://www.jianepayment.com)

# Corporate Structure



- \* incorporated in Cayman Islands
- \*\* incorporated in British Virgin Islands
- \*\*\* established in the PRC

# Chairman's Statement

The board of directors (the "Board") of Jian ePayment Systems Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to announce the audited results of the Group for the year ended 31 December 2012.

## BUSINESS DEVELOPMENT

During the year under review, the Group continued operating the car-parking electronic payment system. Sales of the Group for the year increased 150% as compared to last year due to strong demand from the Guangzhou market. The Group will continue to improve its operational and managerial capabilities and will also continue to improve the functionality and reliability of its products to meet with the strong market competition.

On 6 November 2012, the Company entered into a conditional sale and purchase agreement (the "S&P") to acquire the entire issued capital of Harvest Moon Global Investments Limited and its subsidiaries (collectively referred to as the "Target Group") at a consideration of HK\$1,580,000,000 (the "Consideration") which will be satisfied by (i) the HK\$25,000,000 deposit paid under the framework agreement; (ii) cash of HK\$1,025,000,000; (iii) issuance of 2,100,000,000 consideration shares at an issue price of HK\$0.1 per share by the Company; and (iv) issuance of convertible bonds of HK\$320,000,000 at a conversation price of HK\$0.1 per conversation share by the Company upon completion of the proposed acquisition.

To finance the cash portion of the Consideration of HK\$1,025,000,000, the expansion plan and the future working capital requirement of the Target Group's potash mining and processing operation, the Company entered into seven conditional subscription agreements and placing agreement with seven subscribers on 6 November 2012 and 12 November 2012 and the placing agent on 6 November 2012 for the issuance of 13,781,086,420 new shares of the Company and to procure together not less than six placees for 300,000,000 new shares of the Company at subscription and placing price of HK\$0.1 each respectively.

The completion of the proposed acquisition is subject to the fulfillment of the conditions set out in the S&P, including approval of the Company's shareholders in special general meeting. As of the approval date on the financial statements of the Company, the proposed acquisition is under progress and not yet completed.

The Target Group is principally engaged in the production and sale of potassium fertilizer for agricultural use and its related products in the PRC. We believe the proposed acquisition and development into resources-related business will speed up the Group's business transformation which enables the Group to deliver long-term sustainable returns to shareholders.

Details are disclosed in the Company's announcement dated 21 January 2013.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the Group's management and staff for their dedication and commitment throughout the year. Besides, I would like to thank all shareholders, business partners, customers, and vendors for their support and encouragement given to the Group in the past years. My thanks are also extended to the lawyers, auditors, consultants and relevant enterprises who always give us help and support.

**Li Sui Yang**  
*Chairman*

Hong Kong

22 February 2013

# Management Discussion and Analysis

## FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately RMB5.66 million (2011: RMB2.26 million), representing an increase of 150% over the last year. Loss attributable to owners of the Company amounted to approximately RMB25.1 million (2011: RMB20.3 million).

## REVIEW OF OPERATION

### 1. Jian-O' Yuan

Turnover for the sales of the electronic car-parking hardware and software was approximately RMB5.3 million (2011: RMB1.6 million), representing an increase of approximately 231% over the last corresponding year. The increase was mainly due to the strong demand from Guangzhou. Details of software and parking equipment sold for 2012 were as follows:

Market	Parking and software equipment	Accumulated parking cards issued
Guangzhou	1,770	750,000
Panyu	40	245,000
Wuhan	–	330,000
Nanning	100	207,000
Haikou	60	110,000

## LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of approximately RMB1.07 million.

## CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets as at 31 December 2012.

## EXCHANGE RATE EXPOSURE

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar or Renminbi. As the exchange rates of Hong Kong dollar and Renminbi were relatively stable during the year, the Group was not exposed to material foreign exchange risk.

# Management Discussion and Analysis

## INCOME TAX

Details of the treatment of the Group's income tax expense for the year ended 31 December 2012 are set out in note 9 to the financial statements.

## HUMAN RESOURCES

As at 31 December 2012, the Group had approximately 23 employees (2011: 26 employees) in the PRC and Hong Kong. The Group continues to remunerate its employees with reference to their performance, experience and the prevailing industry practice. The Group also provides provident fund benefits for its employees in Hong Kong and statutory retirement scheme for its employees in the PRC. 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. The management will continue to monitor the human resources requirements of the Group.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2012.

## SIGNIFICANT INVESTMENTS

The Group had no significant investment for the year ended 31 December 2012.



# Directors and Senior Management Profiles

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive directors

**Mr. Li Sui Yang**, aged 55, is an executive director, the Chairman and the compliance officer of the Group. Mr. Li is also the general manager of Jian-O' Yuan. Mr. Li joined the Group in October 1996 and is responsible for the Group's strategic planning and development. Mr. Li was formerly an independent non-executive director of Pacific Plywood Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Li Holds a master's degree of economic administration from North-west China University. Prior to that, he was a lecturer at Xian Statistics College. He also had vast experience in retail, real estate and electronics industry in the PRC.

**Mr. Tan Wen**, aged 32, is an executive director and the CEO of the Group. Mr. Tan joined the Group on 1 January 2012 and is responsible for the Group's overall operation. Mr. Tan holds a bachelor of economics degree from University of International Business and Economics and a bachelor of art degree from Beijing Institute of Technology. Prior to that, Mr. Tan was the assistant to Mr. Chin Ying Hoi, the former Chairman of the Group, responsible to advising the acquisition of mineral-related projects and business restructuring. Mr. Tan had over 5 years' experiences as a senior auditor with a major international accounting firm and has extensive experience in conducting due diligence, capital verification, internal control audit, and pre-IPO auditing works.

**Mr. Fok Ho Yin Thomas**, aged 41, is an executive director, the CFO and the company secretary of the Group. Mr. Fok joined the Group in September 2007 and is responsible for the Group's corporate finance activities, including merger and acquisitions, capital market activities, banking and investors' relationship. Mr. Fok also oversees the Group's finance and corporate secretarial function. Currently, he is also an independent non-executive director of Rising Development Holdings Limited and Greenfield Chemical Holdings Limited respectively, which shares are listed on the Main Board of the Stock Exchange. Mr. Fok was previously the managing director of Chief Finance Limited which is 52% owned by two public companies listed on the Main Board of the Stock Exchange. Prior to that, Mr. Fok also served as the managing director of another finance company which is wholly-owned by a public company listed on the Main Board of the Stock Exchange. Mr. Fok had worked in the Listing Division of the Stock Exchange and has over 15 years of experience in the field of corporate finance specializing in equity financing and financial restructuring. Mr. Fok is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Fok is also a Chartered Financial Analyst.

# Directors and Senior Management Profiles

## Non-executive directors

**Mr. Fan Bao Shan**, aged 67, is a non-executive director of the Group. Mr. Fan was graduated from Liaoning Technical University\* (遼寧工程技術大學), (formerly known as 阜新礦業學院) specializing in mining. Mr. Fan is a professor level senior engineer and a senior economist. He worked as general manager of China National Coal Group Corp.\* (中國中煤能源集團公司), (formerly known as China National Coal Import and Export Corporation\* 中國煤炭進出口總公司) from 1999 to 2005. Prior to that, he has over 20 years of experience obtained in Gansu Huating Mining Administration\* (甘肅華亭礦務局). Mr. Fan is currently the vice president of China Coal Labor Protection Institute\* (中國煤炭工業勞動保護學會) and vice chairman of China Coal Safe Production Expert Panel\* (中國煤礦安全生產專家委員會). Mr. Fan has over 30 years of experience in mining operation and management. Mr. Fan is also a member of the technical advisory committee of the Company established for the purposes of, including but not limiting to, the provision of advice and consultation to the Company on the potential investment of mining and resources-related business.

**Mr. Tang Hao**, aged 48, is a non-executive director of the Group. Mr. Tang was graduated from the department of laws of East China University of Political Science (華東政法大學), majored in economic laws, in 1986 and obtained the legal qualification in the PRC in 1988. Mr. Tang has extensive experience in strategic planning. He has been working as a lawyer in Shanghai No. 1 Law Firm (上海第一律師事務所), the manager of investment department in Huachen Auto Group (華晨集團), the general manager of Shanghai Huachen Shiye Company (上海華晨實業公司), the supervisor of Jinbei Vehicle Manufacturing Co., Ltd (金杯汽車股份有限公司), the director of Shenzhen Kangda Co., Ltd (深圳康達爾股份有限公司) and the director of Shanghai Zhongxi Pharmaceutical Co., Ltd (上海中西藥業股份有限公司). Mr. Tang is the chief executive officer and executive director of Mastermind Capital Limited (慧德投資有限公司), the shares of which are listed on the Main Board of the Stock Exchange.

**Mr. Hu Hai Yuan**, aged 41, is a non-executive director of the Group and currently works in Oriental Patron Asia Limited engaging principally in corporate finance advisory work. Prior to that, he served as an Engineer of Anshan Steel Group Limited in China. Mr. Hu has over 10 years of experience in the field of corporate finance specialising in corporate restructuring and financing. Mr. Hu holds a Master degree in business administration from Renmin University of China and a Bachelor degree in Mechanic Engineering from Dalian University of Technology.

## Independent non-executive directors

**Mr. Qu Xiao Guo**, aged 42, holds a master's degree in business administration from The Tsinghua University. He is the general manager of Beijing Long An Xin Finance Consulting Company Limited. He was appointed as independent non-executive director on 28 September 2004.

**Mr. Zhang Xiao Jing**, aged 57, holds a bachelor's degree of engineering from Beijing Science and Technology University. He is the managing director of Beijing CNT Manhattan Building Co. Ltd.. He was appointed as independent non-executive director on 26th October, 2001.

**Ms. Tung Fong**, aged 66, holds a bachelor's degree of international trade from Beijing Foreign Trade Institute. She is the chairman of Grand Rise Investment Ltd. She was appointed as independent non-executive director on 26 October 2001.

# Directors and Senior Management Profiles

## SENIOR MANAGEMENT

**Mr. Ren Ren**, aged 50, is the chief engineer of Jian-O' Yuan. Mr. Ren joined the Group in September 2004 and is responsible for research and development work. He holds a engineering master's degree from Jilin University. Previously he was a Technical Director of Guangzhou Tecsun Science & Technology and Guangzhou Shentong Digital Corporation. He was a research engineer in Dongguan Qisheng Technology Limited. He has more than a decade experience in electronic engineering industry in China.

**Mr. Li Xiao Dong**, aged 43, is the chief technical officer of Jian-O' Yuan. Mr. Li joined the Group in February 2001 and is responsible for research and development of software and system integration projects. Mr. Li holds a bachelor degree in electronic engineering from Zhengzhou University. Before joining the Group, Mr. Li has held the position of engineer in Henan Star Hi-Tech Company (河南思達高科公司) and has over 20 years of experience in engineering technique, software development and system integration.

# Report of the Directors

The directors submit their annual report together with the audited financial statements of Jian ePayment Systems Limited for the year ended 31 December 2012.

## PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is an investment holding company and its subsidiaries are engaged in the development and operation of back end electronic receipt/payment and data recording and processing software system; and manufacturing and distribution of the associated commercial applications in PRC.

An analysis of the Group's turnover by product category for the year ended 31 December 2012 is as follows:

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Sales of hardware, software and smart cards	<b>5,265</b>	1,641
Rental income from leasing of machinery	<b>1</b>	102
Repair and maintenance services	<b>398</b>	516
Total	<b>5,664</b>	2,259

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 32.

The Board do not recommend the payment of any dividend.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in page 34 and Note 25 to the financial statements.

## FIXED ASSETS

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 23 to the financial statements.

# Report of the Directors

## DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company has no reserve (2011: Nil) available for distribution to its shareholders.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## SHARE OPTIONS

On 13 March 2008, the share option scheme adopted by the Company on 19 November 2001 (the "old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. On 30 May 2007 and 15 August 2007, all the outstanding options granted under the Old Scheme were lapsed and cancelled automatically according to the Old Scheme.

Pursuant to the New Scheme, the Company may grant options to the participants of the New Scheme to subscribe for shares of the Company. The participants include any employees (whether full-time or part-time and including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board or a duly authorised committee thereof, have contributed to the Group. Unless otherwise terminated or amended, the New Scheme will remain valid and effective for a period of 10 years commencing on 13 March 2008.

The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the New Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of all options granted and to be granted to each participant or grantee (as the case may be) including both exercised and outstanding options in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant.

# Report of the Directors

Any option granted under the New Scheme may be exercised at any time during a period which shall not be more than ten years after the date on which the option is granted, but the board of directors of the Company may impose restrictions on the exercise of options including a minimum period for which all or part of an option may be exercised and/or a minimum period of which all or part of an option shall be held before it can be exercised.

The subscription price will be determined by the Board and will not be less than the highest of the closing price of the shares quoted on the GEM on the date on which the option is granted, the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date on which the option is granted, and the nominal value of the shares on grant date.

Details of specific categories of options are as follows:

<b>Grantee</b>	<b>Date of grant</b>	<b>Vesting period</b>	<b>Exercise period</b>	<b>Exercise price HK\$</b>
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.155
Directors	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.147
Directors	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.147
Others	1 June 2010 (C)	N/A	1 January 2011 to 31 May 2013	0.147
Others	1 June 2010 (D)	N/A	1 January 2012 to 31 May 2013	0.147

# Report of the Directors

Details of the share options outstanding during the year are as follows:

	2012		2011	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	157,800,000	0.150	162,800,000	0.151
Exercised during the year	–	–	(5,000,000)	0.155
Outstanding at the end of the year	157,800,000	0.150	157,800,000	0.150
Exercisable at the end of the year	157,800,000	0.150	132,300,000	0.151

Name or category of participant	Number of share options					
	At 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Reclassification during the year	At 31 December 2012
	'000	'000	'000	'000	'000	'000
<b>Directors</b>						
Chin Ying Hoi	15,800	–	–	–	(15,800)	–
Li Sui Yang	12,800	–	–	–	–	12,800
Fok Ho Yin Thomas	12,800	–	–	–	–	12,800
Hu Hai Yuan	8,000	–	–	–	–	8,000
Tung Fong	800	–	–	–	–	800
Zhang Xiao Jing	800	–	–	–	–	800
Qu Xiao Guo	800	–	–	–	–	800
<b>Employees other than directors</b>						
In aggregate	8,000	–	–	–	–	8,000
<b>Other participants</b>						
In aggregate	98,000	–	–	–	15,800	113,800
	157,800	–	–	–	–	157,800

# Report of the Directors

## DIRECTORS

The directors during the year and up to the date of this Annual Report were:

### Executive directors:

Mr. Li Sui Yang  
Mr. Tan Wen  
Mr. Fok Ho Yin Thomas

### Non-executive directors:

Mr. Fan Bao Shan  
Mr. Tang Hao  
Mr. Hu Hai Yuan

### Independent non-executive directors:

Mr. Qu Xiao Guo  
Mr. Zhang Xiao Jing  
Ms. Tung Fong

In accordance with the Company's Articles of Association, one third of directors will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

## DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for the related party transactions set out in Note 30 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director, substantial shareholder or management staff of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 8 to 10.



# Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2012, the interest of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

### Interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations

#### (a) *Interests in shares*

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 December 2012
Mr. Li Sui Yang	Beneficiary owner	670,000	–	–	670,000	0.05%
Mr. Fok Ho Yin Thomas	Beneficiary owner	300,000	–	–	300,000	0.02%

# Report of the Directors

## (b) *Interests in share options*

<b>Name</b>	<b>Type of interests</b>	<b>Outstanding shares option as at 31 December 2012</b>	<b>Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2012</b>
Li Sui Yang	Personal	12,800,000	1.00%
Fok Ho Yin Thomas	Personal	12,800,000	1.00%
Hu Hai Yuan	Personal	8,000,000	0.62%
Tung Fong	Personal	800,000	0.60%
Zhang Xiao Jing	Personal	800,000	0.60%
Qu Xiao Guo	Personal	800,000	0.60%

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed herein, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable any of the Company's directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the following persons, other than the Directors or Chief Executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register which was required to be kept by the Company under Section 336 of the SFO:

### Interests in shares and underlying shares

#### Long positions

Name of shareholder	Number of shares	Number of share options/ underlying shares	Percentage of shareholding
Mr. Chin Ying Hoi	101,000,000	15,800,000	9.05%
Union Perfect International Limited ( <i>Note 1</i> )	286,800,000	–	22.22%
Mr. Mung Kin Keung	131,670,000	–	10.2%

*Note 1:* Union Perfect International Limited is beneficially owned as to 100% by Mr. Chin Ying Hoi.

Save as disclosed above, as at 31 December 2012, the Directors were not aware of any other person who had an interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	64%
– five largest suppliers combined	81%
Sales	
– the largest customer	71%
– five largest customers combined	99%

As at 31 December 2012, the substantial shareholder of the Company had interests in the following customers of the Group:

Substantial shareholder	Name of customers	Interests held
Mr. Chin Ying Hoi	Weihai Tian Chuang Electronic System Co., Ltd.	20%
Mr. Chin Ying Hoi	Beijing Huapu Roadside Parking Facilities Construction and Management Co., Ltd.	80%
Mr. Chin Ying Hoi	Shanghai Bai Yu Lan Intelligent Transportation System Management Co., Ltd.	40%

Other than those disclosed above, none of the directors, their associates, or any shareholders, which to the knowledge of the director owns more than 5% of the Company's share capital, had an interest in the Company's five largest customers and five largest suppliers.

## CONNECTED TRANSACTIONS

The significant related party transactions entered by the Group during the year ended 31 December 2012, which constitute connected transactions under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), are disclosed in Note 30 to the financial statements.

## COMPLIANCE WITH RULES 5.34 AND 5.45 OF THE GEM LISTING RULE

The directors consider that the Company has complied with the board practice and procedures as set out in Rules 5.34 and 5.45 of the GEM Listing Rule throughout the year ended 31 December 2012.

# Report of the Directors

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

The text of Corporate Governance Report is set out on pages 21 to 29 of this annual report.

## COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

## AUDITOR

These financial statements have been audited by Messrs RSM Nelson Wheeler. A resolution to re-appoint RSM Nelson Wheeler as auditor will be put at the forthcoming annual general meeting.

By Order of the Board

**Jian ePayment Systems Limited**

**Li Sui Yang**

*Chairman*

Hong Kong

22 February 2013

# Corporate Governance Report

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices.

The Company has complied with the code provisions in the code of corporate governance practice (the “Code of Corporate Governance”) and corporate governance report (the “Corporate Governance Report”) as set out in Appendix 15 of the GEM Listing Rule throughout the year. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

## BOARD OF DIRECTORS

### Composition

During the year under review, the Board of the Company comprised 9 directors. Mr. Li Sui Yang served as Chairman of the Board, Mr. Tan Wen assumed the position as Chief Executive Officer and Mr. Fok Ho Yin Thomas assumed the position as Chief Financial Officer. Three non-executive directors are Mr. Fan Bao Shan, Mr. Hu Hai Yuan and Mr. Tang Hao and three independent non-executive directors are Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.

<b>Board of Directors</b>	<b>Board Member</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee</b>
<i>Executive Directors</i>				
Mr. Li Sui Yang	✓			✓
Mr. Tan Wen	✓			
Mr. Fok Ho Yin Thomas	✓			
<i>Non-executive Directors</i>				
Mr. Fan Bao Shan	✓			
Mr. Tang Hao	✓			
Mr. Hu Hai Yuan	✓			
<i>Independent Non-executive Directors</i>				
Mr. Qu Xiao Guo	✓	✓	✓	✓
Mr. Zhang Xiao Jing	✓	✓	✓	✓
Ms. Tung Fong	✓	✓	✓	✓

There is no relationship (including financial, business, family or other material relationship) among members of the Board.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions, Independent non-executive Directors and Non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Details of backgrounds and qualification of the Directors are set out in the “BIOGRAPHICAL DETAILS OF DIRECTORS’ AND SENIOR MANAGEMENT” of this report.

# Corporate Governance Report

Pursuant to Rule 5.09 of the GEM Listing Rules, each independent non-executive Directors of the Company has submitted his/her annual confirmation letter to confirm that they are independent and all independent non-executive Directors are considered by the Company to be independent. The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control. For details of the service contract of each independent non-executive Directors, please refer to the section headed "Directors' Service Contracts" of the Report of the Directors. The Board has also met the requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

## Re-election and Appointment of Directors

In accordance with the Articles of Association of the Company, (i) all Directors will be subject to retirement by rotation on every three years and the new Directors appointed by the Board to fill a causal vacancy during the year shall be subject to re-election by the shareholders of the Company at the next following general meeting after appointment; and (ii) one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to one-third but not less than one-third), shall retire from office by rotation and being eligible offer themselves for re-election at each annual general meeting and that any new Director appointed by the Board during the year shall hold office until the next following general meeting after appointment, and he or she shall be eligible for re-election at that meeting.

The Board recommended the re-appointment of the retiring Directors standing for re-election at the forthcoming annual general meeting of the Company. Details of the information of the retiring Directors standing for re-election are set out in the circular accompany the notice of the annual general meeting.

The Company has not fixed a specific term of appointment for non-executive Directors. However, they are appointed subject to retirement by rotation and re-election at the AGM of the Company in accordance with the provision of the Articles of Association of the Company. This deviates from the Code of Corporate Governance which requires that non-executive Directors be appointed for a specific term. The Board is of the view that the current practice of appointing non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does not intend to change the current practice at the moment.

# Corporate Governance Report

## Attendance of individual directors at board meetings in 2012

The Board meets regularly to discuss the Company's affairs and operations. During the year under review, the Board held 4 regular Board meetings (within the meaning of the Code of Corporate Governance) at approximately quarterly interval and 5 Board meetings which were convened when board-level decisions on particular matters were required. The Directors attended those meetings in person, by phone or through other electronic means of communication. The attendance record of each member of the Board is set out below:

<b>Name of Director</b>	<b>Attendance/Eligible to attend</b>
Mr. Li Sui Yang	9/9
Mr. Tan Wen	9/9
Mr. Fok Ho Yin Thomas	9/9
Mr. Fan Bao Shan	9/9
Mr. Tang Hao	9/9
Mr. Hu Hai Yuan	9/9
Mr. Qu Xiao Guo	9/9
Mr. Zhang Xiao Jing	8/9
Ms. Tung Fong	8/9

During the regular meetings of the Board, the Directors discussed and formulated the overall strategies of the Group, reviewed and monitored the business and financial performances and discuss the quarterly, half-yearly and annual results, as well as discussed and decided on other significant matters.

The attendance record of the general meeting of the Directors is set out below:

<b>Name of Directors</b>	<b>Attended/Eligible to attend</b>
<i>Executive Directors</i>	
Mr. Li Sui Yang	0/1
Mr. Tan Wen	1/1
Mr. Fok Ho Yin Thomas	1/1
<i>Non-executive Directors</i>	
Mr. Fan Bao Shan	0/1
Mr. Tang Hao	0/1
Mr. Hu Hai Yuan	0/1
<i>Independent Non-executive Directors</i>	
Mr. Qu Xiao Guo	0/1
Mr. Zhang Xiao Jing	0/1
Ms. Tung Fong	0/1



# Corporate Governance Report

## Continuing Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to the Directors. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials. All Directors had provided the Company their training records for the year under review. The directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the directors and officers of the Company. The directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

## Function

The Board of the Company is responsible for devising the Company's overall objectives and strategies, monitoring and evaluating its operating and financial performance, and reviewing the corporate governance standard of the Company. It also decides on matters such as quarter, interim and annual results, investments, director appointments or re-appointments and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the CEO and the senior management. When necessary to discuss significant issues, all directors are given an opportunity to include matters in the agenda for Board meetings.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is segregation of duties between Chairman and CEO. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by other executive management team, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

# Corporate Governance Report

## AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.

The primary duties of the audit committee are to review the quarter, interim and annual financial information of the Company and to provide supervision over the financial reporting system and internal control procedure of the Company.

The audit committee convened 4 meetings during the year and reviewed the financial results and statements, financial reporting and compliance procedures, review and processes of risk management.

The following table sets out the attendance of each member of the audit committee at the audit committee meetings held during the year:

<b>Name of Director</b>	<b>Attendance/No. of times of committee meetings held</b>
Mr. Qu Xiao Guo	4/4
Mr. Zhang Xiao Jing	4/4
Ms. Tung Fong	4/4

The audit committee has reviewed the audited results of the Group of the year and proposed adoption of the same by the Directors.

## REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors, namely, Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and senior management. The remuneration committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

# Corporate Governance Report

The remuneration committee convened one meeting during the year and reviewed the remuneration package of the Board and senior management. The following table sets out the attendance of each member of the remuneration committee at the remuneration committee meetings held during the year:

<b>Name of Director</b>	<b>Attendance/No. of times of committee meeting held</b>
Mr. Qu Xiao Guo	1/1
Mr. Zhang Xiao Jing	1/1
Ms. Tung Fong	1/1

The remuneration policy for year 2012 for Board members and senior management was the same as those adopted in 2011.

## NOMINATION COMMITTEE

The nomination committee comprises one executive director Mr. Li Sui Yang and the three independent non-executive directors namely, Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.

The primary objectives of the nomination committee are to review the size, structure and composition of the Board, identify suitably qualified individual for appointment to the Board, assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The nomination committee convened one meeting during the year and reviewed the composition of the Board and the suitability of Directors proposed for re-appointment at the Company's annual general meeting.

The following table sets out the attendance of each member of the nomination committee at the nomination committee meetings held during the year:

<b>Name of Director</b>	<b>Attendance/No. of times of committee meeting held</b>
Mr. Li Sui Yang	1/1
Mr. Qu Xiao Guo	1/1
Mr. Zhang Xiao Jing	1/1
Ms. Tung Fong	1/1

# Corporate Governance Report

## DIRECTOR'S RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that the judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

## SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for demanding a poll has been included in circulars accompanying notice convening a general meeting and such procedure has been read out by the chairman of the general meeting.

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). At the 2011 Annual General Meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors.

## INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Updated and key information of the Group is also available on the Company's website. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

During the year under review, the terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee were revised in accordance to the amendments of the GEM Listing Rules with effect from 1 January 2012 and 1 April 2012, respectively. The revised terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Stock Exchange and the Company.

# Corporate Governance Report

## PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles of Association of the Company, general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in Article 86 of the Company's Articles of Association. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven (7) days and the period for lodgement of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

## PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of company secretary, by email: [info@jianepayment.com](mailto:info@jianepayment.com), fax: (852) 2587 8771, or mail to 2104, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong.

## INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

# Corporate Governance Report

## CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

## DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transaction by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry to all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year under review.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the year ended 31 December 2012.

## GOING CONCERN

The directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

## INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's internal control system. During the year, the Board has conducted a review on the internal control system and was satisfied with the effectiveness of the system.

## EXTERNAL AUDITOR

During the year, the Company has appointed Messrs RSM Nelson Wheeler ("RSM") as the Company's external auditor. During the year, the remuneration paid/payable to RSM in relation to the audit and non-audit services are as follows:

	<b>Fee paid/payable</b>
	RMB'000
Audit services	324
Non-audit services	1,281

## CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

# Independent Auditor's Report



To the Shareholders of

## **JIAN ePAYMENT SYSTEMS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Jian ePayment Systems Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 77, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

# Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, 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.

## MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to the owners of the Company of RMB25,099,000 for the year ended 31 December 2012 and as at 31 December 2012 the Group had net current liabilities of RMB10,197,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of Mr. Chin Ying Hoi, a substantial shareholder of the Company, at a level sufficient to finance the working capital requirements of the Group. As of the approval date on the financial statements of the Company, the substantial shareholder advanced RMB15,000,000 to the Group to meet its working capital requirements. The financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the financial statements.

### **RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong

22 February 2013



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
<b>Turnover</b>	7(a)	<b>5,664</b>	2,259
Cost of sales and service rendered		<b>(3,825)</b>	(818)
<b>Gross profit</b>		<b>1,839</b>	1,441
Other income	7(b)	<b>934</b>	599
Distribution costs		<b>(363)</b>	(382)
Administrative expenses		<b>(29,194)</b>	(23,575)
<b>Loss from operations</b>		<b>(26,784)</b>	(21,917)
Gain on disposal of a subsidiary	28	<b>1,468</b>	–
<b>Loss before tax</b>		<b>(25,316)</b>	(21,917)
Income tax expense	9	–	–
<b>Loss and total comprehensive loss for the year</b>	10	<b>(25,316)</b>	(21,917)
<b>Loss and total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(25,099)</b>	(20,297)
Non-controlling interests		<b>(217)</b>	(1,620)
		<b>(25,316)</b>	(21,917)
<b>Loss per share</b>			
Basic	13	<b>(RMB0.019)</b>	(RMB0.018)
Diluted	13	<b>N/A</b>	N/A

# Consolidated Statement of Financial Position

At 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	14	6,870	10,454
Goodwill	15	–	–
Deposit paid for acquisition of a subsidiary	16	20,271	20,751
		<b>27,141</b>	31,205
<b>Current assets</b>			
Inventories	17	294	251
Trade and other receivables	18	1,591	567
Bank and cash balances	19	1,070	17,819
		<b>2,955</b>	18,637
<b>Current liabilities</b>			
Trade and other payables	20	9,212	7,705
Advance from a substantial shareholder	21	2,000	–
Due to directors	30	1,930	–
Due to a related company	30	10	10
		<b>13,152</b>	7,715
<b>Net current (liabilities)/assets</b>		<b>(10,197)</b>	10,922
<b>NET ASSETS</b>		<b>16,944</b>	42,127
<b>Capital and reserves</b>			
Share capital	23	61,766	61,766
Reserves	25	(44,822)	(20,141)
Equity attributable to owners of the Company		<b>16,944</b>	41,625
Non-controlling interests		–	502
<b>TOTAL EQUITY</b>		<b>16,944</b>	42,127

Approved by the Board of Directors on 22 February 2013

**Li Sui Yang**  
Director

**Fok Ho Yin Thomas**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserves	General reserve fund	Enterprise expansion fund	Option reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	45,727	25,995	6,304	2,870	1,435	6,439	(75,466)	13,304	2,122	15,426
Issue of shares on placement (Note 23(b))	15,832	31,660	-	-	-	-	-	47,492	-	47,492
Recognition of share-based payments (Note 26)	-	-	-	-	-	483	-	483	-	483
Issue of shares on exercise of share options	207	653	-	-	-	(217)	-	643	-	643
Total comprehensive loss for the year	-	-	-	-	-	-	(20,297)	(20,297)	(1,620)	(21,917)
Changes in equity for the year	16,039	32,313	-	-	-	266	(20,297)	28,321	(1,620)	26,701
At 31 December 2011 and 1 January 2012	61,766	58,308	6,304	2,870	1,435	6,705	(95,763)	41,625	502	42,127
Recognition of share-based payments (Note 26)	-	-	-	-	-	418	-	418	-	418
Total comprehensive loss for the year	-	-	-	-	-	-	(25,099)	(25,099)	(217)	(25,316)
Disposal of a subsidiary (Note 28)	-	-	-	-	-	-	-	-	(285)	(285)
Changes in equity for the year	-	-	-	-	-	418	(25,099)	(24,681)	(502)	(25,183)
At 31 December 2012	61,766	58,308	6,304	2,870	1,435	7,123	(120,862)	16,944	-	16,944

# Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	<b>2012</b> <b>RMB'000</b>	2011 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	<b>(25,316)</b>	(21,917)
Adjustments for:		
Depreciation	<b>763</b>	1,310
(Gain)/loss on disposals of property, plant and equipment	<b>(529)</b>	4
Gain on disposal of a subsidiary	<b>(1,468)</b>	–
Allowance for inventories	<b>5</b>	56
Impairment loss on trade and other receivables	<b>410</b>	573
Impairment loss on property, plant and equipment	<b>–</b>	1,585
Interest income	<b>(20)</b>	(60)
Reversal of allowance for inventories	<b>(10)</b>	(16)
Foreign exchange loss	<b>480</b>	–
Equity-settled share-based payments	<b>418</b>	483
Operating loss before working capital changes	<b>(25,267)</b>	(17,982)
(Increase)/decrease in inventories	<b>(38)</b>	280
Increase in trade and other receivables	<b>(2,203)</b>	(165)
Increase in amounts due to directors	<b>1,930</b>	–
Increase/(decrease) in trade and other payables	<b>3,034</b>	(87)
Net cash used in operating activities	<b>(22,544)</b>	(17,954)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposit paid for acquisition of a subsidiary		–	(20,751)
Disposal of a subsidiary	28	761	–
Proceeds from disposal of property, plant and equipment		3,028	–
Purchases of property, plant and equipment		(14)	(201)
Interest received		20	60
Net cash generated from/(used in) investing activities		3,795	(20,892)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		–	52,475
Share issue expenses paid		–	(4,983)
Advance from a substantial shareholder		2,000	–
Proceeds from exercise of share options		–	643
Net cash generated from financing activities		2,000	48,135
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(16,749)</b>	9,289
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>17,819</b>	8,530
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>1,070</b>	17,819
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		1,070	17,819

# Notes to the Financial Statements

For the year ended 31 December 2012

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The address of its principal place of business is 84 Jing Bei Yi Lu, Economic and Technological Development District, Zhengzhou, Henan, the People's Republic of China (the "PRC"). The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 31 to the financial statements.

## 2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of RMB25,099,000 for the year ended 31 December 2012 and as at 31 December 2012 the Group had net current liabilities of RMB10,197,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of Mr. Chin Ying Hoi, a substantial shareholder of the Company, at a level sufficient to finance the working capital requirements of the Group. The substantial shareholder has agreed to provide financial support to the extent of RMB20,000,000 to the Group for the next twelve months to meet its financial obligations. As of the approval date on the financial statements of the Company, the substantial shareholder advanced RMB15,000,000 to the Group to meet its working capital requirements. As considering the working capital forecast of the Group for the next twelve months including the costs to be incurred for the proposed acquisition of Harvest Moon Global Investments Limited as detailed in notes 16 and 32 to the financial statements and the financial support of the substantial shareholder, the directors of the Company are of the opinion that the Group will be able to meet its financial obligations as they fall due and therefore it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 3. 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 that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.



# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(b) Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (t) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

#### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in the profit or loss.

#### (iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal residual values and annual depreciation rates are as follows:

	<b>Residual value</b>	<b>Annual depreciation rate</b>
Land and buildings	–	Over the lease term
Leasehold improvements	–	20%
Machinery	0% – 10%	14% – 33%
Office equipment	0% – 10%	15% – 20%
Motor vehicles	–	20%
Computer equipment	0% – 5%	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Operating leases

#### *The Group as lessee*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessor*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease or when the rental is rendered.

### (f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### (j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### (l) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of hardware, software and smart cards are recognised when delivery and acceptance have occurred, the fee is fixed and determinable, persuasive evidence of an arrangement exists, collection of the receivable is probable and no significant post-delivery obligations remain.

Revenue from the repair and maintenance services is recognised when the relevant service is rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

### (o) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

#### (iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

### (p) Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants.

Equity-settled share-based payments to employees are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services received or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and recognised as expenses.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (q) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### (r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(s) Related parties**

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group (reporting entity) if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (A).
  - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).



# Notes to the Financial Statements

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(t) Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **(u) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### **(v) Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

#### (a) *Going concern basis*

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of Mr. Chin Ying Hoi, a substantial shareholder of the Company, at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to financial statements.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (a) *Property, plant and equipment*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The Group tests annually whether property, plant and equipment have suffered any impairment. The recoverable amounts of cash-generating units in connection with the property, plant and equipment have been determined on the value in use calculation and estimated net selling price. These calculations require uses of estimate.

#### (b) *Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

#### (c) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### Foreign currency risk

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB and Hong Kong dollars ("HK\$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2012, if HK\$ had weakened 5 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB7,000 (2011: RMB582,000) higher, arising mainly as a result of the foreign exchange loss on bank deposits denominated in HK\$. If HK\$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB7,000 (2011: RMB582,000) lower, arising mainly as a result of the foreign exchange gain on bank deposits denominated in HK\$.

### Credit risk

The carrying amount of the bank and cash balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit quality of the counterparties in respect of trade and other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and large state-controlled banks in the PRC.

### Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity of the Group's financial liabilities at the end of the reporting period is less than one year.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### Interest rate risk

The Group's bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

### Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

### Categories of financial instruments at 31 December

	2012 RMB'000	2011 RMB'000
<b>Financial assets:</b>		
Loan and receivables (including cash and cash equivalents)		
Trade and other receivables	21,862	21,318
Bank and cash balances	1,070	17,819
	<b>22,932</b>	39,137
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost		
Trade and other payables	9,212	7,705
Advance from a substantial shareholder	2,000	–
Due to directors	1,930	–
Due to a related company	10	10
	<b>13,152</b>	7,715

# Notes to the Financial Statements

For the year ended 31 December 2012

## 7. TURNOVER AND OTHER INCOME

### (a) Turnover

The Group's turnover represents the following:

	2012 RMB'000	2011 RMB'000
Sales of hardware, software and smart cards	5,265	1,641
Rental income from leasing of machinery	1	102
Repair and maintenance services	398	516
	<b>5,664</b>	<b>2,259</b>

### (b) Other income

	2012 RMB'000	2011 RMB'000
Subsidy income		
– Value-added tax (“VAT”) refund (Note (i))	385	50
Interest income	20	60
Gain on disposals of property, plant and equipment	529	–
Others	–	489
	<b>934</b>	<b>599</b>

- (i) Zhengzhou Jian-O' Yuan ITS Systems Co. Ltd. (“Zhengzhou Jian-O' Yuan”) is subject to output VAT on its sales in the PRC, which is levied at the general rate of 17% on the gross selling price upon sales of goods. Input VAT paid on purchases of raw materials, work in progress and other assets would be used to offset the output VAT payable on sales to determine the net VAT prepayment or VAT payable.

Pursuant to Cai Shui 2000 No. 25 issued by the State Tax Bureau on 22 June 2000, software enterprises are entitled to a preferential tax treatment and any actual VAT paid related to the sales of self-developed and produced software exceeding 3% of the revenue from the sales of software will be refunded.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 8. SEGMENT INFORMATION

### Operating segment information

The Group engaged in the single type business of development and operation of IC and smart cards, back end electronic receipt/payment and data recording and processing software system; and manufacturing and distribution of the associated commercial application. Accordingly, no operating segment information is presented.

### Geographical information

Revenue generated by the Group during the two years ended 31 December 2012 and 2011 were attributable to customers based in the PRC, the country of domicile of the Group's operation. Meanwhile, the Group's major non-current assets are all located in the PRC.

### Information about major customers

The Group's customers base included two (2011: three) customers with whom transactions have exceeded 10% of the Group's revenue. Revenue from those customers is set out as below:

	<b>2012</b> <b>RMB'000</b>	2011 RMB'000
Customer A	<b>4,038</b>	666
Customer B	–	416
Customer C	–	260
Customer D	<b>697</b>	–
	<b>4,735</b>	1,342

# Notes to the Financial Statements

For the year ended 31 December 2012

## 9. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax – PRC		
Provision for the year	–	–

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong are required as the Group has no assessable profit arising in or derived from those jurisdictions for the years ended 31 December 2012 and 2011.

The tax rate applicable to the PRC subsidiaries in the Group were 25% (2011: 25%) during the year. However, no provision for PRC enterprise income tax has been made in the financial statements for the years ended 31 December 2012 and 2011 as the PRC subsidiaries did not generate any assessable profit for the years.

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:

	2012 RMB'000	2011 RMB'000
Loss before tax	<b>(25,316)</b>	(21,917)
Calculated at the PRC statutory tax rate of 25%	<b>(6,329)</b>	(5,479)
Tax effect of income that is not taxable	<b>(616)</b>	(97)
Tax effect of expenses that are not deductible	<b>4,239</b>	3,336
Tax effect of temporary differences not recognised	<b>12</b>	103
Tax effect of tax losses not recognised	<b>876</b>	739
Effect of different tax rates	<b>1,818</b>	1,398
Income tax expense	–	–

The details of unprovided deferred taxation as at 31 December 2012 were stated in note 27.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 10. LOSS FOR THE YEAR

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

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Depreciation of property, plant and equipment ( <i>Note 14</i> )	<b>763</b>	1,310
Directors' emoluments ( <i>Note 11</i> )	<b>4,700</b>	4,868
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	<b>5,302</b>	6,045
– Equity-settled share-based payments	–	459
– Retirement benefit scheme contributions	<b>487</b>	633
	<b>5,789</b>	7,137
Cost of inventories sold	<b>3,739</b>	772
Operating lease charges	<b>655</b>	437
Auditor's remuneration		
– Current	<b>331</b>	337
– Over-provision in prior year	–	(33)
	<b>331</b>	304
Allowance for inventories (included in cost of inventories sold)	<b>5</b>	56
Equity-settled consultancy fees	<b>418</b>	24
Foreign exchange loss	<b>480</b>	–
Reversal of allowance for inventories (included in cost of inventories sold)	<b>(10)</b>	(16)
Research and development costs	<b>850</b>	1,191
Loss on disposals of property, plant and equipment	–	4
Impairment loss on property, plant and equipment	–	1,585
Impairment loss on trade and other receivables	<b>410</b>	573

Cost of inventories sold includes staff costs, depreciation, inventories written back and operating lease charges of approximately RMB71,000 (2011: RMB148,000) which are included in the amounts disclosed separately above.



# Notes to the Financial Statements

For the year ended 31 December 2012

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

Year ended 31 December 2012	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>						
Mr. Li Sui Yang		65	1,223	–	132	1,420
Mr. Tan Wen	1	65	1,170	–	111	1,346
Mr. Fok Ho Yin, Thomas		65	1,235	–	124	1,424
<i>Non-executive directors</i>						
Mr. Tang Hao		65	–	–	–	65
Mr. Hu Hai Yuan		65	–	–	–	65
Mr. Fan Bao Shan	1	65	120	–	–	185
<i>Independent non-executive directors</i>						
Mr. Zhang Xiao Jing		65	–	–	–	65
Ms. Tung Fong		65	–	–	–	65
Mr. Qu Xiao Guo		65	–	–	–	65
		<b>585</b>	<b>3,748</b>	<b>–</b>	<b>367</b>	<b>4,700</b>

# Notes to the Financial Statements

For the year ended 31 December 2012

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Year ended 31 December 2011	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>						
Mr. Chin Ying Hoi	2	65	1,484	110	121	1,780
Mr. Li Sui Yang		65	985	110	128	1,288
Mr. Fok Ho Yin, Thomas		65	1,050	110	121	1,346
<i>Non-executive directors</i>						
Mr. Tang Hao	3	50	–	–	–	50
Mr. Hu Hai Yuan		65	–	62	–	127
Dr. Chow Pok Yu Augustine	4	15	–	37	–	52
<i>Independent non-executive directors</i>						
Mr. Zhang Xiao Jing		65	–	10	–	75
Ms. Tung Fong		65	–	10	–	75
Mr. Qu Xiao Guo		65	–	10	–	75
		520	3,519	459	370	4,868

*Notes:*

1. Appointed on 1 January 2012
2. Resigned on 1 January 2012
3. Appointed on 29 March 2011
4. Resigned on 29 March 2011

# Notes to the Financial Statements

For the year ended 31 December 2012

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2012 and 2011.

The five highest paid individuals in the Group during the year include three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2011: two) individuals during the year are set out below:

	2012 RMB'000	2011 RMB'000
Basic salaries and benefits	488	476
Retirement benefit scheme contributions	60	28
	<b>548</b>	<b>504</b>

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2012	2011
HK\$Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	3	2
HK\$2,000,001 – HK\$2,500,000	–	1
	<b>5</b>	<b>5</b>

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. DIVIDEND

No dividend had been paid or declared by the Company during the year (2011: Nil).

## 13. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB25,099,000 (2011: approximately RMB20,297,000) and the weighted average number of ordinary shares of approximately 1,290,600,000 (2011: 1,122,878,000) in issue during the year.

### Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2012 and 2011.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Machinery	Office equipment	Motor vehicles	Computer equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>							
At 1 January 2011	7,894	92	26,790	647	2,934	1,527	39,884
Additions	-	-	162	27	-	12	201
Disposals	-	-	-	(35)	-	-	(35)
At 31 December 2011 and 1 January 2012	7,894	92	26,952	639	2,934	1,539	40,050
Additions	-	-	-	14	-	-	14
Disposals	(2,630)	-	-	-	-	-	(2,630)
Disposal of a subsidiary	-	-	(1,002)	(62)	-	(1,539)	(2,603)
At 31 December 2012	5,264	92	25,950	591	2,934	-	34,831
<b>Accumulated depreciation and impairment</b>							
At 1 January 2011	108	92	25,981	414	112	25	26,732
Charge for the year	206	-	165	81	528	330	1,310
Elimination on disposals	-	-	-	(31)	-	-	(31)
Impairment loss	-	-	401	-	-	1,184	1,585
At 31 December 2011 and 1 January 2012	314	92	26,547	464	640	1,539	29,596
Charge for the year	92	-	99	44	528	-	763
Elimination on disposals	(131)	-	-	-	-	-	(131)
Disposal of a subsidiary	-	-	(696)	(32)	-	(1,539)	(2,267)
At 31 December 2012	275	92	25,950	476	1,168	-	27,961
<b>Carrying amount</b>							
At 31 December 2012	4,989	-	-	115	1,766	-	6,870
At 31 December 2011	7,580	-	405	175	2,294	-	10,454

The carrying amounts of the Group's land and buildings are situated in Hong Kong under medium-term leases.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

For the year ended 31 December 2011, having regard to the unexpected poor performance of the business operated by Wuhan Tianrunotong Science and Technology Company Limited ("Tianrunotong"), a then subsidiary of the Company, the Group had carried out a review of the recoverable amount of its machinery and computer equipment. These assets were employed in the Group's electronic receipt/payment system operation. Following the review, it led to the recognition of an impairment loss of RMB1,585,000, that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 14%.

## 15. GOODWILL

	RMB'000
<b>Cost</b>	
At 1 January 2011, 31 December 2011 and 1 January 2012	946
Derecognised on disposal of a subsidiary	(946)
<hr/>	
At 31 December 2012	–
<b>Accumulated impairment losses</b>	
At 1 January 2011, 31 December 2011 and 1 January 2012	946
Derecognised on disposal of a subsidiary	(946)
<hr/>	
At 31 December 2012	–
<b>Carrying amount</b>	
At 31 December 2011 and 31 December 2012	–

# Notes to the Financial Statements

For the year ended 31 December 2012

## 16. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 24 January 2011, Jian epayment (China) International Holdings Limited ("Jian epayment China"), a wholly-owned subsidiary of the Company, entered into a letter of intent with Fullcorp Investments Limited and World Yield Global Investments Limited (collectively referred to as the "Vendors"), pursuant to which Jian epayment China intends to negotiate and enter into a formal and legally-binding agreement to acquire the entire interests of Harvest Moon Global Investments Limited (the "Target Company") from the Vendors (the "Proposed Acquisition"). The Target Company is principally engaged in the potash mining and processing operation in the PRC.

On 26 April 2011, 30 September 2011, 31 December 2011, 30 April 2012 and 30 September 2012, Jian epayment China entered into a conditional framework agreement (the "Framework Agreement") and four supplemental agreements respectively with the Vendors in relation to the Proposed Acquisition, whereby Jian epayment China has agreed to pay an earnest money of HK\$25,000,000 (equivalent to RMB20,271,000 (2011: RMB20,751,000)) to the Vendors as an initial deposit (the "Deposit") so as to extend the period of time for further due diligence works to be conducted on the Target Company and its assets by Jian epayment China and to provide more time for the parties to negotiate for terms and conditions of the formal agreement up to 31 December 2012.

The Deposit is unsecured, non-interest bearing and refundable in the event that the Proposed Acquisition terminated.

## 17. INVENTORIES

	<b>2012</b> <b>RMB'000</b>	2011 RMB'000
Raw materials	<b>128</b>	187
Work in progress	<b>136</b>	34
Finished goods	<b>30</b>	30
	<b>294</b>	251

The reversal of allowance for inventories of approximately RMB10,000 (2011: RMB16,000) arose from sales of obsolete inventories.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 18. TRADE AND OTHER RECEIVABLES

	Note	2012 RMB'000	2011 RMB'000
Trade receivables	(a)	954	301
Prepayments and other deposits	(b)	213	149
Other receivables	(c)	424	117
		<b>1,591</b>	<b>567</b>

### (a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit period granted to the customers generally range from 60 to 90 days. 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, is as follows:

	2012 RMB'000	2011 RMB'000
0-30 days	828	–
31-60 days	–	–
61-90 days	–	18
91-120 days	–	1
121-180 days	–	1
181-365 days	126	281
Over 365 days	3,715	4,240
	<b>4,669</b>	<b>4,541</b>
Allowance for impairment losses	<b>(3,715)</b>	<b>(4,240)</b>
	<b>954</b>	<b>301</b>

The movements in the allowance for impairment losses of trade receivables are as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	4,240	3,715
Impairment loss recognised	–	525
Derecognised on disposal of a subsidiary	(525)	–
At 31 December	<b>3,715</b>	<b>4,240</b>

# Notes to the Financial Statements

For the year ended 31 December 2012

## 18. TRADE AND OTHER RECEIVABLES *(Continued)*

### (a) Trade receivables *(Continued)*

The allowance for impairment losses was made for the impaired trade receivables which mainly relate to past due payments from customers and management considered that the trade receivables are expected not to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

As of 31 December 2012, trade receivables of approximately RMB126,000 (2011: RMB301,000) 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, based on their due dates, is as follows:

	2012 RMB'000	2011 RMB'000
Up to 3 months	–	20
3 to 6 months	126	281
	<b>126</b>	<b>301</b>

### (b) Prepayments and other deposits

	2012 RMB'000	2011 RMB'000
Prepayments to suppliers	61	3
Others	152	146
	<b>213</b>	<b>149</b>

### (c) Other receivables

	2012 RMB'000	2011 RMB'000
Advances to staff	30	–
Others	394	117
	<b>424</b>	<b>117</b>



# Notes to the Financial Statements

For the year ended 31 December 2012

## 19. BANK AND CASH BALANCES

As at 31 December 2012, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB961,000 (2011: RMB2,272,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 20. TRADE AND OTHER PAYABLES

	Note	2012 RMB'000	2011 RMB'000
Trade payables	(a)	643	1,083
Other payables	(b)	8,569	6,622
		<b>9,212</b>	<b>7,705</b>

### (a) Trade payables

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

	2012 RMB'000	2011 RMB'000
0-30 days	–	–
31-60 days	–	–
61-90 days	–	–
91- 180 days	–	–
181-365 days	2	2
Over 365 days	641	1,081
	<b>643</b>	<b>1,083</b>

### (b) Other payables

	2012 RMB'000	2011 RMB'000
Business tax payable	74	76
VAT payable	119	15
Provision for staff and workers' bonus and welfare fund	817	817
Accruals for operating expenses	5,557	2,660
Salary and welfare payables	64	327
Others	1,938	2,727
	<b>8,569</b>	<b>6,622</b>

# Notes to the Financial Statements

For the year ended 31 December 2012

## 21. ADVANCE FROM A SUBSTANTIAL SHAREHOLDER

The amount represents advance from a substantial shareholder of the Company, Mr. Chin Ying Hoi, and is unsecured, non-interest bearing and repayable within one year.

## 22. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK\$1,000 (HK\$1,250 effective from June 2012) per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

## 23. SHARE CAPITAL

	Note	Number of shares	Nominal value	
			HK\$'000	RMB'000
Authorised:				
Ordinary shares of HK\$0.05 each				
At 1 January 2011		1,200,000,000	60,000	63,624
Increase in authorised ordinary share capital	(a)	28,800,000,000	1,440,000	1,201,082
At 31 December 2011, 1 January 2012 and 31 December 2012		30,000,000,000	1,500,000	1,264,706
Issued and fully paid:				
Ordinary shares of HK\$0.05 each				
At 1 January 2011		906,000,000	45,300	45,727
Issue of shares on placement	(b)	379,600,000	18,980	15,832
Issue of shares on exercise of share options		5,000,000	250	207
At 31 December 2011, 1 January 2012 and 31 December 2012		1,290,600,000	64,530	61,766

# Notes to the Financial Statements

For the year ended 31 December 2012

## 23. SHARE CAPITAL *(Continued)*

- (a) By an ordinary resolution passed on 26 May 2011 the authorised ordinary share capital of the Company was increased from HK\$60,000,000 to HK\$1,500,000,000 by the creation of 28,800,000,000 shares of HK\$0.05 each, such new shares ranking *pari passu* in all respects with the existing shares of the Company.
- (b) On 14 April 2011, the Company and the placing agent entered into a placing agreement in respect of the placement of 179,600,000 ordinary shares of HK\$0.05 each at a price of HK\$0.205 per share. The placement was completed on 29 April 2011 and the premium on the issue of shares, amounting to approximately HK\$24,718,000 (equivalent to RMB20,757,000), net of share issue expenses, was credited to the Company's share premium account.

On 29 July 2011, the Company and the placing agent entered into a placing agreement in respect of the placement of 200,000,000 ordinary shares of HK\$0.05 each at a price of HK\$0.13 per share. The placement was completed on 31 August 2011 and the premium on the issue of shares, amounting to approximately HK\$13,149,000 (equivalent to RMB10,903,000), net of share issue expenses, was credited to the Company's share premium account.

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 reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

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 on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2012, 66% (2011: 66%) of the shares were in public hands.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 RMB'000	2011 RMB'000
Property, plant and equipment	34	52
Deposit paid for acquisition of a subsidiary	20,271	20,751
Investments in subsidiaries	278	781
Other receivables	62	55
Due from a subsidiary	–	10,699
Bank and cash balances	111	12,282
Other payables	(1,740)	(583)
Due to subsidiaries	(1,893)	(781)
<b>NET ASSETS</b>	<b>17,123</b>	<b>43,256</b>
Share capital	61,766	61,766
Reserves	(44,643)	(18,510)
<b>TOTAL EQUITY</b>	<b>17,123</b>	<b>43,256</b>

## 25. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

### (b) Company

	Share premium account RMB'000	Merger reserve RMB'000	Option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	25,995	23,996	6,439	(97,395)	(40,965)
Recognition of share-based payments	–	–	483	–	483
Issue of shares on placement (Note 23(b))	31,660	–	–	–	31,660
Issue of shares on exercise of share options	653	–	(217)	–	436
Total comprehensive loss for the year	–	–	–	(10,124)	(10,124)
At 31 December 2011 and 1 January 2012	58,308	23,996	6,705	(107,519)	(18,510)
Recognition of share-based payments	–	–	418	–	418
Total comprehensive loss for the year	–	–	–	(26,551)	(26,551)
At 31 December 2012	58,308	23,996	7,123	(134,070)	(44,643)

# Notes to the Financial Statements

For the year ended 31 December 2012

## 25. RESERVES *(Continued)*

### (c) Nature and purpose of reserves

#### (i) *Share premium account*

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) *Capital reserves*

Capital reserves arose as a result of the Group reorganisation implemented for the listing of the Company's shares in year 2001.

#### (iii) *General reserve fund and enterprise expansion fund*

General reserve fund and enterprise expansion fund, which are non-distributable, are appropriated from the profit after taxation of the PRC subsidiaries of the Group under the applicable laws and regulations in the PRC.

#### (iv) *Merger reserve*

Merger reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Group reorganisation in previous year. Under the Companies Law of the Cayman Islands, the merger reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (v) *Option reserve*

Option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(p) to the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 26. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

Pursuant to the share option scheme of the Company adopted on 19 November 2001 (the "Old Scheme"), the Company may grant options to the participants of the Old Scheme to subscribe for shares of the Company. The participants include any employees (including directors) and certain other persons who, in the sole discretion of the board of directors or a duly authorised committee thereof (the "Board"), have contributed to the Group. The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Old Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time. Any option granted under the Old Scheme may be exercised at any time during a period which shall not be more than ten years after the date on which the option is granted. The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares quoted on the GEM on the grant date, (ii) the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the shares on the date of grant.

On 13 March 2008, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. On 30 May 2007 and 15 August 2007, all the outstanding options granted under the Old Scheme were lapsed and cancelled automatically according to the Old Scheme.

Pursuant to the New Scheme, the Company may grant options to the participants of the New Scheme to subscribe for shares of the Company. The participants include any employees (whether full-time or part-time and including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board or a duly authorised committee thereof, have contributed to the Group. Unless otherwise terminated or amended, the New Scheme will remain valid and effective for a period of 10 years commencing on 13 March 2008.

The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the New Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of all options granted and to be granted to each participant or grantee (as the case may be) including both exercised and outstanding options in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant.

Any option granted under the New Scheme may be exercised at any time during a period which shall not be more than ten years after the date on which the option is granted, but the board of directors of the Company may impose restrictions on the exercise of options including a minimum period for which all or part of an option may be exercised and/or a minimum period of which all or part of an option shall be held before it can be exercised.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 26. SHARE-BASED PAYMENTS (Continued)

### Equity-settled share option scheme (Continued)

The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares quoted on the GEM on the date on which the option is granted, (ii) the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date on which the option is granted, and the (iii) nominal value of the shares on grant date.

Details of specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price HK\$	No. of share options outstanding
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.155	68,000,000
Directors	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.147	19,400,000
Directors	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.147	19,400,000
Others	1 June 2010 (C)	N/A	1 January 2011 to 31 May 2013	0.147	25,500,000
Others	1 June 2010 (D)	N/A	1 January 2012 to 31 May 2013	0.147	25,500,000

Details of the share options outstanding during the year are as follows:

	2012		2011	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	157,800,000	0.150	162,800,000	0.151
Exercised during the year	–	–	(5,000,000)	0.155
Outstanding at the end of the year	157,800,000	0.150	157,800,000	0.150
Exercisable at the end of the year	157,800,000	0.150	132,300,000	0.151

# Notes to the Financial Statements

For the year ended 31 December 2012

## 26. SHARE-BASED PAYMENTS *(Continued)*

### Equity-settled share option scheme *(Continued)*

Share options granted to consultants were incentives for their services to assist the Group expanding its business network and exploring new business opportunities. The fair values of such benefit could not be measured reliably and as a result, fair values of share options are measured by reference to the fair values at the measurement dates.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2011 was HK\$0.189. The above options comprising at the end of the year have a weighted average remaining contractual life of 4.44 years (2011: 5.44 years) and the exercise price are ranging from HK\$0.147 to HK\$0.155 (2011: HK\$0.147 to HK\$0.155). The estimated fair values of the options granted on 18 May 2009 and 1 June 2010 are either determined using the Binomial pricing model or Black-Scholes option pricing model. The estimated fair values and significant inputs into the models were as follows:

	Share options grant date				
	1 June 2010 (A)	1 June 2010 (B)	1 June 2010 (C)	1 June 2010 (D)	18 May 2009
Option price model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Binomial
Estimated fair value at the measurement date	RMB1,135,000 HK\$1,283,000	RMB1,159,000 HK\$1,310,000	RMB1,454,000 HK\$1,643,000	RMB418,000 HK\$513,000	RMB3,652,000 HK\$4,149,000
No. of options granted	19,400,000	19,400,000	25,500,000	25,500,000	84,000,000
Weighted average share price at the measurement date	HK\$0.144	HK\$0.144	HK\$0.144	HK\$0.110	HK\$0.130
Weighted average exercise price	HK\$0.147	HK\$0.147	HK\$0.147	HK\$0.147	HK\$0.155
Expected volatility	58.92%	54.13%	76.00%	63.40%	64.41%
Expected life	5 years	6 years	3 years	1 year	10 years
Risk free rate	1.597%	1.863%	1.023%	0.272%	2.205%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the models has been adjusted, based on the Company's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

## 27. DEFERRED TAXATION

At the end of the reporting period the Group has unused tax losses and other deductible temporary differences of approximately RMB8,260,000 and RMB180,000 respectively (2011: RMB9,561,000 and RMB341,000 respectively) that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences due to unpredictability of future profit streams. The unrecognised tax losses will be expired from 2013 to 2017 and other deductible temporary differences may be carried forward indefinitely.



# Notes to the Financial Statements

For the year ended 31 December 2012

## 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Disposal of a subsidiary

On 23 March 2012, Wuhan Jian-O' Yuan Science and Technology Company Limited ("Wuhan Jian-O' Yuan"), a wholly-owned subsidiary and the non-controlling interests of Tianrunlong (the "Purchaser"), have entered into a conditional sale and purchase agreement, pursuant to which Wuhan Jian-O' Yuan has agreed to dispose of its entire interest, representing 53.85% equity interest held in Tianrunlong, to the Purchaser at a cash consideration of RMB1,800,000 (the "Disposal"). The Disposal has been completed on 17 May 2012 following all the precedent conditions to the Disposal were fulfilled.

Details of the Disposal are disclosed in the Company's announcements dated 23 March 2012 and 28 March 2012.

Net assets at the date of the Disposal were as follows:

	RMB'000
Property, plant and equipment	336
Trade and other receivables	1,569
Bank and cash balances	239
Trade and other payables	(1,527)
<b>Net assets disposed of</b>	<b>617</b>
Non-controlling interests	(285)
Gain on disposal of a subsidiary	1,468
<b>Total Consideration</b>	<b>1,800</b>
Consideration satisfied/to be satisfied:	
Satisfied by cash	1,000
Not yet satisfied (included in other receivables)	800
<b>Total Consideration</b>	<b>1,800</b>
Net cash inflow arising on disposal:	
Cash consideration received	1,000
Cash and cash equivalents disposed of	(239)
	<b>761</b>

# Notes to the Financial Statements

For the year ended 31 December 2012

## 29. COMMITMENTS

### (a) Capital commitments

	2012 RMB'000	2011 RMB'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	–	3,047

### (b) Operating lease commitments – as lessee

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012 RMB'000	2011 RMB'000
Within one year	689	581
In the second to fifth years inclusive	228	357
	917	938

Operating lease payments represent rentals payable by the Group for certain of its offices and directors' quarter. Leases are negotiated for an average term of 2 years (2011: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 30. RELATED PARTY TRANSACTIONS

### (a) Name and relationship of related parties

Name	Relationship with the Company
北京華普產業集團有限公司 Beijing Jian Enterprise (Group) Co., Ltd. ("Beijing Jian Enterprise")	A company 100% ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan, the shareholders of the Company
北京華普科技企業有限公司 Beijing Jian-Tech Co., Ltd. ("Jian-Tech")	80% owned subsidiary of Beijing Jian Enterprise
北京華普國際大廈有限公司 Beijing Huapu International Plaza Co., Ltd. ("Beijing Huapu")	52% owned subsidiary of Jian-Tech
海口華普立得泊車管理有限公司 Haikou Huapu Lide Parking Management Co., Ltd. ("Haikou Project Company")	Being 20% owned by Beijing Jian Enterprise
威海天創電子智能系統有限公司 Weihai Tian Chuang Electronic System Co., Ltd. ("Weihai Project Company")	Being 20% owned by Jian-Tech
武漢綠野香筍菜食品有限公司 Wuhan Lvyexiang Bamboo Food Co., Ltd. ("Wuhan Lvyexiang")	65% owned subsidiary of Beijing Jian Enterprise
上海白玉蘭智能交通系統管理有限公司 Shanghai Bai Yu Lan Intelligent Transportation System Management Co., Ltd. ("Shanghai Project Company")	Being 40% owned by Beijing Jian Enterprise
北京華普道路泊車建設管理有限公司 Beijing Huapu Roadside Parking Facilities Construction and Management Co., Ltd. ("Beijing Project Company")	80% owned subsidiary of Jian-Tech

### (b) Significant related party transactions

Save as disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties, which the directors considered were conducted in the normal course of business:

	2012 RMB'000	2011 RMB'000
Sales of smart cards:		
– Beijing Project Company	23	23

# Notes to the Financial Statements

For the year ended 31 December 2012

## 30. RELATED PARTY TRANSACTIONS (Continued)

### (c) Balances with related parties

	2012 RMB'000	2011 RMB'000
Balance from trading activities and included in trade receivables:		
– Haikou Project Company	239	239
– Weihai Project Company	520	520
	759	759
Allowance for impairment losses	(759)	(759)
	–	–
Included in other receivables:		
– Weihai Project Company	23	23
– Haikou Project Company	33	33
– Shanghai Project Company	11	11
– Wuhan Lvyexiang (Note (i))	–	100
	67	167
Allowance for impairment losses	(67)	(67)
	–	100
Included in other payables:		
– Beijing Huapu	274	274
– Shanghai Project Company	–	8
– Beijing Project Company	20	20
	294	302
Due from a related company:		
– Beijing Jian Enterprise	20	20
Allowance for impairment losses	(20)	(20)
	–	–
Due to a related company:		
– Jian-Tech	10	10
Due to directors:		
Mr. Li Sui Yang	580	–
Mr. Tan Wen	580	–
Mr. Fok Ho Yin, Thomas	580	–
Mr. Fan Bao Shan	190	–
	1,930	–

(i) The amount due was unsecured, borne interest equivalent to the Standard Lending Rate announced by the People's Bank of China (5.6%) and repayable on demand.

(ii) Except an item disclosed in note 30(c)(i), as at 31 December 2012, the balances due from/to related parties were unsecured, non-interest bearing and repayable on demand.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 31. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2012 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of registered/ issued capital	Interest held	
				Directly	Indirectly
Systematic Technology Group Limited	British Virgin Islands	Investment holding in Hong Kong	5 ordinary shares of USD1 each	100%	–
Capital Fair International Investment Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of USD1	100%	–
Jian epayment China	British Virgin Islands	Property investment in Hong Kong	1 ordinary share of USD1	–	100%
Wuhan Jian-O' Yuan	PRC	Investment holding in PRC	RMB1,000,000	–	100%
Zhengzhou Jian-O' Yuan	PRC	Development and operation of back end electronic receipt/ payment and data recording and processing software system; and manufacturing and distribution of the associated commercial applications in PRC	USD2,950,000	–	100%
Wuhan Jian ePayment Science and Technology Company Limited ("Wuhan Jian ePayment")	PRC	In the process of deregistration	USD846,000	–	100%
Beijing Jian ePayment Science and Technology Company Limited ("Beijing Jian ePayment")	PRC	Dormant during the year	USD150,000	–	100%

Zhengzhou Jian-O' Yuan, Wuhan Jian ePayment and Beijing Jian ePayment are wholly foreign owned enterprises established in the PRC. Wuhan Jian-O' Yuan is a domestic enterprise established in the PRC.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 32. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2013, the Company announced that Jian ePayment China and the Vendors had entered into a conditional sale and purchase agreement (the "S&P") for the Proposed Acquisition on 6 November 2012. According to the S&P, Jian ePayment China has agreed to acquire the entire issued capital of the Target Company and its subsidiaries (collectively referred to as the "Target Group") at a consideration of HK\$1,580,000,000 (the "Consideration") which will be satisfied by (i) the Deposit paid under the Framework Agreement; (ii) cash of HK\$1,025,000,000; (iii) issuance of 2,100,000,000 consideration shares at an issue price of HK\$0.1 per share by the Company; and (iv) issuance of convertible bonds of HK\$320,000,000 at a conversion price of HK\$0.1 per conversion share by the Company upon completion of the Proposed Acquisition.

In order to finance the cash portion of the Consideration of HK\$1,025,000,000, the expansion plan and the future working capital requirement of the Target Group's potash mining and processing operation, the Company had entered into seven conditional subscription agreements and placing agreement with seven subscribers on 6 November 2012 and 12 November 2012 and the placing agent on 6 November 2012 for the issuance of 13,781,086,420 new shares of the Company and to procure together not less than six places for 300,000,000 new shares of the Company at subscription and placing price of HK\$0.1 each respectively.

The completion of the Proposed Acquisition is subject to the fulfillment of the conditions set out in the S&P, including approval of the Company's shareholders in special general meeting. As of the approval date on the financial statements of the Company, the Proposed Acquisition is under progress and not yet completed.

Details are disclosed in the Company's announcement dated 21 January 2013.

## 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of sales of smart cards and its relevant costs previously classified under other income to turnover and cost of sales and service rendered respectively. The new classification of the accounting items was considered to provide a more appropriate presentation of the consolidated statement of comprehensive income of the Group.

## 34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 February 2013.

# Financial Summary

## CONSOLIDATED PROFIT OR LOSS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				2012
	2008	2009	2010	2011	
Turnover	11,758	21,334	15,343	2,259	<b>5,664</b>
Operating (loss)/profit	(21,580)	(3,819)	20,714	(22,027)	<b>(25,721)</b>
Subsidy income	90	72	420	50	<b>385</b>
Interest income	599	564	477	60	<b>20</b>
Interest expenses	(38)	(136)	(15)	–	<b>–</b>
(Loss)/profit before taxation	(20,929)	(3,319)	21,596	(21,917)	<b>(25,316)</b>
Taxation	–	–	–	–	<b>–</b>
(Loss)/profit after tax					
but before non-controlling interests	(20,929)	(3,319)	21,596	(21,917)	<b>(25,316)</b>
Non-controlling interests	1,108	(216)	(662)	1,620	<b>217</b>
(Loss)/profit attributable to shareholders	(19,821)	(3,535)	20,934	(20,297)	<b>(25,099)</b>

## CONSOLIDATED FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	At 31 December				2012
	2008	2009	2010	2011	
Non-current assets	28,914	30,416	13,152	31,205	<b>27,141</b>
Net current (liabilities)/assets	(37,637)	(38,394)	2,274	10,922	<b>(10,197)</b>
Non-controlling interests	(3,808)	(4,024)	(2,122)	(502)	<b>–</b>
Total assets less current liabilities	(12,531)	(12,002)	13,304	41,625	<b>16,944</b>
Representing:					
Share capital	45,237	45,370	45,727	61,766	<b>61,766</b>
Reserves	(57,768)	(57,372)	(32,423)	(20,141)	<b>(44,822)</b>
Shareholder's equity	(12,531)	(12,002)	13,304	41,625	<b>16,944</b>



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