



2013

Third Quarterly Report

第三季度業績報告



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

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

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This report, for which the Directors collectively and individually accept responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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.

HIGHLIGHTS

- Turnover for the nine months ended 30 September 2013 was approximately RMB1.72 million
- Loss attributable to owners of the Company amounted to approximately RMB12.8 million for the nine months ended 30 September 2013
- Loss per share amounted to RMB0.01 for the nine months ended 30 September 2013

UNAUDITED CONSOLIDATED RESULTS

The Board of Directors (the "Board") of Jian ePayment Systems Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2013 with the comparative figures for the corresponding period in 2012.

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Turnover	4	1,715	4,389	671	2,738
Cost of sales and services rendered		(790)	(3,018)	(325)	(2,311)
Gross profit		925	1,371	346	427
Other income		162	548	65	8
Distribution costs		(335)	(261)	(98)	(94)
Administrative expenses		(13,535)	(20,815)	(4,608)	(3,871)
Loss from operations		(12,783)	(19,157)	(4,295)	(3,530)
Gain on disposal of a subsidiary	5	-	1,382	-	-
Loss before tax		(12,783)	(17,775)	(4,295)	(3,530)
Income tax expense	6	-	-	-	-
Loss and total comprehensive loss for the period		(12,783)	(17,775)	(4,295)	(3,530)
Loss and total comprehensive loss for the period attributable to:					
Owners of the Company		(12,783)	(17,775)	(4,295)	(3,530)
Non-controlling interests		-	-	-	-
		(12,783)	(17,775)	(4,295)	(3,530)
Loss per share (RMB)					
- Basic	8	(0.01)	(0.014)	0.003	(0.003)
- Diluted	8	N/A	N/A	N/A	N/A

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 Technology Development District, Zhengzhou, Henan, the People Republic of China (the "PRC"). The Company's shares are listed on GEM since 10 December 2001.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in 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.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2013. 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 condensed financial statements and amounts reported for the current period 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.

3. 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 business segment information is presented.

4. TURNOVER

The Group's turnover which represents the following:

	Nine months ended 30 September		Three months ended 30 September	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Sales of hardware and software and smart cards	1,715	4,034	671	2,738
Rental income from leasing of machinery	–	5	–	–
Repair and maintenance services	–	350	–	–
	1,715	4,389	671	2,738

5. GAIN ON 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 of the Company, and the non-controlling interests (the "Purchaser") of Wuhan Tianrunotong Science and Technology Company Limited ("Wuhan Tianrunotong"), a 53.85% owned subsidiary, have entered into a conditional sale and purchase agreement, pursuant to which Wuhan Jian-O' Yuan has agreed to dispose of its entire interest held in Wuhan Tianrunotong to the Purchaser at a cash consideration of RMB1,800,000 (the "Disposal"). Details of the Disposal are disclosed in the Company's announcements dated 23 March 2012 and 28 March 2012 respectively.

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

	RMB'000 (unaudited)
Property, plant and equipment	378
Trade and other receivables	1,065
Bank and cash balances	1,055
Trade and other payables	(1,721)
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Net assets disposed of	777
Non-controlling interests	(359)
Gain on disposal of a subsidiary	1,382
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Total consideration	1,800
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Represented by:	
Cash consideration (<i>Note</i>)	1,800
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Net cash outflow arising on the Disposal:	
Cash consideration received	1,000
Cash and cash equivalents disposed of	(1,055)
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	(55)
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Note: As of 30 June 2012, cash consideration amounted to RMB800,000 had not been settled by the Purchaser and included in trade and other receivables.

6. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Current tax – PRC				
Provision for the period	–	–	–	–

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong are required as the Group has no assessable profits arising in or derived from those jurisdictions for the three months ended and nine months ended 30 September 2013 and 2012.

The tax rate applicable to the PRC subsidiaries in the Group were 25% (2011: 25%) during the period. However, no provision for PRC enterprise income tax has been made in the condensed financial statements for the period as the subsidiaries of the Company did not generate any assessable profit for the period.

7. DIVIDENDS

No dividend had been paid or declared by the Company during the period (2012: Nil).

8. LOSS PER SHARE

	Nine months ended 30 September		Three months ended 30 September	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
(a) Basic loss per share				
Loss for the purposes of basic loss per share for the period attributable to owners of the Company	(12,783)	(17,775)	(4,295)	(3,530)
Weighted average number of ordinary shares for the purposes of basic loss per share	(12,783)	1,290,600,000	(4,295)	1,290,600,000

(b) Diluted loss per share

No diluted loss per share are presented as the effects of all potential ordinary shares would be anti-dilutive for the three months ended and nine months ended 30 September 2013 and 2012 respectively.

9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	General reserve fund	Enterprise expansion fund	Option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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	-	-	-	-	-	418	-	418	-	418
Disposal of a subsidiary (note 6)	-	-	-	-	-	-	-	-	(359)	(359)
Total comprehensive loss for the period	-	-	-	-	-	-	(17,775)	(17,775)	(143)	(143)
At 30 September 2012	61,766	58,308	6,304	2,870	1,435	7,123	(113,538)	24,268	-	24,268
At 1 January 2013	61,766	58,308	6,304	2,870	1,435	7,123	(120,862)	16,944	-	16,944
Lapse of share options	-	-	-	-	-	(1,872)	1,872	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(12,783)	(12,783)	-	(12,783)
Changes in equity for the period	-	-	-	-	-	(1,872)	(10,911)	(12,783)	-	(12,783)
At 30 September 2013	61,766	58,308	6,304	2,870	1,435	5,251	(131,773)	4,161	-	4,161

FINANCIAL REVIEW

For the nine months ended 30 September 2013, the Group recorded a turnover of approximately RMB1.7 million (2012: 4.4 million), representing approximately decrease of 61% as compared to the corresponding period in 2012. Loss attributable to owners of the Company for the period was approximately RMB12.7 million (2012: 17.7 million) mainly attributable to the professional and administrative expenses incurred.

REVIEW OF OPERATION

Zhengzhou Jian-O'Yuan Science and Technology Company Limited (鄭州華普奧原科技有限公司)

During the period under review, turnover for the sales of electronic car-parking hardware and software and systems upgrade services was approximately RMB1.7 million (2012: RMB4.4 million), representing a decrease of approximately 61% over the last corresponding period. The reason of decrease was mainly due to the postponement by customers for purchase of additional products and the slowdown of the market demand. During the period under review, the Group continued to exercise prudent cost control measures by implementing tight expenses measures in its operations. The unaudited operating expenditures amounted to approximately RMB13.5 million, representing a 35% decrease from corresponding period. Guangzhou, Panyu and Nanning continued to be the main markets of the Group's business.

SHARE OPTIONS

Equity-settled share option scheme

On 13 March 2008, the share option scheme of the Company adopted 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.

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 (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\$
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

* The share options lapsed on 31 May 2013.

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

	2013		2012	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
Outstanding at the beginning of the period	157,800,000	0.150	157,800,000	0.150
Lapsed during the period	(51,000,000)	0.147	–	–
Outstanding at the end of the period	106,800,000	0.152	157,800,000	0.150
Exercisable at the end of the period	106,800,000	0.152	157,800,000	0.150

Name or category of participant	Number of share options					
	At 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 30 September 2013
	'000	'000	'000	'000	'000	'000
Directors						
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
Employees other than Directors						
In aggregate	8,000	–	–	–	–	8,000
Other participants						
In aggregate	113,800	–	–	(51,000)	–	62,800
	157,800	–	–	(51,000)	–	106,800

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2013.

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 30 September 2013, 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 30 September 2013
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%

(B) Interests In Share Options

Name	Type of interests	Outstanding shares option as at 30 September 2013	Approximate percentage of the underlying shares to the share capital of the Company as at 30 September 2013
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	0.06%
Zhang Xiao Jing	Personal	800,000	0.06%
Qu Xiao Guo	Personal	800,000	0.06%

Save as disclosed above, as at 30 September 2013, 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, its subsidiaries or holding company 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.

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

As at 30 September 2013, 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 (Note 1)	286,800,000	–	22.22%
Link Chance Investment Limited (Note 2)	128,470,000	–	9.95%

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

Note 2: Link Chance Investment Limited is a wholly-owned subsidiary of Link Chance Investment (Hong Kong) Limited, which is in turn 100% owned by Searainbow Holding Corporation. Based on the information available, Searainbow Holding Corporation is a company listed on Shenzhen Stock Exchange (Stock Code: 000503).

Save as disclosed above, as at 30 September 2013, 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.

COMPETING BUSINESS

None of the Directors or management shareholders (as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules")) of the Company has any interest in any business which competes with or may compete with the business of the Group or has any other conflicts of interests with the Group.

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 nine months ended 30 September 2013.

BOARD PRACTICE AND PROCEDURES

The Company has complied with the GEM Listing Rules concerning board practices and procedures during the nine months ended 30 September 2013.

(1) Board Composition and Board Practices

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total of nine Directors, comprising three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise as required by the GEM Listing Rules.

(2) Audit Committee

An Audit Committee was established with written terms of reference in compliance with the requirements of the GEM Listing Rules. The primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors, Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong. The Group's unaudited consolidated results for the nine months ended 30 September 2013 have been reviewed by the audit committee.

CORPORATE GOVERNANCE

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed as follows, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 30 September 2013.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. None of the independent non-executive Directors and non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the independent non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

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 5.46 to 5.68 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 period 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 nine months ended 30 September 2013.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank the management and staff for their dedication and commitment throughout the period. 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 period. My thanks are also extended to the lawyers, auditors, consultants and relevant enterprises who always give us help and support.

By Order of the Board
Jian ePayment Systems Limited
Li Sui Yang
Chairman

Hong Kong
31 October 2013

As at the date of this report, the executive directors of the Group are Mr. Li Sui Yang, Mr. Tan Wen and Mr. Fok Ho Yin Thomas; the non-executive directors of the Group are Mr. Fan Bao Shan, Mr. Tang Hao and Mr. Hu Hai Yuan; and the independent non-executive directors of the Group are Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.



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

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