



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



Third Quarterly Report

2014

第三季度業績報告

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 (the “Directors”) of Jian ePayment Systems Ltd (the “Company”) 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 2014 was approximately RMB0.63 million
- Loss and total comprehensive income for the period amounted to approximately RMB6.64 million
- Loss per share amounted to RMB0.005 for the nine months ended 30 September 2014

RESULTS

The Board of Directors (the “Board”) of Jian ePayment Systems Limited, together with its subsidiaries (the “Group”), is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2014 with the comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Turnover	4	628	1,715	137	671
Cost of sales and services rendered		(333)	(790)	(68)	(325)
Gross profit		295	925	69	346
Other income		18	162	5	65
Distribution costs		(325)	(335)	(92)	(98)
Administrative expenses		(6,632)	(13,535)	(2,124)	(4,608)
Loss before tax		(6,644)	(12,783)	(2,142)	(4,295)
Income tax expense	5	-	-	-	-
Loss and total comprehensive income for the period		(6,644)	(12,783)	(2,142)	(4,295)
Loss per share (RMB)					
- Basic	7	0.005	0.01	0.0016	0.003
- Diluted	7	N/A	N/A	N/A	N/A

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

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.

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 applications.

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 2014. 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 represents the sales of hardware, software and smart cards.

5. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 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 2014 and 2013.

The tax rate applicable to the PRC subsidiaries in the Group were 25% (2013: 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.

6. DIVIDENDS

No dividend had been paid or declared by the Company during the period (2013: Nil).

7. LOSS PER SHARE

		Nine months ended 30 September		Three months ended 30 September	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
(a)	Basic loss per share				
	Loss for the purposes of basic loss per share for the period	(6,644)	(12,783)	(2,142)	(4,295)
	Weighted average number of ordinary shares for the purposes of basic loss per share	1,290,600,000	1,290,600,000	1,290,600,000	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 2014 and 2013 respectively.

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	(Unaudited)							
	Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Option reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2013	61,766	58,308	6,304	2,870	1,435	7,123	(120,862)	16,944
Lapse of share options	-	-	-	-	-	(1,872)	1,872	-
Total comprehensive income for the period	-	-	-	-	-	-	(12,783)	(12,783)
Changes in equity for the period	-	-	-	-	-	(1,872)	(10,911)	(12,783)
At 30 September 2013	61,766	58,308	6,304	2,870	1,435	5,251	(131,773)	4,161
At 1 January 2014	61,766	58,308	6,304	2,870	1,435	5,251	(135,259)	675
Total comprehensive income for the period	-	-	-	-	-	-	(6,644)	(6,644)
Changes in equity for the period	-	-	-	-	-	-	(6,644)	(6,644)
At 30 September 2014	61,766	58,308	6,304	2,870	1,435	5,251	(141,903)	(5,969)

REVIEW OF OPERATION

Zhengzhou Jian-O'Yuan ITS Systems Company Limited (鄭州華普奧原科技有限公司) ("Jian-O'Yuan")

During the period under review, turnover for the sales of electronic car-parking hardware and software and systems upgrade services was approximately RMB0.63 million (2013: RMB1.7 million), representing a decrease of approximately 63% over the last corresponding period. The reason of decrease was mainly due to the postponement of deliveries of the products to customers which led to certain of the sales be recorded at a later period. Nanning and Guangzhou remains the major customers and has continuous demand on the Group's products and services. 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 RMB6.7 million, representing a 51% decrease from corresponding period.

The Group had secured a contract in co-operation with Nanning car-parking operator in providing electronic hardware and software systems and services to the city's existing car-parking management systems and the airport expressway smart-card operating systems. The contract, which was in the value of approximately RMB4 million, is in the process of production and testing. Delivery of the products shall take place in 2015-1Q.

FINANCIAL REVIEW

The Company announced on 12 September 2014 of a proposed open offer on the basis of one offer share for every two existing shares at HK\$0.05 per offer share. A total of 645,300,000 offer shares were allotted and issued upon completion of the open offer on 29 October 2014. Gross proceeds from the open offer was HK\$32,265,000 and net proceeds (after deduction relevant expense) was estimated to be approximately HK\$30,400,000. Details of the open offer were set out in the Company's announcement and prospectus dated 12 September 2014 and 7 October 2014 respectively.

SHARE OPTIONS

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\$	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

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

	2014		2013	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
Outstanding at the beginning of the period	106,800,000	0.152	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	106,800,000	0.152
Exercisable at the end of the period	106,800,000	0.152	106,800,000	0.152

Name or category of participant	Number of share options					
	At	Granted	Exercised	Lapsed	Cancelled	At 30
	1 January 2014 '000	during the period '000	during the period '000	during the period '000	during the period '000	September 2014 '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	62,800	–	–	–	–	62,800
	106,800	–	–	–	–	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 2014.

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 2014, 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 2014
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 2014	Approximate percentage of the underlying shares to the share capital of the Company as at 30 September 2014
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 2014, 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 2014, 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 issued share capital of the Company
Union Perfect International Limited (Note 1)	286,800,000		22.22%
World Radiance Limited (Note 2)	101,000,000		7.82%
Mr. Chin Ying Hoi		15,800,000	1.22%
Link Chance Investment Limited (Note 3)	128,470,000		9.95%

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

Note 2: World Radiance Limited is owned as to 100% by Chang Yao Investments Limited, which is in turn 100% beneficially owned by Mr. Chin Ying Hoi.

Note 3: 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 2014, 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 nine months ended 30 September 2014.

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.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied, throughout the nine months ended 30 September 2014, with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the GEM Listing Rules.

(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 2014 have been reviewed by the audit committee.

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 2014.

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
10 November 2014

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
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