

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

2014

Annual Report
年報

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 (resigned on 19 November 2014)
Mr. Wang Jiang Wei (appointed on 19 November 2014)

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

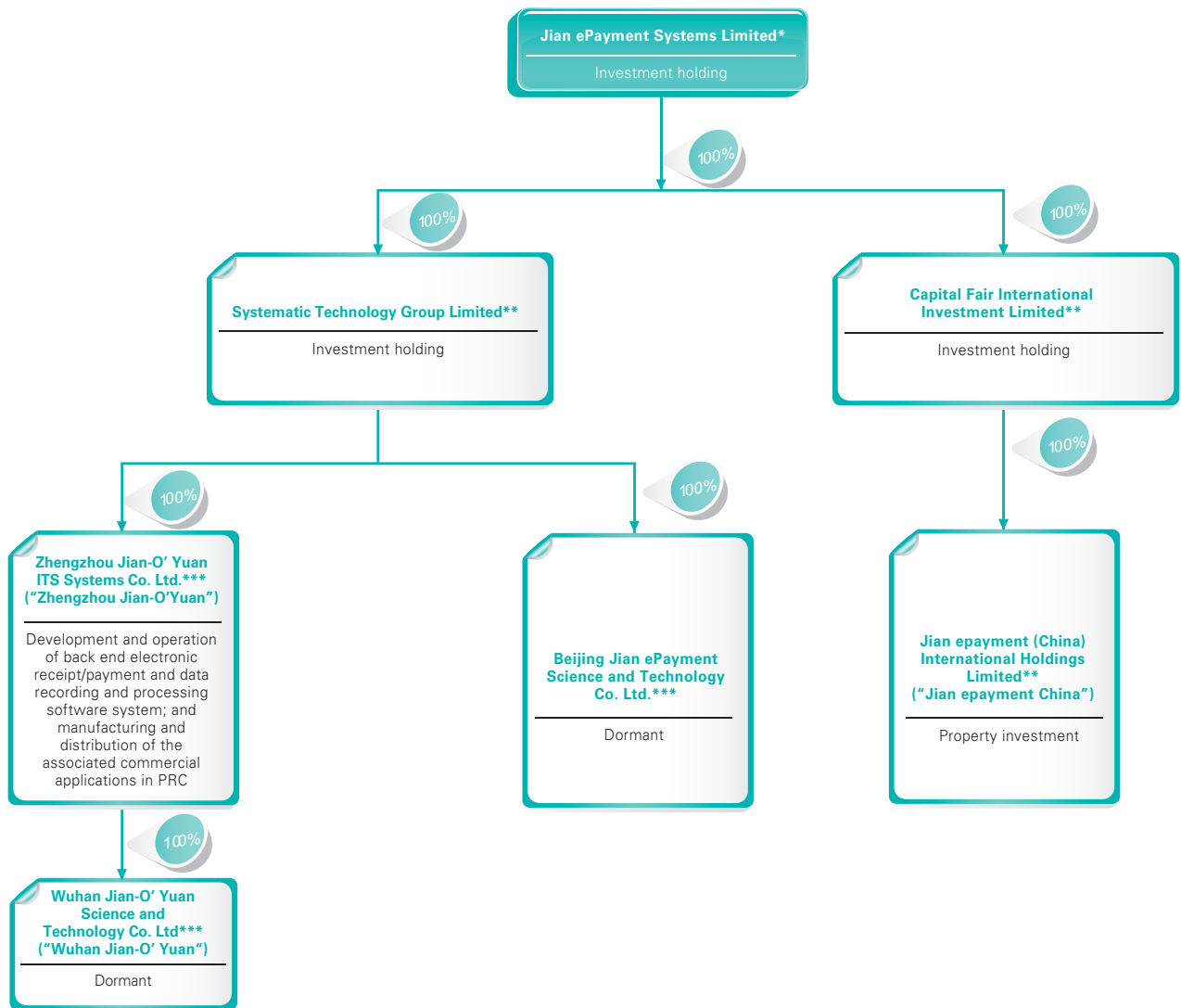
STOCK CODE

8165

COMPANY WEBSITE

www.jianepayment.com

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 2014.

BUSINESS REVIEW AND OUTLOOK

During the year under review, the Group continued operating the car-parking electronic payment system. The operating environment for the year under review had been complicated with social and economic uncertainties. The fluctuation of crude prices and strong rebound of US currency in the second half of 2014 led to unforeseeable challenges in the forthcoming year. Slow consumption and global economic growth is expected in 2015. The Group is going to be cautious to meet with the challenges ahead.

Looking forward, the Group will continue to focus on the development of its core business in the car-parking electronic payment system and will continue to improve its operational and managerial capabilities, as well as the functionality and reliability of its products to meet with the strong market competition. The Company will also grasp every opportunity that will promote the Group's corporate profile and to gain access to the capital markets to increase its financial flexibility. The Group will also continue to explore and evaluate other potential investment opportunities which could bring long-term benefits to the Group and its shareholders.

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

16 February 2015

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately RMB4.49 million (2013: RMB4.39 million), representing a slight increase of 2% over the last year. The amount represents turnover from sales of car parking hardware, software and related accessories by Zhengzhou Jian O'Yuan. Gross profit increased by 19% due to increase in sales of software with higher profit margin. Loss attributable to owners of the Company amounted to approximately RMB10.0 million (2013: RMB16.3 million) representing a decrease of 39% over the last year and was mainly due to the decrease in administrative expenses. In 2013, one-off R&D expenditure was paid for developing a car parking software but employees were involved directly in R&D in 2014, thus less research and development expenses was incurred. There were also decrease in the legal and professional fees and relevant expenditures such as entertainment, travelling and accommodation as no merger and acquisition activities were carried out for the year under 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 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.

REVIEW OF OPERATION

Details of software and parking equipment sold for 2014 were as follows:

Market	Parking and software equipment	Accumulated parking cards issued
Guangzhou	–	760,000
Panyu	–	285,000
Wuhan	–	330,000
Nanning	130	358,000
Haikou	–	110,000

In 2014, commissioned by the Nanning city government, the Group secured a contract in co-operation with Nanning car-parking operator with a view to 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 was in the value of approximately RMB4 million. The participation of the project is an important move for the Group further penetrating into the Nanning car-parking systems and it is believed that this will consolidate on the Group's existing position and maintain a strong competitive edge in future development.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had total assets of approximately RMB22.5 million and net current assets of approximately RMB9.2 million. The Group's current ratio, being a ratio of current assets to current liabilities, was 2.17.

The Group generally finances its operations with internally generated cash flows. As at 31 December 2014, the Group had cash and bank balances of approximately RMB15.9 million. The substantial shareholder of the Company have expressed intention to provide all necessary financial support to the Group. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. Taking into consideration the Group's current financial resources, the directors believe that the Group shall have adequate fund for its continual operation and development.

CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets as at 31 December 2014.

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.

INCOME TAX

Details of the treatment of the Group's income tax expense for the year ended 31 December 2014 are set out in note 8 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2014, the Group had approximately 24 employees (2013: 24 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 2014.

SIGNIFICANT INVESTMENTS

The Group had no significant investment for the year ended 31 December 2014.

Directors and Senior Management Profiles

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Li Sui Yang, aged 57, is an executive director, the Chairman and the compliance officer of the Group. Mr. Li is also the general manager of Zhengzhou 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, he had vast experience in retail, real estate and electronics industry in the PRC.

Mr. Tan Wen, aged 34, 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 43, 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 Landing International Development 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 16 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.

Non-executive directors

Mr. Tang Hao, aged 50, 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).

Directors and Senior Management Profiles

Mr. Wang Jiang Wei, aged 37, is a non-executive director of the Group. Mr. Wang holds a bachelor's degree in Economics from Tsinghua University and holds an executive master's degree in business administration from Peking University HSBC Business School. He is a member of the Certified General Accountants Association of Canada (CGA-Canada). Mr. Wang has over ten years of extensive experience in capital investment and enterprise management and currently serves as a director of Shenzhen Co-Power Venture Capital Company Limited (深圳市同威創業投資有限公司). Mr. Wang is the sole director of Chang Yao Investments Limited (昌耀投資有限公司) and World Radiance Limited (世輝有限公司). World Radiance Limited, a company which holds 151,500,000 shares of the Company (the "Shares"), representing 7.82% of the issued share capital of the Company, is owned as to 100% by Chang Yao Investments Limited, which in turn is 100% beneficially owned by Mr. Chin Ying Hoi. Mr. Chin Ying Hoi owns the entire issued share capital of Union Perfect International Limited, a company which holds 430,200,000 Shares, representing 22.22% of the issued share capital of the Company.

Mr. Hu Hai Yuan, aged 43, is a non-executive director of the Group. 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. Mr. Hu previously served as an Engineer of Anshan Steel Group Limited in China and has over 10 years of experience in the field of corporate finance.

Independent non-executive directors

Mr. Qu Xiao Guo, aged 44, 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 59, holds a bachelor's degree of engineering from Beijing Science and Technology University and has over 30 years of experience in engineering and management. Mr. Zhang is the independent non-executive director of CNT Group Limited, the shares of which are listed on the Main Board of Stock Exchange. He was appointed as independent non-executive director on 26 October 2001.

Ms. Tung Fong, aged 68, 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.

SENIOR MANAGEMENT

Mr. Ren Ren, aged 52, is the chief engineer of Zhengzhou 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 45, is the chief technical officer of Zhengzhou 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 2014.

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 2014 is as follows:

	2014 RMB'000	2013 RMB'000
Sales of hardware, software and smart cards	4,330	4,248
Repair and maintenance services	162	138
Total	4,492	4,386

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 21 to the consolidated financial statements.

FIXED ASSETS

Details of the movements in property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 21 to the consolidated financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company has no reserve (2013: 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 72.

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:

Grantee	Date of grant	Vesting period	Exercise period	Adjusted Exercise price HK\$	No. of share options outstanding
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.136	77,480,769
Directors	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.129	22,104,808
Directors	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.129	22,104,808

Report of the Directors

Details of the share options outstanding during the year 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 year	106,800,000	0.152	157,800,000	0.150
Lapsed during the year	–	–	(51,000,000)	0.147
Adjustment for Open Offer	14,890,385	0.133	–	–
Outstanding at the end of the year	121,690,385	0.133	106,800,000	0.152
Exercisable at the end of the year	121,690,385	0.133	106,800,000	0.152

Name or category of participant	Number of share options					
	At 1 January 2014 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Adjusted during the year '000	At 31 December 2014 '000
Directors						
Li Sui Yang	12,800	–	–	–	1,785	14,585
Fok Ho Yin Thomas	12,800	–	–	–	1,785	14,585
Hu Hai Yuan	8,000	–	–	–	1,115	9,115
Tung Fong	800	–	–	–	112	912
Zhang Xiao Jing	800	–	–	–	112	912
Qu Xiao Guo	800	–	–	–	112	912
Employees other than directors						
In aggregate	8,000	–	–	–	1,115	9,115
Other participants						
In aggregate	62,800	–	–	–	8,754	71,554
	106,800	–	–	–	14,890	121,690

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 (resigned on 19 November 2014)
Mr. Tang Hao
Mr. Hu Hai Yuan
Mr. Wang Jiang Wei (appointed on 19 November 2014)

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 25 to the consolidated 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 9.

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 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 31 December 2014
Mr. Li Sui Yang	Beneficiary owner	1,005,000	–	–	1,005,000	0.05%
Mr. Fok Ho Yin Thomas	Beneficiary owner	450,000	–	–	450,000	0.02%

Report of the Directors

(b) Interests in share options

Name	Type of interests	Outstanding shares option as at 31 December 2014	Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2014
Li Sui Yang	Personal	14,584,616	0.75%
Fok Ho Yin Thomas	Personal	14,584,616	0.75%
Hu Hai Yuan	Personal	9,115,385	0.47%
Tung Fong	Personal	911,538	0.05%
Zhang Xiao Jing	Personal	911,538	0.05%
Qu Xiao Guo	Personal	911,538	0.05%

Save as disclosed above, as at 31 December 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 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 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	Capacity	Number of Shares	Number of Share options	Percentage of issued share capital of the Company
Union Perfect International Limited (Note 1)	Beneficiary owner	430,200,000		22.22%
World Radiance Limited (Note 2)	Beneficiary owner	151,500,000		7.83%
Mr. Chin Ying Hoi			18,002,885	0.93%
Link Chance Investment Limited (Note 3)	Beneficiary owner	128,470,000		6.64%

Notes:

1. Union Perfect International Limited is 100% beneficially owned by Mr. Chin Ying Hoi.
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. Mr. Wang Jiang Wei, the non-executive director of the Company, is the sole director of Chang Yao Investments Limited and World Radiance Limited.
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 31 December 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.

Report of the Directors

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.

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 — Raw Materials	
— The largest supplier	26%
— Five largest suppliers combined	75%
Purchases — Construction of Parking Facilities	
— The largest supplier	100%
Sales	
— The largest customer	80%
— Four largest customers combined	100%

As at 31 December 2014, the substantial shareholder of the Company had interests in the following customer of the Group:

Substantial shareholder	Name of customer	Interests held
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 Group's major customers and suppliers.

CONNECTED TRANSACTIONS

The significant related party transactions entered by the Group during the year ended 31 December 2014, 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 25 to the consolidated financial statements.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

The text of Corporate Governance Report is set out on pages 20 to 30 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

16 February 2015

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. Wang Jiang Wei, 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.

Board of Directors	Board Member	Audit Committee	Remuneration Committee	Nomination Committee
<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 (resigned on 19 November 2014)				
Mr. Tang Hao	✓			
Mr. Hu Hai Yuan	✓			
Mr. Wang Jiang Wei (appointed on 19 November 2014)	✓			
<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.

Board Diversity Policy

Code provision A.5.6 stipulates that the nomination committee (or the Board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.

In 2015 meeting, nomination committee members will review the board diversity policy of the Company and the progress of attainment when appropriate to ensure its effectiveness and will discuss any revisions that may be required to be considered and make disclosure of its review results of the Company's corporate governance report annually.

Corporate Governance Report

Attendance of individual directors at board meetings in 2014

The Board meets regularly to discuss the Company's affairs and operations. During the year under review, the Board held regular Board meetings (within the meaning of the Code of Corporate Governance) at approximately quarterly interval and 3 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:

Name of Director	Attendance/Eligible to attend
Mr. Li Sui Yang	7/7
Mr. Tan Wen	7/7
Mr. Fok Ho Yin Thomas	7/7
Mr. Fan Bao Shan (resigned on 19 November 2014)	7/7
Mr. Tang Hao	1/7
Mr. Hu Hai Yuan	2/7
Mr. Qu Xiao Guo	6/7
Mr. Zhang Xiao Jing	5/7
Ms. Tung Fong	5/7
Mr. Wang Jiang Wei (appointed on 19 November 2014)	0/7

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. In addition, the Chairman of the Board also held a meeting with the non-executive directors without the presence of executive directors during the year under review.

Corporate Governance Report

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

Name of Directors	Attended/Eligible to attend
<i>Executive Directors</i>	
Mr. Li Sui Yang	0/1
Mr. Tan Wen	0/1
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

Code provision A.6.7 stipulates that independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Owing to overseas engagements, three independent non-executive Directors and three non-executive Directors were unable to attend the general meetings of the Company held on 19 May 2014.

Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board was absent from the annual general meeting held on 19 May 2014 due to business commitments.

Corporate Governance Report

Directors' Induction and 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.

Members	Types of training
<i>Executive Directors</i>	
Mr. Li Sui Yang	B, C
Mr. Tan Wen	A, B, C
Mr. Fok Ho Yin Thomas	A, B, C
<i>Non-executive Directors</i>	
Mr. Tang Hao	C
Mr. Hu Hai Yuan	C
Mr. Fan Bao Shan	C
Mr. Wang Jiang Wei	A, B, C
<i>Independent Non-executive Directors</i>	
Mr. Qu Xiao Guo	A, C
Mr. Zhang Xiao Jing	C
Ms. Tung Fong	C

Note:

- A: attending training courses
- B: seminars, conferences or forums
- C: reading newspapers, journals and relevant materials

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.

Corporate Governance Report

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.

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.

Corporate Governance Report

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

Name of Director	Attendance/No. of times of committee meetings held
Mr. Qu Xiao Guo	4/4
Mr. Zhang Xiao Jing	3/4
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.

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:

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

The remuneration policy for year 2014 for Board members and senior management was the same as those adopted in 2013.

Corporate Governance Report

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 two meetings 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:

Name of Director	Attendance/No. of times of committee meeting held
Mr. Li Sui Yang	2/2
Mr. Qu Xiao Guo	2/2
Mr. Zhang Xiao Jing	2/2
Ms. Tung Fong	2/2

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.

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.

FINANCIAL REPORTING

Code provision C.1.2 stipulates that management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

Corporate Governance Report

During the year ended 31 December 2014, rather than providing monthly updates to all members of the Board, the management of the Company has provided to all Directors quarterly updates with quarterly consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The management discussion and analysis prepared by management and reviewed by the Board of the directors are included in pages 6 to 7 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 2013 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 enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

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.

Corporate Governance Report

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, 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 GEM 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.

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 2014.

Corporate Governance Report

COMPANY SECRETARY

Mr. Fok Ho Yin Thomas was appointed by the Board as the company secretary of the Company. The company secretary supports the chairman, Board and board committees by ensuring good information flow and reports to the Board and assists the Board in functioning effectively and efficiently. The company secretary also advises the Board on governance matters and facilitates the induction and professional development of Directors. All Directors of the Company may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and board committee.

Mr. Fok has been the company secretary of the Company since September 2008. He is also the executive director, authorised representative and the chief financial officer of the Company. The biographical detail of Mr. Fok is set out in the section of Directors and Senior Management profiles on page 8 of this report. During the year, Mr. Fok undertook not less than 20 hours of relevant professional training.

INTERNAL CONTROL

The Board recognises the importance of maintaining an adequate and effective internal control system to safeguard the Company's assets against unauthorised use or disposition, and to protect the interests of shareholders of the Company.

The audit committee assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control system.

During the year, the Board has discussed and reviewed the relevant proposals made by senior management in order to ensure an adequate and effective system of internal control. The Board, through the audit committee, has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries for the year ended 31 December 2014, which covers all material controls, including financial, operational and compliance controls functions.

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:

	Fee paid/payable RMB'000
Audit services	313
Non-audit services	297

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 71, which comprise the consolidated statement of financial position as at 31 December 2014, 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.

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 2014, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

16 February 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Turnover	6(a)	4,492	4,386
Cost of goods sold and services rendered		(2,977)	(3,111)
Gross profit		1,515	1,275
Other income	6(b)	539	204
Distribution costs		(422)	(431)
Administrative expenses		(11,639)	(17,317)
Loss before tax		(10,007)	(16,269)
Income tax expense	8	–	–
Loss and total comprehensive income for the year attributable to owners of the Company	9	(10,007)	(16,269)
Loss per share			(Restated)
Basic	12	(RMB0.006)	(RMB0.011)
Diluted	12	N/A	N/A

Consolidated Statement of Financial Position

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	13	5,436	6,108
Current assets			
Inventories	14	362	15
Trade and other receivables	15	788	2,307
Bank and cash balances	16	15,940	3,713
		17,090	6,035
Current liabilities			
Trade and other payables	17	7,876	10,071
Due to directors	25	–	1,387
Due to a related company	25	10	10
		7,886	11,468
Net current assets/(liabilities)		9,204	(5,433)
Total assets less current liabilities		14,640	675
NET ASSETS		14,640	675
Capital and reserves			
Share capital	19	86,973	61,766
Reserves	21	(72,333)	(61,091)
TOTAL EQUITY		14,640	675

Approved by the Board of Directors on 16 February 2015

Li Sui Yang
Director

Fok Ho Yin Thomas
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital RMB'000	Share premium account <i>(note 21(c)(i))</i> RMB'000	Capital reserves <i>(note 21(c)(ii))</i> RMB'000	General reserve fund <i>(note 21(c)(iii))</i> RMB'000	Enterprise expansion fund <i>(note 21(c)(iii))</i> RMB'000	Option reserve <i>(note 21(c)(v))</i> 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 <i>(Note 22)</i>	-	-	-	-	-	(1,872)	1,872	-
Total comprehensive income for the year	-	-	-	-	-	-	(16,269)	(16,269)
Changes in equity for the year	-	-	-	-	-	(1,872)	(14,397)	(16,269)
At 31 December 2013 and 1 January 2014	61,766	58,308	6,304	2,870	1,435	5,251	(135,259)	675
Issue of shares upon Open Offer <i>(Note 19)</i>	25,207	(1,235)	-	-	-	-	-	23,972
Total comprehensive income for the year	-	-	-	-	-	-	(10,007)	(10,007)
Changes in equity for the year	25,207	(1,235)	-	-	-	-	(10,007)	13,965
At 31 December 2014	86,973	57,073	6,304	2,870	1,435	5,251	(145,266)	14,640

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(10,007)	(16,269)
Adjustments for:			
Depreciation		713	768
Allowance for inventories		62	129
Impairment loss on trade and other receivables		175	126
Interest income		(12)	(19)
Other payables written back		(514)	–
Reversal of allowance for inventories		(10)	(63)
Operating loss before working capital changes		(9,593)	(15,328)
(Increase)/decrease in inventories		(399)	213
Decrease/(increase) in trade and other receivables		1,344	(844)
Decrease in amounts due to directors		(1,387)	(543)
(Decrease)/increase in trade and other payables		(1,681)	861
Net cash used in operating activities		(11,716)	(15,641)
CASH FLOWS FROM INVESTING ACTIVITIES			
Refund of deposit paid for acquisition of a subsidiary		–	20,271
Purchases of property, plant and equipment		(41)	(6)
Interest received		12	19
Net cash (used in)/generated from investing activities		(29)	20,284
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of advance from a substantial shareholder		–	(2,000)
Proceeds from issues of shares upon Open Offer	19	25,207	–
Transaction costs paid upon Open Offer	19	(1,235)	–
Net cash generated from/(used in) financing activities		23,972	(2,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,227	2,643
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,713	1,070
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		15,940	3,713
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		15,940	3,713

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 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 26 to the consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

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

Amendment to HKAS 32, Offsetting financial assets and financial liabilities

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

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010–2012 Cycle)

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

Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010–2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010–2012 Cycle)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(Continued)*

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

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

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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 and any related accumulated foreign currency translation reserve relating to that subsidiary.

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 Consolidated Financial Statements

For the year ended 31 December 2014

3. 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 consideration transferred in a business combination 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 sum of the consideration transferred 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 sum of the consideration transferred 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 sum of the consideration transferred in a business combination to calculate the goodwill.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(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 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 are translated at average exchange rates for the period (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 other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain 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.

(d) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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:

	Residual value	Annual depreciation rate
Land and buildings	–	Over the term of the lease
Leasehold improvements	–	20%
Machinery	0% – 10%	14% – 33%
Office equipment	0% – 10%	15% – 20%
Motor vehicles	–	20%

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

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.

(e) Operating leases

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Recognition and derecognition of financial instruments *(Continued)*

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.

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 services are 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 at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Share-based payments

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

Equity-settled share-based payments to directors and employees are measured at the 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 rendered 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 is recognised as an expense.

(q) 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 of items of income or expense that are taxable or deductible in other years and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Taxation *(Continued)*

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.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

(r) 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.

(B) An entity is related to the Group 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 controlled or jointly controlled by a person identified in (A).
- (vi) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets except goodwill, inventories and receivables, of which the impairment policies are set out in notes 3(b), 3(g) and 3(i) to the consolidated financial statements respectively, 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 of disposal 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.

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.

(t) 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.

(u) 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 consolidated financial statements when material.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

There is no significant effect on the amounts recognised in the financial statements arising from the judgements made by the directors in the process of applying the accounting policies (apart from those involving estimations, which are dealt with below).

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 and depreciation and impairment*

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.

The carrying amount of property, plant and equipment as at 31 December 2014 was RMB5,436,000 (2013: RMB6,108,000).

(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. Allowance for slow-moving inventories of approximately RMB62,000 (2013: RMB129,000) was made for the year ended 31 December 2014.

(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.

As at 31 December 2014, impairment loss for bad and doubtful debts was made for trade and other receivables of RMB5,785,000 (2013: RMB5,610,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. 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.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in 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 2014, 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 RMB332,000 (2013: RMB107,000) 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 RMB332,000 (2013: RMB107,000) lower, arising mainly as a result of the foreign exchange gain on bank deposits denominated in HK\$.

(b) 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 concentration to credit risk as 100% of the total trade receivables as at 31 December 2014 and 31 December 2013 are due from the largest customer for the years ended 31 December 2014 and 2013 respectively. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

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 and cash 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.

(c) 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 based on contractual undiscounted cash flows of the Group's financial liabilities at the end of the reporting period is less than one year same as 31 December 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) 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 operating cash flows are substantially independent of changes in market interest rates.

(e) 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.

(f) Categories of financial instruments at 31 December

	2014 RMB'000	2013 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	788	2,307
Bank and cash balances	15,940	3,713
	16,728	6,020
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	7,876	10,071
Due to directors	–	1,387
Due to a related company	10	10
	7,886	11,468

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. TURNOVER AND OTHER INCOME

(a) Turnover

The Group's turnover represents the following:

	2014 RMB'000	2013 RMB'000
Sales of hardware, software and smart cards	4,330	4,248
Repair and maintenance services	162	138
	4,492	4,386

(b) Other income

	2014 RMB'000	2013 RMB'000
Subsidy income		
— Value-added tax ("VAT") refund (<i>Note (i)</i>)	13	173
Interest income	12	19
Other payables written back	514	—
Others	—	12
	539	204

- (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% and 6% on the gross selling price upon sales of goods and services rendered respectively. 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 Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION

Operating segment information

The Group is engaged in a single type of business that is development and operation of integrated circuit 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 years ended 31 December 2014 and 2013 were attributable to customers based in the PRC, the country of domicile of the Group's operation. Also, the Group's major non-current assets are all located in the PRC.

Revenue from major customers

The Group's customers base included two (2013: two) customers with whom transactions have exceeded 10% of the Group's revenue. Revenue from those customers is set out as below:

	2014 RMB'000	2013 RMB'000
Customer A	–	3,055
Customer B	601	1,238
Customer C	3,599	–
	4,200	4,293

8. INCOME TAX EXPENSE

	2014 RMB'000	2013 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 2014 and 2013.

The tax rate applicable to the PRC subsidiaries in the Group were 25% (2013: 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 2014 and 2013 as the PRC subsidiaries did not generate any assessable profit for the years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. INCOME TAX EXPENSE *(Continued)*

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:

	2014 RMB'000	2013 RMB'000
Loss before tax	(10,007)	(16,269)
Tax at the PRC Enterprise Income Tax rate of 25% (2013: 25%)	(2,502)	(4,067)
Tax effect of income that is not taxable	(147)	(36)
Tax effect of expenses that are not deductible	1,644	1,452
Tax effect of temporary differences not recognised	17	46
Tax effect of tax losses not recognised	282	2,605
Effect of different tax rates	706	–
Income tax expense	–	–

The details of unprovided deferred taxation as at 31 December 2014 are stated in note 23 to the consolidated financial statements.

9. LOSS FOR THE YEAR

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

	2014 RMB'000	2013 RMB'000
Depreciation of property, plant and equipment <i>(Note 13)</i>	713	768
Directors' emoluments <i>(Note 10)</i>	3,097	3,267
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	3,564	4,008
— Retirement benefit scheme contributions	544	527
	4,108	4,535
Cost of inventories sold	2,939	3,069
Operating lease charges	618	673
Auditor's remuneration	337	328
Allowance for inventories (included in cost of inventories sold)	62	129
Foreign exchange loss	241	400
Reversal of allowance for inventories (included in cost of inventories sold)	(10)	(63)
Research and development costs	1,166	2,215
Impairment loss on trade and other receivables	175	126

Cost of inventories sold includes staff costs, depreciation, inventories written back and operating lease charges of approximately RMB128,000 (2013: RMB199,000) which are included in the amounts disclosed separately above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

Year ended 31 December 2014	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Li Sui Yang	65	735	140	940
Mr. Tan Wen	65	670	131	866
Mr. Fok Ho Yin, Thomas	65	735	131	931
<i>Non-executive directors</i>				
Mr. Tang Hao	60	–	–	60
Mr. Hu Hai Yuan	60	–	–	60
Mr. Fan Bao Shan (Note (a))	55	–	–	55
Mr. Wang Jiang Wei (Note (b))	5	–	–	5
<i>Independent non-executive directors</i>				
Mr. Zhang Xiao Jing	60	–	–	60
Ms. Tung Fong	60	–	–	60
Mr. Qu Xiao Guo	60	–	–	60
	555	2,140	402	3,097

Notes:

(a) Resigned on 19 November 2014.

(b) Appointed on 19 November 2014.

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10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Year ended 31 December 2013	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Li Sui Yang	65	745	146	956
Mr. Tan Wen	65	650	138	853
Mr. Fok Ho Yin, Thomas	65	745	138	948
<i>Non-executive directors</i>				
Mr. Tang Hao	65	–	–	65
Mr. Hu Hai Yuan	65	–	–	65
Mr. Fan Bao Shan	185	–	–	185
<i>Independent non-executive directors</i>				
Mr. Zhang Xiao Jing	65	–	–	65
Ms. Tung Fong	65	–	–	65
Mr. Qu Xiao Guo	65	–	–	65
	705	2,140	422	3,267

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For the year ended 31 December 2014

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

No directors waived any emoluments during the years ended 31 December 2014 and 2013.

The five highest paid individuals in the Group during the year include three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2013: two) individuals during the year are set out below:

	2014 RMB'000	2013 RMB'000
Basic salaries and benefits	553	650
Retirement benefit scheme contributions	93	58
	646	708

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

	Number of individuals	
	2014	2013
HK\$Nil–HK\$1,000,000	2	2
HK\$1,000,001–HK\$1,500,000	3	3
HK\$1,500,001–HK\$2,000,000	–	–
HK\$2,000,001–HK\$2,500,000	–	–
	5	5

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.

11. DIVIDEND

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

12. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately RMB10,007,000 (2013: approximately RMB16,269,000) and the weighted average number of ordinary shares of approximately 1,595,928,000 (2013: 1,470,539,000, as adjusted to reflect the effect of the open offer of shares of the Company in October 2014) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are antidiluted for the years ended 31 December 2014 and 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2013	5,264	92	25,950	591	2,934	34,831
Additions	-	-	-	6	-	6
At 31 December 2013 and 1 January 2014	5,264	92	25,950	597	2,934	34,837
Additions	-	-	9	32	-	41
At 31 December 2014	5,264	92	25,959	629	2,934	34,878
Accumulated depreciation and impairment						
At 1 January 2013	275	92	25,950	476	1,168	27,961
Charge for the year	204	-	-	17	547	768
At 31 December 2013 and 1 January 2014	479	92	25,950	493	1,715	28,729
Charge for the year	135	-	9	26	543	713
At 31 December 2014	614	92	25,959	519	2,258	29,442
Carrying amount						
At 31 December 2014	4,650	-	-	110	676	5,436
At 31 December 2013	4,785	-	-	104	1,219	6,108

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

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14. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	131	3
Work in progress	231	12
	362	15

The reversal of allowance for inventories of approximately RMB10,000 (2013: RMB63,000) arose from sales of obsolete inventories.

15. TRADE AND OTHER RECEIVABLES

	Note	2014 RMB'000	2013 RMB'000
Trade receivables	(a)	339	2,144
Prepayments and other deposits	(b)	379	150
Other receivables	(c)	70	13
		788	2,307

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit terms 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.

Notes to the Consolidated Financial Statements

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15. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	2014 RMB'000	2013 RMB'000
0–30 days	339	1,456
31–60 days	–	–
61–90 days	–	–
91–180 days	–	488
181–365 days	–	200
Over 365 days	4,027	3,841
	4,366	5,985
Allowance for impairment losses	(4,027)	(3,841)
	339	2,144

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

	2014 RMB'000	2013 RMB'000
At 1 January	3,841	3,715
Impairment loss recognised	186	126
At 31 December	4,027	3,841

The allowance for impairment losses was made for the impaired trade receivables which mainly relate to past due payments from customers and aged over one year. The Group does not hold any collateral or other credit enhancements over these balances.

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15. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

As of 31 December 2014, trade receivables of approximately RMB Nil (2013: RMB688,000) 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:

	2014 RMB'000	2013 RMB'000
Up to 3 months	–	488
3 to 6 months	–	200
	–	688

(b) Prepayments and other deposits

	2014 RMB'000	2013 RMB'000
Prepayments to suppliers	219	–
Others	160	150
	379	150

(c) Other receivables

	2014 RMB'000	2013 RMB'000
Advances to staff	27	10
Others	43	3
	70	13

16. BANK AND CASH BALANCES

As at 31 December 2014, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB4,609,000 (2013: RMB194,000). 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.

Notes to the Consolidated Financial Statements

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17. TRADE AND OTHER PAYABLES

	Note	2014 RMB'000	2013 RMB'000
Trade payables	(a)	2,039	1,637
Other payables	(b)	5,837	8,434
		7,876	10,071

(a) Trade payables

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

	2014 RMB'000	2013 RMB'000
0–60 days	1,383	941
61–180 days	15	–
181–365 days	–	55
Over 365 days	641	641
	2,039	1,637

(b) Other payables

	2014 RMB'000	2013 RMB'000
Business tax payable	32	150
VAT payable	192	102
Provision for staff and workers' bonus and welfare fund	624	691
Accruals for operating expenses	2,504	5,043
Salary and welfare payables	191	447
Others	2,294	2,001
	5,837	8,434

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18. 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\$1,500 (from HK\$1,250 to HK\$1,500 effective from June 2014) 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.

19. SHARE CAPITAL

	Number of shares		Nominal value			
	2014	2013	2014		2013	
	'000	'000	HK\$'000	RMB'000	HK\$'000	RMB'000
Ordinary shares of HK\$0.05 each						
Authorised:						
At 1 January and 31 December	30,000,000	30,000,000	1,500,000	1,264,706	1,500,000	1,264,706
Issued and fully paid:						
At 1 January	1,290,600	1,290,600	64,530	61,766	64,530	61,766
Shares issued upon Open Offer	645,300	–	32,265	25,207	–	–
At 31 December	1,935,900	1,290,600	96,795	86,973	64,530	61,766

Pursuant to a resolution passed at a meeting of the board of directors of the Company on 6 October 2014, an issue of shares by the Company at a price of HK\$0.05 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the “Open Offer”) was approved. The Open Offer was completed and a total of 645,300,000 new shares were issued on 29 October 2014, resulting in proceeds of approximately RMB25,207,000 (equivalent to HK\$32,265,000), before expenses, to the Company. Transaction costs directly attributable to the Open Offer amounted to approximately RMB1,235,000 and were recognised in the share premium account of the Company.

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.

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19. SHARE CAPITAL *(Continued)*

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 2014, 63% (2013: 56%) of the shares were in public hands.

20. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Property, plant and equipment	15	19
Investments in subsidiaries	–	278
Other receivables	190	63
Due from subsidiaries	7,422	4
Bank and cash balances	9,757	1,196
Other payables	(2,236)	(2,167)
Due to subsidiaries	(508)	(508)
Due to directors	–	(475)
NET ASSETS/(LIABILITIES)	14,640	(1,590)
Share capital	86,973	61,766
Reserves	(72,333)	(63,356)
TOTAL EQUITY/(CAPITAL DEFICIENCY)	14,640	(1,590)

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21. 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 2013	58,308	23,996	7,123	(134,070)	(44,643)
Lapse of share options	–	–	(1,872)	1,872	–
Total comprehensive income for the year	–	–	–	(18,713)	(18,713)
At 31 December 2013 and 1 January 2014	58,308	23,996	5,251	(150,911)	(63,356)
Transaction costs attributable to Open Offer (<i>Note 19</i>)	(1,235)	–	–	–	(1,235)
Total comprehensive income for the year	–	–	–	(7,742)	(7,742)
At 31 December 2014	57,073	23,996	5,251	(158,653)	(72,333)

(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.

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21. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(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 years. 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 3(p) to the consolidated financial statements.

22. 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.

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22. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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.

As a result of the completion of the Open Offer and pursuant to (i) the New Scheme; and (ii) the supplementary guidance issued by Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 23.03(13) of the GEM Listing Rules, the exercise price of the outstanding share options granted by the Company (the "Share Options") and the total number of shares of the Company comprised in the outstanding Share Options which may be allotted and issued upon exercise of all such Share Options thereunder were adjusted.

Details of specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Adjusted exercise price HK\$	Number of Share Options		
					Balance at 1 January 2014 and before Open Offer	Adjustment for Open Offer	Balance at 31 December 2014
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.136	68,000,000	9,480,769	77,480,769
Directors	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.129	19,400,000	2,704,808	22,104,808
Directors	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.129	19,400,000	2,704,808	22,104,808

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22. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Details of the Share Options outstanding during the year 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 year	106,800,000	0.152	157,800,000	0.150
Lapsed during the year	–	–	(51,000,000)	0.147
Adjustment for Open Offer	14,890,385	0.133	–	–
Outstanding at the end of the year	121,690,385	0.133	106,800,000	0.152
Exercisable at the end of the year	121,690,385	0.133	106,800,000	0.152

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 of the equity instruments at the measurement dates.

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.76 years (2013: 5.76 years) and the exercise price are ranging from HK\$0.129 to HK\$0.136 (2013: HK\$0.147 to HK\$0.155). The estimated fair values of the options granted on 18 May 2009 and 1 June 2010 are determined using the Binomial pricing model and Black-Scholes option pricing model respectively. The estimated fair values and significant inputs into the models are as follows:

	Share options grant date		
	1 June 2010 (A)	1 June 2010 (B)	18 May 2009
Option price model	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	RMB3,652,000 HK\$4,149,000
No. of options granted at the grant date	19,400,000	19,400,000	84,000,000
Weighted average share price at the measurement date	HK\$0.144	HK\$0.144	HK\$0.130
Weighted average exercise price	HK\$0.147	HK\$0.147	HK\$0.155
Expected volatility	58.92%	54.13%	64.41%
Expected life	5 years	6 years	10 years
Risk free rate	1.597%	1.863%	2.205%
Expected dividend yield	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.

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23. DEFERRED TAXATION

At the end of the reporting period the Group has unused tax losses and other deductible temporary differences of approximately RMB7,139,000 and RMB467,000 respectively (2013: RMB7,126,000 and RMB363,000 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 expire from 2015 to 2019 and other deductible temporary differences may be carried forward indefinitely.

Under the enterprise income tax law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries of the Group from 1 January 2008 onwards. As at 31 December 2013 and 31 December 2014, the PRC subsidiaries of the Group have accumulated losses, no deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries of the Group.

24. COMMITMENTS

Operating lease commitments — as lessee

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 RMB'000	2013 RMB'000
Within one year	640	536
In the second to fifth years inclusive	209	290
	849	826

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 (2013: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

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25. 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
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:

	2014 RMB'000	2013 RMB'000
Sales of hardware: — Shanghai Project Company	224	—
Sales of smart cards: — Beijing Project Company	—	8
Reversal of impairment loss on other receivables: — Shanghai Project Company	11	—

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For the year ended 31 December 2014

25. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2014 RMB'000	2013 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
	56	67
Allowance for impairment losses	(56)	(67)
	—	—
Included in other payables:		
— Beijing Huapu	274	274
— Beijing Project Company	20	20
— Shanghai Project Company	5	—
	299	294

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

	2014 RMB'000	2013 RMB'000
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	—	412
Mr. Tan Wen	—	405
Mr. Fok Ho Yin, Thomas	—	420
Mr. Fan Bao Shan	—	150
	—	1,387

The balances due from/to related parties were unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2014 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	Dormant during the year	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%
Beijing Jian ePayment Science and Technology Company Limited ("Beijing Jian ePayment")	PRC	Dormant during the year	USD150,000	–	100%

Zhengzhou Jian-O'Yuan 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.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 February 2015.

Financial Summary

CONSOLIDATED PROFIT OR LOSS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2010	2011	2012	2013	2014
Turnover	15,343	2,259	5,664	4,386	4,492
Operating (loss)/profit	20,714	(22,027)	(25,721)	(16,461)	(10,032)
Subsidy income	420	50	385	173	13
Interest income	477	60	20	19	12
Interest expenses	(15)	–	–	–	–
(Loss)/profit before taxation	21,596	(21,917)	(25,316)	(16,269)	(10,007)
Taxation	–	–	–	–	–
(Loss)/profit after tax but before non-controlling interests	21,596	(21,917)	(25,316)	(16,269)	(10,007)
Non-controlling interests	(662)	1,620	217	–	–
(Loss)/profit attributable to shareholders	20,934	(20,297)	(25,099)	(16,269)	(10,007)

CONSOLIDATED FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	At 31 December				
	2010	2011	2012	2013	2014
Non-current assets	13,152	31,205	27,141	6,108	5,436
Net current (liabilities)/assets	2,274	10,922	(10,197)	(5,433)	9,204
Non-controlling interests	(2,122)	(502)	–	–	–
Total assets less current liabilities	13,304	41,625	16,944	675	14,640
Representing:					
Share capital	45,727	61,766	61,766	61,766	86,973
Reserves	(32,423)	(20,141)	(44,822)	(61,091)	(72,333)
Shareholder's equity	13,304	41,625	16,944	675	14,640

Jian ePayment Systems Limited
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