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

2017
Annual Report
年報

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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

NON-EXECUTIVE DIRECTORS

Mr. Huang Zhang Hui *(Chairman)***
Mr. Hu Hai Yuan
Mr. Wang Jiang Wei***

EXECUTIVE DIRECTORS

Mr. Li Sui Yang *(ex-Chairman)**
Mr. Wang Jiang Wei***

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Shi Zhan
Mr. Luo Ze Min
Dr. Xia Ting Kang

AUDIT COMMITTEE

Mr. Luo Ze Min *(Chairman)*
Mr. Guo Shi Zhan
Dr. Xia Ting Kang

REMUNERATION COMMITTEE

Mr. Luo Ze Min *(Chairman)*
Mr. Guo Shi Zhan
Dr. Xia Ting Kang

NOMINATION COMMITTEE

Mr. Li Sui Yang *(ex-Chairman)**
Mr. Luo Ze Min *(Chairman)***
Mr. Guo Shi Zhan
Dr. Xia Ting Kang

CHIEF EXECUTIVE OFFICER

Mr. Li Sui Yang

COMPLIANCE OFFICER

Mr. Li Sui Yang*
Mr. Wang Jiang Wei***

COMPANY SECRETARY

Mr. Liang Tien Tzu

AUTHORISED REPRESENTATIVES

Mr. Li Sui Yang*
Mr. Wang Jiang Wei***
Mr. Liang Tien Tzu

AUDITOR

RSM Hong Kong, Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road, Causeway Bay, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Suite 1104, Hantang Plaza, Overseas Chinese Town
Nanshan District, Shenzhen, PRC

HONG KONG OFFICE

Suite 1501A, 15/F, Tower 1, China Hong Kong City
33 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

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

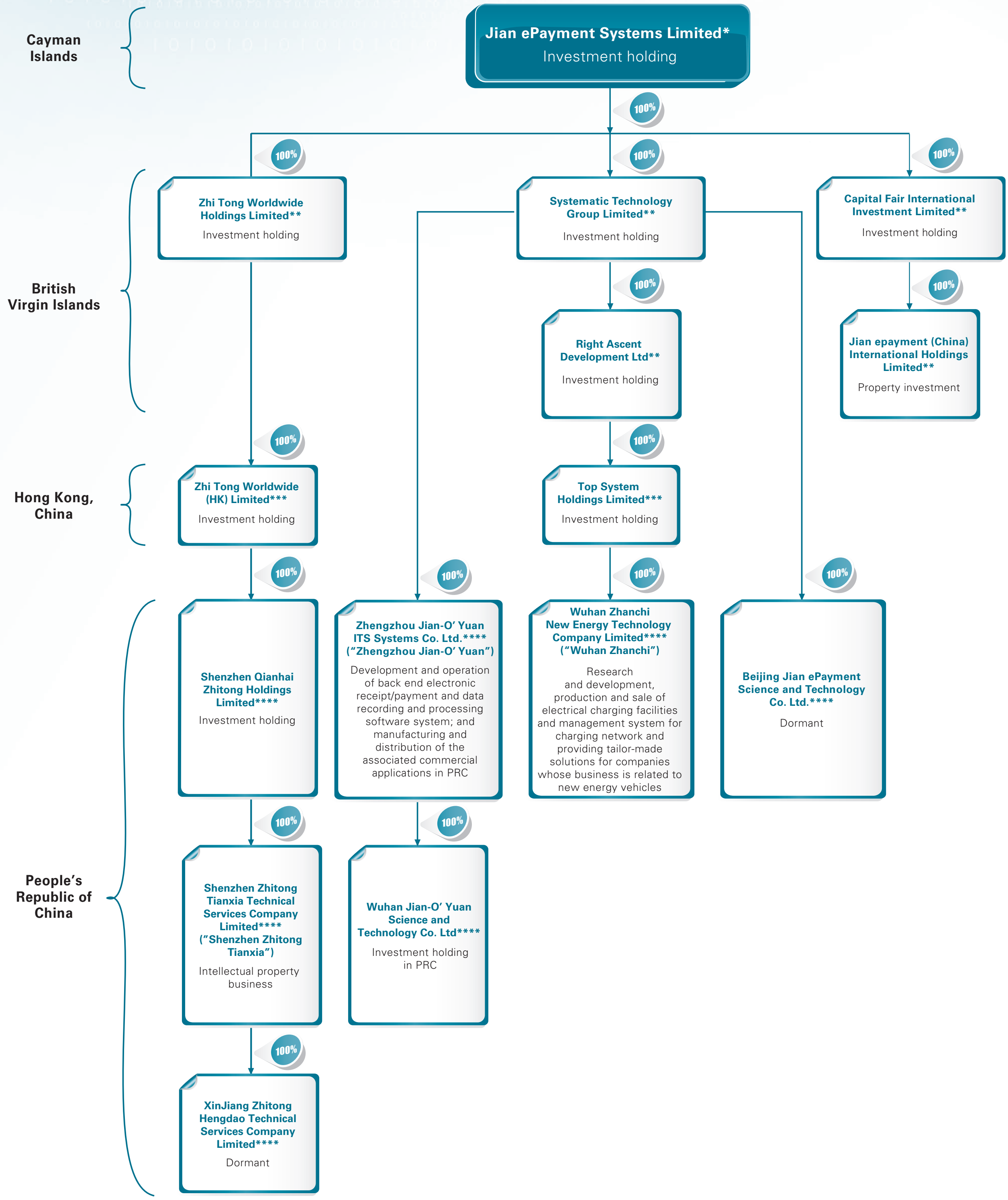
8165

COMPANY WEBSITE

www.jianepayment.com

* Retired on 25 May 2017
** Appointed as Chairman on 25 May 2017
*** Re-designated to Executive Director and appointed as compliance officer and authorised representative on 25 May 2017

Corporate Structure



* incorporated in Cayman Islands
** incorporated in British Virgin Islands
*** incorporated in Hong Kong, China
**** incorporated in the People's Republic of China

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 2017.

BUSINESS REVIEW AND OUTLOOK

2017 marks as the year of turnaround for the Group. During the year under review, the Group has stopped the decline in its businesses, focused in a viable new business, significantly increased its revenue and reduced its expenses. As a result, the Group recorded a profit from its operations, for the first time since the year 2010. This was mainly attributable to the Group's efforts in developing the Intellectual Property ("IP") services business. Base on the experiences learned from the successful trial operation in 2016, the Group in 2017 continued to put more focus on Shenzhen Zhitong Tianxia, its operating subsidiary in the IP business, invested more of its resources and focused its efforts in boosting the growth in revenue. At the same time, the Group strengthened its efforts to restrain investments and expenses in the declining car-parking systems business. The combination of these efforts resulted in a substantial growth in revenue and profitability. The Group will continue to enhance its research and development activities to improve its operational and managerial capabilities to further strengthen its competitive position.

Looking forward, the Group will continue to expand its IP services business, seizing every opportunity to promote the Group's corporate profile and to gain access to the capital markets to increase its financial flexibility, expand its scale of financing and enhance the operating results. 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. I would also like to thank the retiring director for his contributions and efforts made 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.

Huang Zhang Hui
Chairman

Hong Kong

19 March 2018

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately RMB13,106,000 (2016: RMB2,626,000), representing an increase of 399% over the last year. Net profit and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB512,000 (2016: loss of RMB22,513,000) representing turnaround to profitability from the last year and was mainly attributable to significant growth in revenue while stringent control in administrative expenses. The Group will continue to push the momentum generated by maintaining the strong revenue growth of the IP services business together with exercising prudent cost control measures by implementing tight expenses measures in operation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total assets of approximately RMB29,214,000 and net current assets of approximately RMB3,370,000. The Group's current ratio, being a ratio of current assets to current liabilities, was 1.35.

The Group generally finances its operations with internally generated cash flows. As at 31 December 2017, the Group had bank and cash balances of approximately RMB9,233,000. A director of the Company has expressed intention to provide 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 2017.

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 is of the opinion that its exposure to foreign exchange rate risk is limited. The Group will continue to monitor its foreign currency exposure closely.

INCOME TAX

Details of the Group's income tax expense for the year ended 31 December 2017 are set out in note 11 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017.

Management Discussion and Analysis

RIGHTS ISSUE OF SHARES

On 21 December 2016, the Company announced that it entered into an underwriting agreement with the underwriter, pursuant to which the Company proposed to issue not less then 258,255,681 rights shares at the subscription price of HK$0.086 per rights share on the basis of one rights share for every eight shares held by the qualifying shareholders on 26 January 2017. Details are set out in the Company's announcement dated 21 December 2016.

A total of 8 valid applications and acceptances had been received under the provisional allotment letters of a total of 106,117,030 rights shares at 4:00 p.m. on Tuesday, 14 February 2017, being the latest time for acceptance of, and the payment for, the rights shares, representing approximately 41.09% of the total number of 258,255,681 rights shares available for subscription under the rights issue.

As a result of the under-subscription of the rights shares and in accordance with the underwriting agreement, the underwriter had performed its underwriting obligations and had procured certain subscribers to subscribe for 152,138,651 untaken rights shares, representing approximately 58.91% of the total number of 258,255,681 rights shares available for subscription under the rights issue. To the best of the Director's knowledge, information and belief after having made reasonable enquiries, the subscribers are independent third parties. None of the subscribers has become a substantial shareholder of the Company upon taking up the 152,138,651 untaken rights shares. Details are set out in the Company's announcement dated 24 February 2017.

Upon completion, the net proceeds (after deducting expenses) were approximately HK$20,762,000 (equivalent to approximately RMB18,419,000). Such net proceeds has been applied for repayment of a director's loan in the sum of RMB10,000,000 owed by the Company to Mr. Wang Jiang Wei in April 2017, and the balance has been used as general working capital of the Group.

BUSINESS REVIEW AND OUTLOOK

During the year under review, the Group continues to actively develop its business in the area of intellectual property rights and fruitful outcomes are beginning to emerge. At the same time, the Group also explored opportunities for investment in and development of the electronic car-parking segment, striving for increase in revenue. The Group engages principally in the businesses of: (i) Intellectual property services: licensing and trading of patents and the provision of consultancy services regarding intellectual property; and (ii) Car parking systems: activities relating to development and operation of integrated circuit and smart cards, bank end electronic receipt/payment and data recording and processing software system; manufacturing and distribution of the associated commercial application; sales and marketing of smart car-parking facilities and software; provision of after-sale and maintenance service; and trading of electric vehicle charging facilities. In recent years, the emergence of dominant electronic third-party payment gateways in China has a significant adverse impact on the Group's operating environment in the car-parking management software business, causing a substantial decline in the demand for its car-parking management software. However, this impact also greatly accelerated the speed of its diversification into the IP services business, which has generated a strong sales and sales growth. As a result, the Group's loss trend has been arrested and the Group generated a profit for this year.

Management Discussion and Analysis

The Group has diversified into IP business from car-parking systems business due to experiences involving copyright and protecting IP encountered in running of its car parking software business. It has gradually expanded to the integrated IP services business from the IP business relating to its original electronic car-parking segment by integrating resources and attracting industry's professionals to join the Group, with the aim to develop Shenzhen Zhitong Tianxia, a subsidiary of the Group, into the professional "integrated operator and service provider leveraging on IP portal" in the industry. Furthermore, in recent years, the city of Shenzhen has transformed itself into a high-tech company hub of China or known as the Silicon Valley of China. As a result, many tech-companies have been established in and IP professionals have flowed into Shenzhen. Therefore, it is natural and advantageous for the Company to tap into these tech-IP needs and human resources in Shenzhen.

During the year under review, the Group has incorporated an investment and holding subsidiary in China, Shenzhen Qianhai Zhitong Holdings Limited (深圳前海智通控股有限公司) ("Shenzhen Qianhai Zhitong") which is a Wholly Owned Foreign Enterprise "WOFE". Through an internal re-organization, 100% ownership of another subsidiary, Shenzhen Zhitong Tianxia, which is dedicated to materialise business transformation and generate growth in revenue by combining its competitive edge, Shenzhen's strategic location as one of the most developed regions noted for the operation of market economy in Mainland China as well as extensive high-tech companies network and resources, has been transferred from Zhengzhou Jian-O' Yuan to Shenzhen Qianhai Zhitong. By converging the top domestic professionals and experts from the IP segment, Shenzhen Zhitong Tianxia has extensive practical experience in IP operation, domestic and foreign patents, trademark investment and financing as well as valuation assessment, licensing and trading of patents etc. The Company currently engages in various businesses such as standardised construction of corporate IP management, full entrustment of IP, IP financial service, risk management service, value enhancement services, and successfully secured many service contracts in relation to the provision of IP consultancy services as well as licensing and trading of patents. The Company has gradually expanded into the business of trading and licensing patents, and jointly built the sound IP operation and service system by establishing the cooperation with well-known domestic and foreign IP agencies, assessment agencies, legal service agencies, research institutes as well as major colleges and universities.

During the year under review, the Group has proactively explored the investment and development opportunities in the smart car-parking segment. Shenzhen Zhitong Tianxia, a subsidiary of the Company, entered into a strategic investment in Shenzhen MallParking Information Technology Co., Ltd ("Shenzhen MallParking") in March 2017 through a large number of market researches and business negotiations. In addition to the investment return as the result of corporate growth, the Group has also developed the markets by establishing a strategic business cooperation with Shenzhen MallParking. Shenzhen MallParking has committed the Group to provide hardware facilities, equipment as well as software technical supports such as software technology transfer, technical upgrades and upgrade training, or bring business development opportunities to its subsidiaries in Zhengzhou and Wuhan. Shenzhen MallParking has recently completed its series B financing activity, through which a strategic equity investment has been made by Mr. Liu Shilun, the chairman of the board of directors of Holdfound Group, a well-known property developer in Shenzhen, driving a double growth of corporate value as compared to that when the Group made its investment.

Wuhan Zhanchi is a technology service company principally engaged in the research and development, production and sale of electronic charging facilities and management system for charging network and providing customized solutions for companies whose business is related to new energy vehicles. Upon entering into a strategic cooperation agreement with Shenzhen MallParking, Wuhan Zhanchi has been actively seeking for a breakthrough by working closely with the Group's strategic adjustment in respect of positioning Wuhan as the key city under the cooperation with Shenzhen MallParking.

Management Discussion and Analysis

Zhengzhou Jiao-O' Yuan has accumulated solid operating experience, copyrights-related IP business and customer base for its electronic car-parking business. It has been proactively exploring new ways business for development.

Looking forward, the Group will continue to grow its existing businesses and enhance operational and management efficiencies. The Group will continue to leverage on Shenzhen Zhitong Tianxia growth momentum and will commit more of its resources to develop new businesses and boost the Group's revenue growth. The Group will also seize every opportunity to promote the Group's corporate profile and to increase its financial flexibility by gaining access to the capital markets. The Group will also continue to identify and evaluate other potential investment opportunities which may benefit the Group and its shareholders in the long run.

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 31 December 2017, the Group employed approximately 27 employees (2016: 25 employees). The Group remunerates its staff according to their performance, qualifications and experience, and conducts regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. New employee is required to attend a training courses, while all employees of the Group are required to attend professional development courses.

SIGNIFICANT INVESTMENTS

On 23 March, 2017, the Group made a RMB5,000,000 equity investment in Shenzhen MallParking. This is classified as an "Available-For-Sale Financial Asset" in the Consolidated Statement of Financial Position. Save as this investment, the Group had no significant investment for the year ended 31 December 2017.

EXPANSION OF CUSTOMER BASE

The Group's ability to maintain close relationships with its customers is important to its ongoing growth and profitability. Although the Group's revenue from specific customers vary from period to period, a significant portion of the Group's total revenue was derived from a few major customers for the year ended 31 December 2017 and the corresponding period in last year. The five (2016: five) largest customers accounted for approximately 74% (2016: 100%) of the Group's revenue for the year ended 31 December 2017. Although the Group has a limited number of customers, the Group gained new business partners of intellectual property business and the number of customers would increase alongside the growth in business. As the Group does not enter into long term or master sales contracts with its major customers, there is no assurance that they will continue to purchase products from the Group at the same level as they have done in the past.

ENVIRONMENTAL PERFORMANCE

The Group has minimised the operation impact on the environment and natural resource. To build a greener future, the Company is committed to implementing policies and measures to foster reduction of the Group's environmental impact. During the year ended 31 December 2017, the Group has collected recycled papers and used it as key printing materials. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to follow energy saving practices in office premises where applicable.

In accordance with Rule 17.103 of the GEM Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 20 to the GEM Listing Rules.

Management Discussion and Analysis

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc. The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the year ended 31 December 2017. During the year ended 31 December 2017, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

Directors and Senior Management Profiles

NON-EXECUTIVE DIRECTORS

Mr. Huang Zhang Hui, aged 48, has been appointed as a non-executive director since 1 June 2016 and elected as the Chairman of the board on 25 May 2017. Mr. Huang is currently the general manager and executive partner of 深圳眾鼎專利商標代理事務所. Mr. Huang has over 20 years of experience in the field of intellectual property and management of legal affair of enterprises. In the past, Mr. Huang has served as the general manager and intellectual property founder of the intellectual property and legal office (知識產權及法務處) under BYD Company Limited. Mr. Huang holds a bachelor degree in chemistry from Nankai University and a master degree in law from Peking University. Apart from performing his duties as a director of the Group, Mr. Huang has devoted time and efforts to the development of Shenzhen Zhitong Tianxia and contributed to the expansion of customer base and increase in profitability.

Mr. Hu Hai Yuan, aged 46, 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. Mr. Hu has been a director of the Group for years, and has contributed to the strategic planning and business expansion of the Group.

EXECUTIVE DIRECTORS

Mr. Li Sui Yang, aged 60, retired from an executive director and the Chairman of the board on 25 May, 2017. He remains as the Chief Executive Officer of the Group.

Mr. Wang Jiang Wei, aged 40, had been a non-executive director since 19 November 2014 and redesignated as an executive director on 25 May 2017 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). Furthermore, Mr. Wang is the lecturer of IP strategic and corporate capital operation management seminar of Guangdong IP Protection Association (廣東知識產權保護協會). Mr. Wang is also a strategic consultant to Shenzhen Zhitong Tianxia, a subsidiary of the Group. He is responsible for the business planning of Shenzhen Zhitong Tianxia and engages directly in negotiation and enters into contracts for its business development.

Directors and Senior Management Profiles

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Shi Zhan, aged 44, is an independent non-executive director of the Group. Mr. Guo is currently the chairman and general manager of 深圳市牛法信息科技有限公司. Prior to this, Mr. Guo worked for Huawei Technologies Co. Ltd., holding the positions of patent engineer, deputy director of the intellectual property office (知識產權副處長), director of the legal affairs office (法律事務處) under the international marketing division (國際營銷部), head of the intellectual property department (知識產權部), information security department (信息安全部), legal department (法律部) and terminal business legal department (終端商務法務部). Mr. Guo has more than 19 years of experience in managing multinational companies and dealing with intellectual property arrangement, litigations and transactions as well as investment and financing activities. Mr. Guo holds bachelor degrees in mathematics and intellectual property from Peking University. Mr. Guo has fully supported the development of the Group's intellectual property business and provided advices and recommendations to the business of Shenzhen Zhitong Tianxia.

Mr. Luo Ze Min, aged 52, is an independent non-executive director of the Group and chairman of the Audit Committee and Remuneration Committee. Mr. Luo is a certified public accountant in China and is currently a partner and head of Shenzhen Xing Yue partnership accounting firm (深圳市興粵合夥會計師事務所). He is also the vice chairman of the board of directors of Shenzhen Guang Heng Real Estate and Land Valuation Company Limited (深圳市廣衡地產和土地估價有限公司) and Shenzhen Guang Heng Xing Yue Property Valuation Company Limited (深圳市廣衡興粵資產評估有限公司). Prior to this, Mr. Luo has served as a project manager and department head of Shenzhen Zhonghua Accounting Firm (深圳中華會計師事務所). Mr. Luo has over 29 years of experience in accounting and auditing, providing professional services to various corporations including listed companies and state-owned enterprises in the PRC. Mr. Luo holds a bachelor degree in financial accounting from Hangzhou Dianzi University (杭州電子科技大學). Mr. Luo is committed to the financial supervision and review of the business development of the Group and has provided recommendations to the Group's financial cost control and business cost savings.

Dr. Xia Ting Kang, aged 62, is an independent non-executive director of the Group. Dr. Xia holds a Bachelor of Science Degree in Physics from Peking University, a Doctor of Philosophy Degree in Physics from The Ohio State University and a Juris Doctor Degree from Columbia University School of Law. Dr. Xia is currently a senior partner in the Atlanta office of an international law firm, Locke Lord LLP and a registered U.S. patent attorney, specializing in international practice and intellectual property practice. Dr. Xia advises clients in all phases of intellectual property law, including the US. and foreign patent, trademark and copyright prosecution, clearance, infringements, validity opinions, and licensing. Prior to his legal career, he was a physicist and had made outstanding achievements in various domains in physics. Dr. Xia also advises clients of international corporate law. Dr. Xia is currently a non-executive director of Hybrid Kinetic Group Limited, a limited company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1188). Dr. Xia highly values the development of intellectual property business of the Group and is optimistic about the future development of the Group.

CHIEF EXECUTIVE OFFICER

Mr. Li Sui Yang, aged 60, the Chief Executive Officer of the Group. Mr. Li was an executive director and Chairman of the Board of the company until retirement on 25 May ,2017. He 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 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.

Directors and Senior Management Profiles

COMPANY SECRETARY, AUTHORISED REPRESENTATIVE AND CHIEF FINANCIAL OFFICER

Mr. Liang Tien Tzu, aged 61, is the company secretary and Chief Financial Officer of the Group and authorized representative of the Company. Mr. Liang holds a bachelor of commerce degree from the Concordia University and a master of professional accounting degree from the Hong Kong Polytechnic University. Mr. Liang is an associate of the Hong Kong Institute of Directors, a fellow Certified Public Accountant in Hong Kong, a Chartered Professional Accountant and a Chartered Accountant in Canada. Mr. Liang has over 37 years' experience in accounting and financial management. He worked at several major international accounting firms and had previously served as a financial controller and/or company secretary of various listed companies in Hong Kong and China. With his extensive experience, Mr. Liang plays an important role in the communication and coordination between the Group and intermediaries, regulatory authority and investor relations.

SENIOR MANAGEMENT

Ms. Cai Xin, vice president of the Group

Ms. Cai Xin, aged 46, holds a master's degree in business administration from the City University of Hong Kong. She worked for Guangdong Daya Bay Nuclear Power Station, Keith Statham Associates Limited and Shenzhen Zhiyouying Investment Consulting Company Limited (深圳智又盈投資顧問有限公司). In 2006, she founded Shenzhen Dingcheng Oriental Investment Consulting Company Limited (深圳市鼎誠東方投資顧問有限公司) and acted as chairman and president, and provided professional investor relations services for a number of listed companies. She has over 21 years of working experience in the field of financial public relations and investor relations.

Mr. Qin Wuling (秦武陵先生) ("**Mr. Qin**"), Vice President of the Group and General Manager of Zhitong Tianxia — appointed in May 2017.

Mr. Qin, aged 43, graduated from the Department of Astronomical Aerospace Engineering of Kyoto University in Japan. Mr. Qin has more than ten years of experiences in the field of IP, and has extensive experiences in domestic and international trademark, copyright and litigation agency. He served in the patent department of 日本文彬有限公司 and was responsible for handling the application and litigation business of trademarks and patents in Mainland China and Taiwan. He was responsible for providing professional services to the IP departments and legal departments of a large number of sizeable companies, and has served as the designated IP officer for Epson, Zhongdian Electric and other renowned international enterprises. Mr. Qin was a partner of a well-known IP agency in China. During that period, he managed a team with approximately 100 members, which includes 31 agents and 5 lawyers. He had handled more than 300 cases in PCT international application and PCT national application in more than 40 countries for more than 500 cases in person. He has extensive knowledge on the practices for the application and submission of PCT international and national applications, which enable an applicant to submit its application to multiple countries in the most reasonable, optimized and cost-efficient manner. His clients include Mitsubishi Eclectic, Komatsu, Fuji Electric and Yokohama Tyres in Japan. Mr. Qin had been the lecturer of Wuxi Municipal Bureau on Science and Technology, IP Office and Nanjing University of Science & Technology School of IP for an extensive period to promote the awareness of IP rights. He also had been appointed as a legal adviser of Suzhou Snail Digital Technology Co., Ltd.

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 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

The Board does 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 39 and Note 29 to the consolidated financial statements.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 December 2017 is set out in note 9 to the consolidated financial statements.

FIXED ASSETS

Details of the movements in property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company has no reserve (2016: 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 94.

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.

The offer of a grant of options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

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 Share 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	0.134	78,705,070
Directors, employees and others	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.127	22,454,094
Directors, employees and others	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.127	22,454,094
Directors, employees and others	10 May 2016	N/A	16 May 2016 to 14 May 2026	0.148	111,738,149

Details of the Share Options outstanding during the year are as follows:

	2017		2016	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**231,690,385**	**0.141**	121,690,385	0.133
Granted during the year	**–**	**N/A**	110,000,000	0.150
Adjusted during the year	**3,661,022**	**0.139**	–	N/A
Outstanding at the end of the year	**235,351,407**	**0.139**	231,690,385	0.141
Exercisable at the end of the year	**235,351,407**	**0.139**	231,690,385	0.141

Report of the Directors

Name or category of participant	At 1 January 2017 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Adjusted during the year '000	Reclassification during the year '000	At 31 December 2017 '000
	Number of Share Options						
Directors							
Li Sui Yang *(Note)*	14,585	–	–	–	230	(14,815)	–
Hu Hai Yuan	11,115	–	–	–	176	–	11,291
Wang Jiang Wei	20,000	–	–	–	316	–	20,316
Huang Zhang Hui	20,000	–	–	–	316	–	20,316
Guo Shi Zhan	20,000	–	–	–	316	–	20,316
Employees other than directors							
In aggregate	29,115	–	–	–	460	5,556	35,131
Other participants							
In aggregate	116,875	–	–	–	1,847	9,259	127,981
	231,690	–	–	–	3,661	–	235,351

Note: Retired on 25 May 2017

DIRECTORS

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

Non-executive Directors

Mr. Huang Zhang Hui *(Chairman)***
Mr. Hu Hai Yuan
Mr. Wang Jiang Wei***

Executive Directors

Mr. Li Sui Yang *(ex-Chairman)**
Mr. Wang Jiang Wei***

Independent Non-executive Directors

Mr. Guo Shi Zhan
Mr. Luo Ze Min
Dr. Xia Ting Kang

* Retired on 25 May 2017
** Appointed as Chairman on 25 May 2017
*** Re-designated to Executive Director on 25 May 2017

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.

Report of the Directors

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.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five highest paid individuals for the year are set out in notes 13 and 14 to the consolidated financial statements respectively.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for the related party transactions set out in Note 34 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 11 to 13.

BUSINESS REVIEW

Details of review of the business of the Group during the year are set out under "Management Discussion and Analysis" of this annual report.

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

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

As at 31 December 2017, the interest of the Directors and the chief executives 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 required to be 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 Rule 5.46 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 share options

Name	Type of interests	Outstanding Shares Option as at 31 December 2017	Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2017
Hu Hai Yuan	Personal	11,291,023	0.49%
Wang Jiang Wei	Personal	20,316,027	0.87%
Huang Zhang Hui	Personal	20,316,027	0.87%
Guo Shi Zhan	Personal	20,316,027	0.87%

Save as disclosed above, as at 31 December 2017, 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 year 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.

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

As at 31 December 2017, the following persons, other than the Directors or chief executives 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

**Notes:* (L) – Long positions, (S) – Short positions

Name	Number of Shares (see *notes above)	Nature of Interest	Number of Share Options	Percentage of holding (see *notes above)
Oriental Patron Financial Group Limited *(Note 1)*	364,218,750 (L) 286,800,000 (S)	Interest of controlled corporation		15.67% 12.34%
Oriental Patron Financial Services Group Limited *(Note 1)*	364,218,750 (L) 286,800,000 (S)	Interest of controlled corporation		15.67% 12.34%
Pacific Top Holding Limited *(Note 1)*	41,568,750 (L)	Beneficial owner		1.79%
Oriental Patron Derivatives Limited *(Note 1)*	322,650,000 (L) 286,800,000 (S)	Beneficial owner		13.88% 12.34%
Zhang Zhi Ping *(Note 1)*	364,218,750 (L) 286,800,000 (S)	Interest of controlled corporation		15.67% 12.34%
Zhang Gaobo *(Note 1)*	364,218,750 (L) 286,800,000 (S)	Interest of controlled corporation		15.67% 12.34%
World Radiance Limited *(Note 2)*	294,900,000 (L)	Beneficial owner		12.69%
Mr. Chin Ying Hoi *(Notes 2 & 3)*	294,900,000 (L)	Interest of controlled corporation	18,287,355	12.69%
Chow Lau Sin	128,470,000 (L)	Beneficial owner		5.53%

Notes:

1. Oriental Patron Derivatives Limited and Pacific Top Holding Limited are wholly owned by Oriental Patron Financial Services Group Limited, which is in turn 95% beneficially owned by Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited is 51% and 49% beneficially owned by Mr. Zhang Zhi Ping and Mr. Zhang Gaobo respectively.

2. World Radiance Limited is wholly owned by Chang Yao Investments Limited, which is in turn 100% beneficially owned by Mr. Chin Ying Ho. Mr. Wang Jiang Wei, the executive director of the Company, is the sole director of Chang Yao Investments Limited and World Radiance Limited.

3. Mr. Chin Ying Hoi had 18,287,355 Share Options for subscription of the Shares.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person who had an interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Revenue	
— The largest customer	30%
— Five largest customers combined	74%

CONNECTED TRANSACTIONS

The significant related party transactions entered by the Group during the year ended 31 December 2017, which constitute connected transactions under the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), are disclosed in Note 34 to the consolidated financial statements.

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 23 to 32 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.

Report of the Directors

AUDITOR

The consolidated financial statement have been audited by RSM Hong Kong who retires, and, being eligible, offer themselves for re-appointment.

By Order of the Board
Jian ePayment Systems Limited

Huang Zhang Hui
Chairman

Hong Kong
19 March 2018

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, save for the deviations specified below. 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

At the end of the year, the Board of the Company comprised 6 directors. Mr. Huang Zhang Hui served as Chairman of the Board. Mr. Wang Jiang Wei serves as an executive director. Two non-executive Directors are Mr. Hu Hai Yuan and Mr. Huang Zhang Hui and three independent non-executive Directors are Mr. Guo Shi Zhan, Mr. Luo Ze Min and Dr. Xia Ting Kang.

Board of Directors	Board Member	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Wang Jiang Wei	✓			
Non-executive Directors				
Mr. Hu Hai Yuan	✓			
Mr. Huang Zhang Hui	C			
Independent Non-executive Directors				
Mr. Guo Shi Zhan	✓	✓	✓	✓
Mr. Luo Ze Min	✓	C	C	C
Dr. Xia Ting Kang	✓	✓	✓	✓

Notes:

✓: Member

C: Chairman

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.

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 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.

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 2018 meetings, 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.

Attendance of individual directors at board meetings in 2017

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 10 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 (i)	3/3
Mr. Hu Hai Yuan	5/10
Mr. Wang Jiang Wei	10/10
Mr. Huang Zhang Hui	9/10
Mr. Guo Shi Zhan	6/10
Mr. Luo Ze Min	9/10
Dr. Xia Ting Kang	4/10

(i) Retired on 25 May 2017

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.

The Company only held one general meeting, its annual general meeting on 25 May 2017, during the year, the attendance record of the general meeting of the Directors is set out below:

Name of Directors	Attended/Eligible to attend
Executive Directors	
Mr. Li Sui Yang (i)	1/1
Mr. Wang Jiang Wei (ii)	1/1
Non-executive Directors	
Mr. Huang Zhang Hui	0/1
Mr. Hu Hai Yuan	0/1
Independent Non-executive Directors	
Mr. Guo Shi Zhan	0/1
Dr. Xia Ting Kang	0/1
Mr. Luo Ze Min	0/1

(i) Retired on 25 May 2017
(ii) Re-designated to Executive Director on 25 May 2017

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
Executive Director	
Mr. Li Sui Yang (i)	A, B, C
Mr. Wang Jiang Wei (ii)	A, B, C
Non-executive Directors	
Mr. Huang Zhang Hui	A, B, C
Mr. Hu Hai Yuan	A, B, C
Independent Non-executive Directors	
Mr. Guo Shi Zhan	A, B, C
Dr. Xia Ting Kang	A, B, C
Mr. Luo Ze Min	A, B, C

(i) Retired on 25 May 2017
(ii) Re-designated to Executive Director on 25 May 2017

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.

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

During the period from 1 January 2017 to 25 May 2017, the position of CEO was assumed by the Chairman, which deviates from CG Code A.2.1. However, beginning from 26 May 2017, there was segregation of duties between the Chairman and CEO. The segregation of duties ensured 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

As at December 31 2017, the audit committee comprises three independent non-executive Directors, namely Mr. Luo Ze Min, Dr. Xia Ting Kang and Mr. Guo Shi Zhan.

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 and internal control.

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. Luo Ze Min (Chairman)	4/4
Mr. Guo Shi Zhan	3/4
Dr. Xia Ting Kang	3/4

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

As at 31 December 2017, the remuneration committee comprises three independent non-executive Directors, namely, Mr. Guo Shi Zhan, Dr. Xia Ting Kang and Mr. Luo Ze Min.

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 1 meetings 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. Luo Ze Min (Chairman)	1/1
Mr. Guo Shi Zhan	1/1
Dr. Xia Ting Kang	0/1

The remuneration policy for year 2017 for Board members and senior management was the same as those adopted in 2016.

NOMINATION COMMITTEE

As at 31 December 2017, the nomination committee comprises the three independent non-executive Directors namely, Mr. Guo Shi Zhan, Dr. Xia Ting Kang and Mr. Luo Ze Min, Mr. Luo Ze Min is the Chairman.

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 1 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 (i) (ex-Chairman)	1/1
Mr. Guo Shi Zhan	1/1
Dr. Xia Ting Kang	0/1
Mr. Luo Ze Min (ii) (Chairman)	1/1

(i) Retired on 25 May 2017
(ii) Appointed as Chairman on 25 May 2017

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.

During the year ended 31 December 2017, 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 10 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 GEM Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s).

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.

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 lease 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 Suite 1501A, 15/F, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, 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 2017.

COMPANY SECRETARY

Mr. Liang Tien Tzu serves 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 advices 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. Liang is also the authorized representative and the chief financial officer of the Company. The biographical detail of Mr. Liang is set out in the section of Directors and Senior Management Profiles on page 13. During the year, Mr. Liang undertook not less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

During the year, the Board, through the Audit Committee, conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal control and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs as and when the Board considers necessary. Nevertheless, the Board will continue to review at least annually the need for an internal audit function.

EXTERNAL AUDITOR

During the year, the Company has appointed Messrs RSM Hong Kong ("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	317
Non-audit services	258

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)

OPINION

We have audited the consolidated financial statements of Jian ePayment Systems Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 93, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is:

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of available-for-sale financial assets	**Our audit procedures included:**
Refer to Note 19 to the consolidated financial statements, the accounting policies on pages 51 and 56; and the disclosure of key sources of estimation uncertainty on page 58.	• understanding, through inquiry with management, the established policies and procedures in respect of the impairment assessment process for available-for-sale financial assets; and
As at 31 December 2017, the Group had available-for-sale financial assets of RMB5,000,000 which were stated at cost less impairment losses as their fair values could not be reliably measured. Management assessed at the end of reporting period whether there was objective evidence that any available-for-sale financial assets were impaired. The management's assessment process was complex and highly judgemental. No objective evidence of impairment was identified by the management as at 31 December 2017.	• comparing management's assessment of objective evidence of impairment with reference to the private entity's financial performance, financial position and financing activities; and the market and economic environment.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yam Tak Fai, Ronald.

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay,
Hong Kong

19 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Turnover	8(a)	**13,106**	2,626
Cost of goods sold and services rendered		**(2,174)**	(1,453)
Gross profit		**10,932**	1,173
Other income	8(b)	**973**	255
Distribution costs		**(392)**	(580)
Administrative expenses		**(9,151)**	(26,271)
Other operating expenses		**(41)**	–
Profit/(loss) from operations		**2,321**	(25,423)
Finance costs	10	**(608)**	(1,201)
Profit/(loss) before tax		**1,713**	(26,624)
Income tax expense	11	**(1,201)**	(149)
Profit/(loss) for the year	12	**512**	(26,773)
Other comprehensive income after tax for the year:			
Item that will not be reclassified to profit or loss:			
Gain on property revaluation		**–**	4,260
Profit/(loss) and total comprehensive income for the year attributable to owners of the Company		**512**	(22,513)
		RMB cents	RMB cents
Earnings/(loss) per share			(Restated)
Basic	16	**0.02**	(1.30)
Diluted	16	**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	17	**540**	481
Investment properties	18	**9,592**	8,639
Goodwill	20	**–**	–
Other intangible assets	21	**523**	66
Trade receivables	23	**554**	–
Available-for-sale financial assets	19	**5,000**	–
		16,209	9,186
Current assets			
Inventories	22	**–**	–
Trade and other receivables	23	**3,772**	1,032
Bank and cash balances	24	**9,233**	8,543
		13,005	9,575
Current liabilities			
Trade and other payables	25	**8,328**	7,477
Loan from a director	26	**–**	10,477
Due to a related company	34(c)	**–**	10
Current tax liabilities		**1,307**	149
		9,635	18,113
Net current assets/(liabilities)		**3,370**	(8,538)
Total assets less current liabilities		**19,579**	648
NET ASSETS		**19,579**	648
Capital and reserves			
Share capital	27	**103,880**	92,441
Reserves	29	**(84,301)**	(91,793)
TOTAL EQUITY		**19,579**	648

Approved by the Board of Directors on 19 March 2018 and signed on its behalf by:

Luo Ze Min
Director

Wang Jiang Wei
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital RMB'000	Share premium account (note 29(b)(i)) RMB'000	Capital reserves (note 29(b)(ii)) RMB'000	General reserve fund (note 29(b)(iii)) RMB'000	Enterprise expansion fund (note 29(b)(iii)) RMB'000	Option reserve (note 29(b)(v)) RMB'000	Property revaluation reserve (note 29(b)(vi)) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2016	86,973	57,073	6,976	2,870	1,435	5,251	–	(156,789)	3,789
Placing of shares	3,155	3,583	–	–	–	–	–	–	6,738
Shares issued for acquisition of subsidiaries	2,313	3,884	–	–	–	–	–	–	6,197
Share-based payments	–	–	–	–	–	6,437	–	–	6,437
Total comprehensive income for the year	–	–	–	–	–	–	4,260	(26,773)	(22,513)
Changes in equity for the year	5,468	7,467	–	–	–	6,437	4,260	(26,773)	(3,141)
At 31 December 2016	92,441	64,540	6,976	2,870	1,435	11,688	4,260	(183,562)	648
At 1 January 2017	**92,441**	**64,540**	**6,976**	**2,870**	**1,435**	**11,688**	**4,260**	**(183,562)**	**648**
Shares issued under rights issue	**11,439**	**6,980**	**–**	**–**	**–**	**–**	**–**	**–**	**18,419**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**512**	**512**
Changes in equity for the year	**11,439**	**6,980**	**–**	**–**	**–**	**–**	**–**	**512**	**18,931**
At 31 December 2017	**103,880**	**71,520**	**6,976**	**2,870**	**1,435**	**11,688**	**4,260**	**(183,050)**	**19,579**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**1,713**	(26,624)
Adjustments for:			
Depreciation		**296**	437
Amortisation of other intangible asset		**33**	2
Fair value gains on investment properties		**(953)**	–
Bad debts written off		**–**	72
Allowance for inventories		**–**	110
Allowance for trade receivables		**50**	196
Interest income		**(1)**	(38)
Loss on disposal of property, plant and equipment		**41**	–
Impairment of goodwill		**–**	3,288
Share-based payments		**–**	6,437
Finance costs		**608**	1,201
Operating profit/(loss) before working capital changes		**1,787**	(14,919)
Increase in trade and other receivables		**(3,630)**	(377)
Increase in trade and other payables		**851**	1,472
Decrease in due to a related company		**(10)**	–
Cash used in operations		**(1,002)**	(13,824)
Interest paid	*31*	**(799)**	(52)
Income taxes paid		**(43)**	–
Net cash used in operating activities		**(1,844)**	(13,876)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow from acquisition of a subsidiary	*31*	**–**	2,835
Proceeds from disposal of property, plant and equipment		**4**	–
Purchases of other intangible assets		**(490)**	(68)
Purchases of property, plant and equipment		**(400)**	(385)
Purchases of available-for-sale financial assets		**(5,000)**	–
Interest received		**1**	38
Net cash (used in)/generated from investing activities		**(5,885)**	2,420
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan from a shareholder		**–**	(10,000)
Repayment of loan from a director	*31*	**(10,000)**	–
Loan advance from a director		**–**	10,000
Proceeds from placing of shares	*27*	**–**	6,738
Proceeds from rights issue	*27*	**18,419**	–
Net cash generated from financing activities		**8,419**	6,738
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**690**	(4,718)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**8,543**	13,261
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**9,233**	8,543
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**9,233**	8,543

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 Suite 1104, Hantang Plaza, Overseas Chinese Town Nanshan District, Shenzhen, the People's Republic of China (the "PRC"). The Company's shares are listed on 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 35 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 31(b).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property: Transfer of Investment Property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's first quarterly report for the three months ending 31 March 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that first quarterly report.

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

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

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) *Classification and measurement*

The Group expects to irrevocably designate those unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value. However, it is not practicable at the moment to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

(b) *Impairment*

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, there is no significant change in accumulated impairment loss at that date as compared with that recognised under HKAS 39.

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following area which is expected to be affected:

(a) *Timing of revenue recognition*

Currently, revenue arising from the consultancy services is recognised when relevant services are rendered; revenue from licensing of patents is recognised on an accrual basis in accordance with the substance of the relevant agreements; and revenue from the sales of patents is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the patents are delivered and the title has passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from consultancy services and licensing of patents.

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

(a) *Timing of revenue recognition (Continued)*

For contracts with customers in which the sale of patents is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally when the patents are delivered and the title has passed to the customers.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 33, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB1,040,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties that are measured at fair value).

The preparation of financial statements in conformity with HKFRS 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 5.

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The 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 Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group'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 Group.

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 functional and presentation currency and the functional currency of the principal operating subsidiaries of the Group.

4. 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.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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	–	Over the term of the lease
Machinery	0%–10%	14%–33%
Office equipment	0%–10%	15%–33%
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) Investment properties

Investment properties are land and buildings held for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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.

(g) Research and development expenditure

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

(h) Other intangible assets

Intangible assets acquired separately — patents and software

Patents and software are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives as follows:

	Amortisation period
Patents	Over the remaining useful life upon acquisition
Software	10 years

(i) 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.

(j) Recognition and derecognition of financial instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Trade and other payables

Trade and other payables are recognised 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.

(q) Equity instruments

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

(r) 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.

Revenue from consultancy service is recognised when relevant services are rendered.

Revenue from licensing of patents is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Revenue from the sales of patents is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the patents are delivered and the title has passed to the customers.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

(t) 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.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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 a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment

(y) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in fair value of the investment below its cost is considered also to be objection evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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.

(aa) 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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(a) Property, plant and equipment and depreciation

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 2017 was approximately RMB540,000 (2016: RMB481,000).

(b) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 December 2017 was approximately RMB9,592,000 (2016: RMB8,639,000).

(c) Allowance for trade receivables

The Group makes allowance for trade receivables based on assessments of the recoverability of the trade 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, in particular of a loss event, 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 receivables and doubtful debt expenses in the year in which such estimate has been changed.

Allowance for trade receivables of approximately RMB50,000 (2016: RMB196,000) was made for the year ended 31 December 2017.

(d) Impairment of available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment. The Group exercises judgment in assessing the private entity's financial performance, financial position, financing activities, and the market and economic environment to determine whether there is objective evidence of impairment.

Management estimates and judgments may change from time to time based upon future events that may or may not occur and changes in these estimates and judgments could adversely affect the impairment assessment of available-for-sale financial assets. No impairment loss was made for the year ended 31 December 2017.

6. FINANCIAL RISK MANAGEMENT

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

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

At 31 December 2017, 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 RMB137,305 (2016: RMB10,866) 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 RMB137,305 (2016: RMB10,866) lower, arising mainly as a result of the foreign exchange gain on bank deposits denominated in HK$.

(b) Credit risk

As at 31 December 2017, the Group has no significant concentrations of credit risk (2016: approximately 62% of the Group's trade receivables were due from the largest customer). 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.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Trade and other payables	**8,308**	**–**	**–**	**–**	**8,308**
At 31 December 2016					
Trade and other payables	6,188	–	–	–	6,188
Due to a related company	10	–	–	–	10
Loan from a director	11,600	–	–	–	11,600

(d) Interest rate risk

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) Categories of financial instruments at 31 December

	2017 RMB'000	2016 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**13,172**	9,162
Available-for-sale financial assets	**5,000**	–
Financial liabilities:		
Financial liabilities at amortised cost	**8,308**	16,675

(f) 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.

7. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosure of level in fair value hierarchy at 31 December 2017

Description	Fair value measurements using:			Total	
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	2017 RMB'000	2016 RMB'000
Recurring fair value measurements:					
Investment properties					
Residential units — Hong Kong	–	–	9,592	**9,592**	8,639
Total	–	–	9,592	**9,592**	8,639

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Investment properties	
	2017 RMB'000	2016 RMB'000
At 1 January	**8,639**	–
Reclassified from property, plant and equipment	**–**	8,639
Fair value gains recognised in profit or loss	**953**	–
At 31 December	**9,592**	8,639

The fair value gains recognised in profit or loss are presented in other income in the consolidated statement of profit or loss and other comprehensive income.

7. FAIR VALUE MEASUREMENT *(Continued)*

(c) Disclosure of valuation techniques and inputs used in fair value measurements at 31 December 2017

The fair value of the Group's investment properties is determined using the direct comparison approach assuming sale of properties in their existing state with vacant possession and by reference to recent comparable sales transactions as available in the market. Market price per square foot used, derived from the recent comparable sales with a range of RMB13,000 to RMB15,000 per square foot, represents the significant unobservable input. A significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment properties.

8. TURNOVER AND OTHER INCOME

(a) Turnover

The Group's turnover represents the following:

	2017 RMB'000	2016 RMB'000
Sales of car parking systems and provision of related maintenance services	**–**	1,577
Sales of patents and provision of intellectual property services	**13,106**	1,049
	13,106	2,626

(b) Other income

	2017 RMB'000	2016 RMB'000
Subsidy income — Value-added tax ("VAT") refund *(Note (i))*	**–**	211
Interest income	**1**	38
Fair value gains on investment properties	**953**	–
Reversal of allowance for other receivables	**11**	–
Sundry income	**8**	6
	973	255

(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.

9. SEGMENT INFORMATION

The Group has two operating segments as follows:

1. Car parking systems — activities relating to development and operation of integrated circuit and smart cards, back end electronic receipt/payment and data recording and processing software system; manufacturing and distribution of the associated commercial application; and trading of electric vehicle charging facilities.

2. Intellectual property services — activities relating to licensing and trading of patents and provision of consultancy services on intellectual property management.

The Group's operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

Segment profit or loss does not include the following items:

— unallocated other income

— unallocated corporate expenses

— finance costs (except for imputed interest on trade receivables included in the intellectual property services segment)

Segment assets do not include the following items:

— bank and cash balances

— other unallocated assets

Segment liabilities do not include the following items:

— loan from a director

— current tax liabilities

— other unallocated liabilities

9. SEGMENT INFORMATION *(Continued)*

Information about operating segment profit or loss, assets and liabilities:

	Car parking systems RMB'000	Intellectual property services RMB'000	Total RMB'000
Year ended 31 December 2017			
Turnover from external customers	**–**	**13,106**	**13,106**
Segment (loss)/profit	**(1,668)**	**7,451**	**5,783**
Interest revenue	**1**	**–**	**1**
Depreciation and amortisation	**11**	**182**	**193**
Income tax expense	**–**	**1,201**	**1,201**
Other material non-cash item:			
Allowance for trade and other receivables	**50**	**–**	**50**
Additions to segment non-current assets	**–**	**890**	**890**
As at 31 December 2017			
Segment assets	**293**	**4,735**	**5,028**
Segment liabilities	**3,802**	**1,322**	**5,124**

	Car parking systems RMB'000	Intellectual property services RMB'000	Total RMB'000
Year ended 31 December 2016			
Turnover from external customers	1,577	1,049	2,626
Segment (loss)/profit	(3,902)	440	(3,462)
Interest revenue	10	28	38
Depreciation and amortisation	266	2	268
Income tax expense	–	149	149
Other material non-cash items:			
Allowance for inventories	110	–	110
Allowance for trade and other receivables	196	–	196
Additions to segment non-current assets	28	68	96
As at 31 December 2016			
Segment assets	541	547	1,088
Segment liabilities	3,233	1,415	4,648

9. SEGMENT INFORMATION *(Continued)*

Reconciliations of operating segment profit or loss, assets and liabilities:

	2017 RMB'000	2016 RMB'000
Profit or loss		
Total profit/(loss) of operating segments	**5,783**	(3,462)
Unallocated amounts:		
Other income	**950**	6
Corporate expenses	**(5,899)**	(22,116)
Finance costs	**(322)**	(1,201)
Consolidated profit/(loss) for the year	**512**	(26,773)
Assets		
Total assets of operating segments	**5,028**	1,088
Unallocated amounts:	**–**	–
Other receivables and other assets	**9,953**	9,130
Available-for-sale financial assets	**5,000**	–
Bank and cash balances	**9,233**	8,543
Consolidated total assets	**29,214**	18,761
Liabilities		
Total liabilities of operating segments	**5,124**	4,648
Unallocated amounts:		
Other liabilities	**3,204**	2,839
Loan from a director	**–**	10,477
Current tax liabilities	**1,307**	149
Consolidated total liabilities	**9,635**	18,113

9. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's turnover from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Turnover		Non-current assets	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Hong Kong	**–**	–	**9,816**	8,988
PRC except Hong Kong	**13,106**	2,626	**839**	198
Consolidated total	**13,106**	2,626	**10,655**	9,186

Turnover from major customers

The Group's customers base included two (2016: two) customers with whom transactions have exceeded 10% of the Group's turnover. Turnover from those customers is set out as below:

	2017 RMB'000	2016 RMB'000
Intellectual property services segment:		
Customer A *(note i)*	**3,962**	N/A
Customer B *(note i)*	**2,830**	N/A
Customer C *(note ii)*	**N/A**	928
Car parking systems segment:		
Customer D *(note ii)*	**N/A**	1,457

(i) Customer A and B are new customers of the Group for the year ended 31 December 2017.

(ii) Customer C and D did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2017.

10. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Imputed interest on trade receivables	286	–
Imputed interest on loan from a shareholder	–	672
Interest on loans from directors	322	529
	608	1,201

11. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax — PRC Enterprise Income Tax Provision for the year	1,201	149

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 2017 and 2016.

PRC Enterprise Income Tax is calculated at 25% on the estimated taxable income earned by the companies based on existing legislation, interpretation and practices in respect thereof.

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

	2017 RMB'000	2016 RMB'000
Profit/(loss) before tax	1,713	(26,624)
Tax at the PRC Enterprise Income Tax rate of 25% (2016: 25%)	429	(6,656)
Tax effect of income that is not taxable	(1,120)	(72)
Tax effect of expenses that are not deductible	978	3,988
Tax effect of temporary differences not recognised	17	24
Tax effect of tax losses not recognised	481	941
Effect of different tax rates	416	1,924
Income tax expense	1,201	149

The details of unprovided deferred taxation as at 31 December 2017 are stated in note 32 to the consolidated financial statements.

12. PROFIT/(LOSS) FOR THE YEAR

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

	2017 RMB'000	2016 RMB'000
Amortisation of other intangible assets (included in administrative expenses)	**33**	2
Acquisition related costs (included in administrative expenses)	**–**	195
Depreciation of property, plant and equipment *(Note 17)*	**296**	437
Loss on disposal of property, plant and equipment	**41**	–
Operating lease charges	**1,199**	706
Direct operating expenses arising from investment property that did not generate rental income	**22**	25
Research and development costs	**620**	977
Auditor's remuneration		
Current	**317**	326
Under-provision in prior year	**–**	2
	317	328
Foreign exchange losses	**343**	324
Cost of inventories sold	**–**	126
Allowance for inventories (included in cost of inventories sold)	**–**	110
Reversal of allowance for other receivables	**11**	–
Allowance for trade receivables	**50**	196

13. EMPLOYEE BENEFITS EXPENSE

	2017 RMB'000	2016 RMB'000
Staff cost, excluding directors' emoluments:		
Salaries, bonuses and allowances	**2,475**	2,691
Retirement benefit scheme contributions	**171**	238
	2,646	2,929

13. EMPLOYEE BENEFITS EXPENSE *(Continued)*

(a) 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 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.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year include two (2016: four) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining three (2016: one) individuals are set out below:

	2017 **RMB'000**	2016 RMB'000
Basic salaries and benefits	**1,741**	631
Retirement benefit scheme contributions	**93**	22
	1,834	653

The emoluments of the remaining three (2016: one) individual fell within the following bands:

	Number of individuals	
	2017	2016
Nil–HK$1,000,000	**2**	1
HK$1,000,000–HK$1,500,000	**1**	–
	3	1

During the year, no emoluments (2016: RMB400,000 to one highest paid individual above) were paid by the Group to above highest paid individuals as compensation for loss of office.

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees RMB'000	Salaries and allowance RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors:						
Mr. Li Sui Yang *(note viii)*	50	271	22	–	–	343
Mr. Wang Jiang Wei *(note ix)*	240	30	–	30	–	300
Non-executive directors:						
Mr. Hu Hai Yuan	120	–	–	10	–	130
Mr. Huang Zhang Hui *(note i)*	120	–	–	10	–	130
Independent non-executive directors:						
Mr. Guo Shi Zhan *(note i)*	120	–	–	10	–	130
Mr. Luo Ze Min *(note vi)*	120	–	–	10	–	130
Dr. Xia Ting Kang *(note vi)*	163	–	–	10	–	173
Total for 2017	933	301	22	80	–	1,336

14. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees RMB'000	Salaries and allowance RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors:						
Mr. Li Sui Yang *(note viii)*	110	712	111	650	–	1,583
Mr. Tan Wen *(note vii)*	80	500	100	600	–	1,280
Mr. Fok Ho Yin Thomas *(note v)*	50	385	100	650	–	1,185
Non-executive directors:						
Mr. Tang Hao *(note iv)*	40	–	–	100	117	257
Mr. Hu Hai Yuan	110	–	–	100	117	327
Mr. Wang Jiang Wei *(note ix)*	110	40	–	100	1,170	1,420
Mr. Huang Zhang Hui *(note i)*	80	–	–	–	–	80
Independent non-executive directors:						
Mr. Zhang Xiao Jing *(note ii)*	37	–	–	100	117	254
Ms. Tung Fong *(note iii)*	40	–	–	100	117	257
Mr. Qu Xiao Guo *(note iii)*	40	–	–	100	117	257
Mr. Guo Shi Zhan *(note i)*	80	–	–	–	–	80
Mr. Luo Ze Min *(note vi)*	44	–	–	–	–	44
Dr. Xia Ting Kang *(note vi)*	44	–	–	–	–	44
Total for 2016	865	1,637	311	2,500	1,755	7,068

Notes:

(i) Appointed on 1 June 2016
(ii) Resigned on 20 June 2016
(iii) Retired on 29 June 2016
(iv) Resigned on 6 July 2016
(v) Resigned on 1 August 2016
(vi) Appointed on 20 September 2016
(vii) Resigned on 1 November 2016
(viii) Retired on 25 May 2017
Salaries and retirement benefit scheme contributions of approximately RMB169,000 paid to Mr. Li Sui Yang after his retirement of director since 25 May 2017 had not been included in the above emoluments for the year ended 31 December 2017
(ix) Re-designated to executive director on 25 May 2017

No directors waived any emoluments during the years ended 31 December 2017 and 2016.

14. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' termination benefits

During the year ended 31 December 2016, the Company made the following payments to the directors as compensation for their resignation:

	Paid by the Company for the loss of office as a director RMB'000
Executive directors:	
Mr. Tan Wen	780
Mr. Fok Ho Yin Thomas	850
Non-executive director:	
Mr. Tang Hao	130
Independent non-executive directors:	
Mr. Zhang Xiao Jing	130
Ms. Tung Fong	130
Mr. Qu Xiao Guo	130
	2,150

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. DIVIDEND

No dividend had been paid or declared by the Company during the year (2016: Nil).

16. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the year attributable to owners of the Company of approximately RMB512,000 (2016: loss of RMB26,773,000) and the weighted average number of ordinary shares of approximately 2,288,204,000 (2016: 2,055,668,000, as adjusted to reflect the effect of the rights issue of shares completed on 27 February 2017, details of which are described in note 27(a) to the consolidated financial statements) in issue during the year.

Diluted earnings/(loss) per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2017 and 2016.

17. 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 2016	5,264	92	25,959	675	2,934	34,924
Additions	–	347	–	38	–	385
Fair value change on revaluation upon reclassification of assets to investment properties	3,375	–	–	–	–	3,375
Reclassified to investment properties	(8,639)	–	–	–	–	(8,639)
At 31 December 2016 and 1 January 2017	–	439	25,959	713	2,934	30,045
Additions	–	340	–	60	–	400
Disposals	–	–	(84)	(359)	–	(443)
At 31 December 2017	–	779	25,875	414	2,934	30,002
Accumulated depreciation and impairment						
At 1 January 2016	749	92	25,959	538	2,674	30,012
Charge for the year	136	22	–	19	260	437
Eliminated on revaluation upon reclassification of assets to investment properties	(885)	–	–	–	–	(885)
At 31 December 2016 and 1 January 2017	–	114	25,959	557	2,934	29,564
Charge for the year	–	264	–	32	–	296
Disposals	–	–	(84)	(314)	–	(398)
At 31 December 2017	–	378	25,875	275	2,934	29,462
Carrying amount						
At 31 December 2017	–	401	–	139	–	540
At 31 December 2016	–	325	–	156	–	481

During the year ended 31 December 2016, the Group has reclassified its land and buildings to investment properties and measured at the fair value at the date of transfer. The fair value of the land and buildings at the date of transfer to investment properties is RMB8,639,000. The gain on revaluation of RMB4,260,000 is credited to the property revaluation reserve directly.

The land and buildings were revalued at 19 December 2016, on the open market value basis by reference to market evidence of recent transactions for similar properties by Roma Appraisals Limited, an independent firm of chartered surveyors.

18. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
At 1 January	**8,639**	–
Reclassified from property, plant and equipment	**–**	8,639
Fair value gains	**953**	–
At 31 December	**9,592**	8,639

Investment properties were revalued at 31 December 2017 and 2016 on the open market value basis by reference to market evidence of recent transactions for similar properties by Roma Appraisals Limited, an independent firm of chartered surveyors.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Unlisted equity securities, at cost	**5,000**	–

Unlisted equity securities with carrying amount of RMB5,000,000 (2016: Nil) were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

None of these financial assets is either past due or impaired.

20. GOODWILL

	2017 **RMB'000**	2016 RMB'000
Cost		
At 1 January	**3,288**	–
Arising on acquisition of subsidiaries *(note 31(a))*	**–**	3,288
At 31 December	**3,288**	3,288
Accumulated impairment losses		
At 1 January	**(3,288)**	–
Impairment loss recognised in the current year	**–**	(3,288)
At 31 December	**(3,288)**	(3,288)
Carrying amount		
At 31 December	**–**	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill had been allocated to Top System Holdings Limited ("Top System") within the car parking systems segment.

Due to suspension of certain favourable government policies for electric vehicles and losses suffered by the CGU, full impairment loss of RMB3,288,000 was recognised on goodwill by the Group during the year ended 31 December 2016.

The recoverable amounts of the CGU have been determined on the value in use. The calculation uses cash flow projections based on cash flow forecast prepared by management covering a five-year period at a discount rate of 14.56% as at 31 December 2016. Based on the cash flow projections, recoverable amount of the CGU is nil. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include estimated sales and gross margin. Such estimation is based on past performance and management's expectations for the market development.

21. OTHER INTANGIBLE ASSETS

	Patents RMB'000	Software RMB'000	Total RMB'000
Cost			
At 1 January 2016	–	–	–
Additions	68	–	68
At 31 December 2016 and 1 January 2017	68	–	68
Additions	415	75	490
At 31 December 2017	483	75	558
Accumulated amortisation			
At 1 January 2016	–	–	–
Amortisation for the year	2	–	2
At 31 December 2016 and 1 January 2017	2	–	2
Amortisation for the year	25	8	33
At 31 December 2017	27	8	35
Carrying amount			
At 31 December 2017	456	67	523
At 31 December 2016	66	–	66

The average remaining amortisation periods of the patents and software are 10.3 years (2016: 8.4 years) and 9 years (2016: Nil) respectively.

22. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**8**	2,179
Work in progress	**–**	427
Finished goods	**–**	203
Less: allowance for inventories	**(8)**	(2,809)
	–	–

No reversal of allowance for inventories (2016: RMB26,000) arose from sales of obsolete inventories.

23. TRADE AND OTHER RECEIVABLES

	Note	2017 RMB'000	2016 RMB'000
Trade receivables	*(a)*	**3,219**	130
Other receivables	*(b)*	**1,107**	902
		4,326	1,032
Analysed as			
— Current		**3,772**	1,032
— Non-current		**554**	–
		4,326	1,032

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days, except for customers of licensing income, which range from 1 to 4 years. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2017 RMB'000	2016 RMB'000
Within 6 months	**3,219**	50
Within 6 to 12 months	**–**	–
Over 1 year	**4,612**	4,642
	7,831	4,692
Allowance for trade receivables	**(4,612)**	(4,562)
	3,219	130

Reconciliation of allowance for trade receivables:

	2017 RMB'000	2016 RMB'000
At 1 January	**4,562**	4,366
Allowance for the year	**50**	196
At 31 December	**4,612**	4,562

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

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

As of 31 December 2017, trade receivables of RMB1,405,000 (2016: RMB80,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 RMB'000	2016 RMB'000
Within 6 months	1,405	–
Within 6 to 12 months	–	–
Over 1 year	–	80
	1,405	80

The carrying amounts of the Group's trade receivables are denominated in RMB.

(b) Other receivables

	2017 RMB'000	2016 RMB'000
Prepayments to suppliers	375	413
Rental and utility deposits	268	258
Others	464	231
	1,107	902

No allowance was made for estimated irrecoverable other receivables for the years ended 31 December 2017 and 2016.

24. BANK AND CASH BALANCES

As at 31 December 2017, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB5,834,000 (2016: RMB8,400,000). 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.

25. TRADE AND OTHER PAYABLES

	Note	2017 RMB'000	2016 RMB'000
Trade payables	*(a)*	**841**	844
Other payables	*(b)*	**7,487**	6,633
		8,328	7,477

(a) Trade payables

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

	2017 RMB'000	2016 RMB'000
Within 6 to 12 months	**–**	9
Over 1 year	**841**	835
	841	844

(b) Other payables

	2017 RMB'000	2016 RMB'000
Other tax payable	**512**	32
Provision for staff and workers' bonus and welfare fund	**329**	386
Accruals for operating expenses	**2,478**	2,563
Salaries and welfare payables	**2,207**	435
Others	**1,961**	3,217
	7,487	6,633

26. LOAN FROM A DIRECTOR

The loan from a director was unsecured and repayable on 8 December 2017, bearing an interest rate of 12% per annum. The loan was fully repaid during the year.

27. SHARE CAPITAL

	2017 HK$'000	2017 RMB'000	2016 HK$'000	2016 RMB'000
Authorised:				
30,000,000,000 ordinary shares of HK$0.05 each	**1,500,000**	**1,264,706**	1,500,000	1,264,706
Issued and fully paid:				
Ordinary shares of HK$0.05 each	**116,215**	**103,880**	103,302	92,441

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued '000	**Nominal value of shares issued** HK$'000	RMB'000
At 1 January 2016	1,935,900	96,795	86,973
Placing of shares *(Note b)*	75,600	3,780	3,155
Shares issued for acquisition of a subsidiary *(Note c)*	54,546	2,727	2,313
At 31 December 2016	2,066,046	103,302	92,441
Shares issued under rights issue *(Note a)*	258,255	12,913	11,439
At 31 December 2017	2,324,301	116,215	103,880

Notes:

(a) On 21 December 2016, the Company entered into an underwriting agreement pursuant to which the Company appointed an underwriter to unconditionally underwrite all the underwritten shares subject to the terms and conditions set out in the underwriting agreement. The Company proposed to issue 258,255,681 rights shares at the subscription price of HK$0.086 per rights share payable in full on acceptance, on the basis of one rights share for every eight shares held by the qualifying shareholders on 27 January 2017. On 27 February 2017, the rights issue was completed and the premium on the issue of rights shares amounting to RMB6,980,000 (equivalent to HK$7,870,000), net of share issue expenses of RMB668,000, was credited to the Company's share premium account.

(b) On 9 March 2016, the Company entered into a placing agreement in respect of the placement of 75,600,000 ordinary shares of HK$0.05 per share to not less than six placees at a price of HK$0.111 per share. The placement was completed on 31 March 2016 and the premium on the placing of shares amounting to RMB3,583,000 (equivalent to HK$4,292,000), net of share issue expenses of RMB267,000, was credited to the Company's share premium account.

(c) On 4 March 2016, Right Ascent Development Limited ("Right Ascent"), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with vendors for the acquisition of Top System and its subsidiary. On 3 June 2016, completion of the acquisition took place and pursuant to the sale and purchase agreement, the Company issued 54,545,455 ordinary shares to the vendor as a settlement of the consideration for the acquisition. The fair value of 54,545,455 issued ordinary shares was approximately RMB6,197,000 (equivalent to approximately HK$7,309,000) based on the closing market price of the Company's ordinary share at 3 June 2016 and the premium on the issued ordinary shares for the acquisition amounting to RMB3,884,000 (equivalent to HK$4,582,000) was credited to the Company's share premium account.

27. SHARE CAPITAL *(Continued)*

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

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

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2017 was 33% (2016: 97%).

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 2017, 68% (2016: 66%) of the shares were in public hands.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	Note	As at 31 December	
		2017 **RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment		**225**	349
Investment in subsidiaries		**–**	–
		225	349
Current assets			
Other receivables		**122**	126
Due from subsidiaries		**15,630**	4,810
Bank and cash balances		**3,395**	147
		19,147	5,083
Current liabilities			
Trade and other payables		**2,728**	2,376
Due to subsidiaries		**3,408**	2,408
		6,136	4,784
Net current assets		**13,011**	299
Total assets less current liabilities		**13,236**	648
NET ASSETS		**13,236**	648
Capital and reserves			
Share capital	*27*	**103,880**	92,441
Reserves	*29(b)*	**(90,644)**	(91,793)
TOTAL EQUITY		**13,236**	648

The Company's statement of financial position was approved by the Board of Directors on 19 March 2018 and signed on its behalf by:

Luo Ze Min	**Wang Jiang Wei**
Director	*Director*

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium account RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	57,073	672	23,996	5,251	(170,176)	(83,184)
Placing of shares	3,583	–	–	–	–	3,583
Shares issued for acquisition of a subsidiary	3,884	–	–	–	–	3,884
Share-based payments	–	–	–	6,437	–	6,437
Total comprehensive income for the year	–	–	–	–	(22,513)	(22,513)
At 31 December 2016 and 1 January 2017	64,540	672	23,996	11,688	(192,689)	(91,793)
Shares issued under rights issue	6,980	–	–	–	–	6,980
Total comprehensive income for the year	–	–	–	–	(5,831)	(5,831)
At 31 December 2017	**71,520**	**672**	**23,996**	**11,688**	**(198,520)**	**(90,644)**

29. 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) 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 (i) the Group reorganisation implemented for the listing of the Company's shares in year 2001; and (ii) the fair value adjustment on interest-free loan from a shareholder classified as non-current liabilities at initial recognition in year 2017 when the loan was drawn by the Company.

(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.

29. RESERVES *(Continued)*

(b) 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 4(t) to the consolidated financial statements.

(vi) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with the fair value changes arising from the Group's property, plant and equipment reclassified to investment properties.

As at 31 December 2017 and 2016, the property revaluation reserve of the Group in respect of transferring the owner-occupied properties to investment properties at the date of change of use amounted to RMB4,260,000.

30. 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.

30. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

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

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

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

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

30. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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 2017	Adjusted during the year	Balance at 31 December 2017
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.134	77,480,769	1,224,301	78,705,070
Directors, employees and others	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.127	22,104,808	349,286	22,454,094
Directors, employees and others	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.127	22,104,808	349,286	22,454,094
Directors, employees and others	10 May 2017	N/A	10 May 2017 to 14 May 2026	0.148	110,000,000	1,738,149	111,738,149

Details of the Share Options outstanding during the year are as follows:

	2017		2016	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**231,690,385**	**0.141**	121,690,385	0.133
Granted during the year	**–**	**N/A**	110,000,000	0.150
Adjusted during the year	**3,661,022**	**0.139**	–	N/A
Outstanding at the end of the year	**235,351,407**	**0.139**	231,690,385	0.141
Exercisable at the end of the year	**235,351,407**	**0.139**	231,690,385	0.141

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.90 years (2016: 5.90 years) and the exercise prices are ranging from HK$0.127 to HK$0.148 (2016: HK$0.129 to HK$0.150). In 2016, options were granted on 10 May 2016. The estimated fair value of the options granted on this date is RMB6,436,995 (equivalent to HK$7,642,000).

30. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

This fair value was calculated using Binomial pricing model. The inputs into the model are as follows:

	Share options grant date 10 May 2016
Estimated fair value at the measurement date	HK$7,642,000
No. of options granted at the grant date	110,000,000
Weighted average share price at the measurement date	HK$0.139
Weighted average exercise price	HK$0.150
Expected volatility	72.61%
Expected life	10 years
Risk free rate	1.716%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 3 June 2016, the Group acquired 100% of the issued share capital of Top System by issuing 54,545,455 ordinary shares of the Company as consideration with a fair value of RMB$6,197,000 which was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date. Top System wholly owns Wuhan Zhanchi New Energy Technology Company Limited ("Wuhan Zhanchi"), which is incorporated in PRC and is principally engaged in production and sale of electrical charging facilities and related products for new energy vehicles. The acquisition is part of the Group's strategy to expand its business.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of a subsidiary *(Continued)*

The fair value of the identifiable assets and liabilities of Top System and its subsidiary at the date of acquisition was as follows:

	RMB'000
Net assets acquired:	
Prepayments, deposits and other receivables	74
Bank and cash balances	2,835
	2,909
Goodwill	3,288
Satisfied by issuing the ordinary shares of the Company	6,197
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	2,835

The goodwill arising on the acquisition of Top System and its subsidiary was attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination. Acquisition costs of RMB195,099 have been recognised in administrative expenses.

Wuhan Zhanchi acquired during the year ended 31 December 2016 contributed revenue of approximately RMB1,457,000 and loss of approximately RMB1,585,000 for the period between the date of acquisition and 31 December 2016.

If the acquisition had been completed on 1 January 2016, the total Group revenue for the year ended 31 December 2016 would have been approximately RMB2,626,000, and loss for the year ended 31 December 2016 would have been approximately RMB26,863,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017 RMB'000	Cash flows RMB'000	Interest expenses RMB'000	31 December 2017 RMB'000
Loan from a director *(note 26)*	10,477	(10,799)	322	–

32. DEFERRED TAXATION

At the end of the reporting period the Group has unused tax losses and other deductible temporary differences of approximately RMB11,791,000 and RMB55,000 respectively (2016: RMB11,346,000 and RMB913,000 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 2018 to 2022 and other deductible temporary differences may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB508,000 (2016: Nil). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

33. LEASE COMMITMENTS

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**794**	1,245
In the second to fifth years inclusive	**246**	1,013
	1,040	2,258

Operating lease payments represent rentals payable by the Group for certain of its office. Leases are negotiated for an average term of 2 year (2016: 1 year) and rentals are fixed over the lease terms and do not include contingent rentals.

34. 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 84% ultimately owned by Mr. Chin Ying Hoi, a shareholder of the Company
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
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
新疆同威創業投資有限公司 Xinjiang Co-power Venture Capital Co. Limited ("Xinjiang Co-power")	A company of which Mr. Wang Jiang Wei is a director

(b) Significant related party transactions

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

	2017 **RMB'000**	2016 RMB'000
Interest expenses paid/payable to		
— Director, Mr. Li Sui Yang	**–**	52
— Director, Mr. Wang Jiang Wei	**322**	477

34. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2017 **RMB'000**	2016 RMB'000
Balance from trading activities and included in trade receivables:		
— Haikou Project Company	**239**	239
— Weihai Tian Chuang Electronic System Co., Ltd. *(note)*	**N/A**	520
	239	759
Allowance for impairment losses	**(239)**	(759)
	–	–
Included in other receivables:		
— Xinjiang Co-power	**250**	–
Included in other payables:		
— Beijing Huapu International Plaza Co., Ltd. *(note)*	**N/A**	274
— Beijing Huapu Roadside Parking Facilities Construction and Management Co., Ltd. *(note)*	**N/A**	20
— Shanghai Project Company	**5**	5
	5	299
Due from related companies:		
— Beijing Jian Enterprise	**20**	20
— Weihai Tian Chuang Electronic System Co., Ltd. *(note)*	**N/A**	23
— Haikou Project Company	**33**	33
	53	76
Allowance for impairment losses	**(53)**	(76)
	–	–
Due to a related company:		
— Beijing Jian-Tech Co., Ltd. *(note)*	**N/A**	10

Note: These companies were no longer the related parties of the Group as at 31 December 2017.

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

(d) The details of the remuneration paid to the key management personnel are set out in note 14 to the consolidated financial statements.

35. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation/ establishment	Particulars of registered/ issued capital	Interest held		Principal activities and place of operation
			Directly	Indirectly	
Systematic Technology Group Limited	British Virgin Islands	5 ordinary shares of USD1 each	100%	–	Investment holding in Hong Kong
Capital Fair International Investment Limited	British Virgin Islands	1 ordinary share of USD1	100%	–	Investment holding in Hong Kong
Zhi Tong Worldwide Holdings Limited	British Virgin Islands	1 ordinary share of USD1	100%	–	Investment holding in PRC
Jian epayment (China) International Holdings Limited	British Virgin Islands	1 ordinary share of USD1	–	100%	Property investment in Hong Kong
Right Ascent	British Virgin Islands	1 ordinary share of USD1	–	100%	Investment holding in Hong Kong
Wuhan Jian-O'Yuan Science and Technology Company Limited ("Wuhan Jian-O'Yuan")	PRC	RMB1,000,000	–	100%	Dormant
Zhengzhou Jian-O' Yuan	PRC	USD2,950,000	–	100%	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
Beijing Jian ePayment Science and Technology Company Limited ("Beijing Jian ePayment")	PRC	USD150,000	–	100%	Dormant
Shenzhen Qianhai Zhitong Holdings Limited ("Shenzhen Qianhai Zhitong")	PRC	RMB10,000,000	–	100%	Investment holdings in PRC
Shenzhen Zhitong Tianxia Technical Services Company Limited ("Zhitong Tianxia")	PRC	RMB10,000,000	–	100%	Provision of intellectual property services

35. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Particulars of registered/ issued capital	Interest held		Principal activities and place of operation
			Directly	Indirectly	
Wuhan Zhanchi	PRC	RMB3,000,000	–	100%	Sale of electric vehicle charging facilities in PRC
Xinjiang Zhitong Hengdao Technical Services Company Limited ("Xinjiang Zhitong Hengdao")	PRC	RMB5,000,000	–	100%	Dormant
Top System	PRC	HK$1	–	100%	Investment holding in Hong Kong
Zhi Tong Worldwide (HK) Limited	Hong Kong	HK$1	–	100%	Investment holding in Hong Kong

Zhengzhou Jian-O'Yuan, Beijing Jian ePayment, Shenzhen Qianhai Zhitong and Wuhan Zhanchi are wholly foreign owned enterprises established in the PRC. Wuhan Jian-O' Yuan, Zhitong Tianxia and Xinjiang Zhitong Hengdao are domestic enterprises established in the PRC.

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

36. EVENTS AFTER THE REPORTING PERIOD

On 9 February 2018, the Company received a letter from the GEM Listing Committee of the Stock Exchange and was informed that, having considered all the submissions made by the Company in connection with the Company's sufficient operations or assets under Rule 17.26 of the GEM Listing Rules to maintain the continued listing of the Company's shares, the GEM Listing Committee decided to uphold the decision to suspend trading in the Company's shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules. The Company has to submit a resumption proposal as required by Rule 17.26 of the GEM Listing Rules before the expiry of the six months from the date of the letter. If the Company fails to submit a viable proposal by the expiry of the six-month period, the Stock Exchange will proceed with cancellation of the Company's listing status.

After considering legal and professional advice, on 20 February 2018, the Company submitted a written request to the GEM Listing (Review) Committee of the Stock Exchange pursuant to Chapter 4 of the GEM Listing Rules for reviewing the GEM Listing Committee's decision. A meeting with the GEM Listing (Review) Committee of the Stock Exchange is proposed to be held on 26 April 2018.

Details of the above matters are set out in the Company's announcements on 15 September 2017, 25 September 2017, 9 February 2018 and 20 February 2018.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 19 March 2018.

Financial Summary

CONSOLIDATED PROFIT OR LOSS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
Turnover	4,386	4,492	3,703	2,626	**13,106**
Operating (loss)profit	(16,461)	(10,032)	(11,593)	(25,672)	**2,320**
Subsidy income	173	13	24	211	**–**
Interest income	19	12	46	38	**1**
Interest expenses	–	–	–	(1,201)	**(608)**
(Loss)profit before tax	(16,269)	(10,007)	(11,523)	(26,624)	**1,713**
Income tax expense	–	–	–	(149)	**(1,201)**
(Loss)profit for the year	(16,269)	(10,007)	(11,523)	(26,773)	**512**
Non-controlling interests	–	–	–	–	**–**
(Loss)profit attributable to owners of the Company	(16,269)	(10,007)	(11,523)	(26,773)	**512**

CONSOLIDATED FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	At 31 December				
	2013	2014	2015	2016	**2017**
Non-current assets	6,108	5,436	4,912	9,186	**16,209**
Net current (liabilities)/ assets	(5,433)	9,204	8,205	(8,538)	**3,370**
Total assets less current liabilities	675	14,640	13,117	648	**19,579**
Representing:					
Non-current liabilities	–	–	9,328	–	**–**
Share capital	61,766	86,973	86,973	92,441	**103,880**
Reserves	(61,091)	(72,333)	(83,184)	(91,793)	**(84,301)**
Shareholder's equity	675	14,640	13,117	648	**19,579**

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