



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

2018

First Quarterly Report

第一季度業績報告



CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

Highlights

- Turnover for the three months ended 31 March 2018 was approximately RMB3,796,000 (2017: RMB776,000) which represented an increase of approximately 389% as compared to the corresponding period in 2017.
- Profit and total comprehensive income for the period attributable to owners of the Company amounted to approximately RMB1,761,000 for the three months ended 31 March 2018 (2017: loss of RMB1,852,000).
- Basic earnings per share amounted to RMB0.08 cents for the three months ended 31 March 2018 (2017: basic loss per share of RMB0.09 cents).

Unaudited Consolidated Results

The Board of Directors (the “Board”) of Jian ePayment Systems Limited, together with its subsidiaries (the “Group”), announces the unaudited consolidated results of the Group for the three months ended 31 March 2018 with the comparative figures for the corresponding period in 2017.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Note	For the three months ended 31 March	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Turnover	3	3,796	776
Cost of goods sold and services rendered		(724)	(1)
Gross profit		3,072	775
Other income	4	24	6
Distribution costs		–	(97)
Administrative expenses		(1,328)	(2,227)
Profit/(loss) from operations		1,768	(1,543)
Finance costs		–	(302)
Profit/(loss) before tax		1,768	(1,845)
Income tax expense	6	(7)	(7)
Profit/(loss) and total comprehensive income for the period attributable to owners of the Company		1,761	(1,852)
		RMB cents	RMB cents
Earnings/(loss) per share			
Basic	8	0.08	(0.09)
Diluted	8	N/A	N/A

Condensed Consolidated Statement of Changes in Equity

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	(Unaudited)							Total equity/ (capital deficiency) RMB'000
	Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Option reserve RMB'000	Property revaluation reserve RMB'000	Accumulated losses RMB'000
At 1 January 2017	92,441	64,540	6,976	2,870	1,435	11,688	4,260	(183,562)
Rights issue of shares	11,439	7,034	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,852)
Changes in equity for the period	11,439	7,034	-	-	-	-	-	(1,852)
At 31 March 2017	103,880	71,574	6,976	2,870	1,435	11,688	4,260	(185,414)
At 1 January 2018	103,880	71,520	6,976	2,870	1,435	11,688	4,260	(183,050)
Total comprehensive income for the period	-	-	-	-	-	-	-	1,761
Changes in equity for the period	-	-	-	-	-	-	-	1,761
At 31 March 2018	103,880	71,520	6,976	2,870	1,435	11,688	4,260	(181,289)

Notes to the Financial Statements

FOR THE THREE MONTHS ENDED 31 MARCH 2018

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 (i) development and operation of integrated circuit and smart cards, back end electronic receipt/payment and data recording and processing software system; and manufacturing and marketing of the associated commercial applications; and trading of electric vehicle charging facilities; and (ii) licensing and trading of patents and provision of consultancy service in intellectual property management.

2. BASIS OF PREPARATION

These condensed consolidated results 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 condensed consolidated results 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).

These unaudited condensed consolidated results have been prepared under the historical cost convention, except for investment properties that are measured at fair value. These unaudited condensed consolidated results of the Group are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated. Renminbi ("RMB") is the Company's functional and the Group's presentation currency.

The principal accounting policies used in the preparation of these unaudited condensed results are consistent with those used in the Group's annual consolidated financial statements for the year ended 31 December 2017 except for the adoption of certain new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting year beginning on 1 January 2018. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of these unaudited condensed consolidated results and amounts reported for the current period and prior years.

2. BASIS OF PREPARATION *(Continued)*

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 2018. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER

	Three months ended 31 March	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Sales of patents and provision of intellectual property services	3,796	776

4. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income	24	6

5. 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.

Segment profit or loss does not include the following items:

- unallocated other income
- unallocated corporate expenses
- finance costs

Information about operating segment profit or loss is set out below:

	Car parking systems RMB'000	Intellectual property services RMB'000	Total RMB'000
Period ended 31 March 2018			
Turnover from external customers	—	3,796	3,796
Segment (loss)/profit	(122)	2,549	2,427
Interest revenue	—	24	24
Depreciation and amortisation	3	90	93
Income tax expense	—	7	7

5. SEGMENT INFORMATION (Continued)

	Car parking systems RMB'000	Intellectual property services RMB'000	Total RMB'000
Period ended 31 March 2017			
Turnover from external customers	–	776	776
Segment (loss)/profit	(416)	71	(345)
Interest revenue	–	5	5
Depreciation and amortisation	4	2	6
Income tax expense	–	7	7

Reconciliations of operating segment profit or loss:

	2018 RMB'000	2017 RMB'000
Profit or loss		
Total profit/(loss) of operating segments	2,427	(345)
Unallocated amounts:		
Other income	–	1
Corporate expenses	(666)	(1,206)
Finance costs	–	(302)
Consolidated profit/(loss) for the period	1,761	(1,852)

Geographical information

The Group's turnover from external customers by location of operations is detailed below:

	Turnover	
	2018 RMB'000	2017 RMB'000
Hong Kong	–	–
PRC except Hong Kong	3,796	776
Consolidated total	3,796	776

6. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax — PRC Enterprise Income Tax Provision for the period	7	7

The companies comprising the Group are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdictions in which they operate.

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 three months ended 31 March 2018 and 2017.

The tax rate applicable to the PRC subsidiaries in the Group were 25% (2017: 25%) during the period.

7. DIVIDENDS

No dividend had been paid or declared by the Company during the period (2017: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

	Three months ended 31 March	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating the basic earnings/(loss) per share	1,761	(1,852)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	2,324,301,136	2,166,478,220

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the effects of all potential ordinary shares would be anti-dilutive for the three months ended 31 March 2018 and 2017, respectively.

Review of Financial Performance and Operation

During the period under review, the Group recorded an overall revenue of approximately RMB3,796,000 (corresponding period of 2017: RMB776,000), representing an increase of approximately 389% over the corresponding period of last year. Profit and total comprehensive income for the period attributable to owners of the Group amounted to approximately RMB1,761,000 (corresponding period of 2017: loss of RMB1,852,000), representing continuous profitability in the last three quarters, which was mainly attributable to the Group's further focused on the Intellectual Property (IP) business and its persistent vigorous cost control measures by tightening expenditure in its operations.

Review of Operation

During the period under review, the Group has continued its growth and improved on profitability. The Group focused on growing the new IP business together with continued exercising stringent cost controls. As a result, the Group recorded significant growth in both revenue and profit from its operations, for the last three quarters consecutively. During the period under review, the Group continued to put more focus on Shenzhen Zhitong Tianxia Technical Services Company Limited ("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 continues to be vigilant in examining potential investments and restrained 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 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.

Since Shenzhen Zhitong Tianxia set up its management team in July 2016, it has rapidly commenced business planning and expanded its customer base through the intellectual property rights business derived from electronic car-parking software and management business. Shenzhen Zhitong Tianxia has established itself as a principal operating entity and the main revenue source of the Group.

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 period are as follows:

	2018		2017	
	Number of Share Options	Weighted average exercise price HK\$	Number of Share Options	Weighted average exercise price HK\$
Outstanding at 1 January	235,351,407	0.139	231,690,385	0.141
Adjusted during the period	–	–	3,661,022	0.139
Outstanding at 31 March	235,351,407	0.139	235,351,407	0.139
Exercisable at 31 March	235,351,407	0.139	235,351,407	0.139

Name or category of participant	Number of Share Options				
	At	Granted	Exercised	Lapsed	At
	1 January 2018	during the period	during the period	during the period	31 March 2018
	'000	'000	'000	'000	'000
Directors					
Hu Hai Yuan	11,291	-	-	-	11,291
Wang Jiang Wei	20,316	-	-	-	20,316
Huang Zhang Hui	20,316	-	-	-	20,316
Guo Shi Zhan	20,316	-	-	-	20,316
Employees other than directors					
In aggregate	35,131	-	-	-	35,131
Other participants					
In aggregate	127,981	-	-	-	127,981
	235,351	-	-	-	235,351

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 31 March 2018.

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 March 2018, 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 March 2018	Approximate percentage of the underlying shares to the share capital of the Company as at 31 March 2018
Directors:			
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%
Chief executive officer:			
Li Sui Yang	Personal	14,815,072	0.64%

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares

Save as disclosed herein, at no time during the period was the Company, its subsidiaries or any person 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 March 2018, 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 (Note 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 March 2018, the Directors were not aware of any other person who had interests or short positions 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 period ended 31 March 2018.

Competing Interests

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

The Code of Corporate Governance Practices

The Company had complied, throughout the three months ended 31 March 2018, with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the GEM Listing Rules.

(1) Board composition and Board Practices

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. As at the date of publishing the Company's First Quarterly report, the Board consists of a total of six Directors, comprising one executive Director, two non-executive Directors and three independent non-executive Directors.

(2) Audit Committee

An Audit Committee was established with written terms of reference in compliance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to review and provide supervision over the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Luo Ze Min, Mr. Guo Shi Zhan and Dr. Xia Ting Kang. The Group's unaudited consolidated results for the three months ended 31 March 2018 have been reviewed by the Audit Committee.

Directors' Securities Transaction

The Company has adopted a code of conduct regarding securities transaction by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry to all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the period under review. Specific employees who are likely to have 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 three months ended 31 March 2018.

Appreciation

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

By Order of the Board
Jian ePayment Systems Limited
Huang Zhang Hui
Chairman

Hong Kong
11 May 2018

As at the date of this report, the executive director of the Group is Mr. Wang Jiang Wei; the non-executive directors of the Group are Mr. Hu Hai Yuan and Mr. Huang Zhang Hui; and the independent non-executive directors of the Group are Mr. Guo Shi Zhan, Mr. Luo Ze Min, Dr. Xia Ting Kang.

Jian ePayment Systems Limited
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