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
Annual Report
年報

CHARACTERISTICS OF 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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 of the Stock Exchange 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 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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NON-EXECUTIVE DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Wang Jiang Wei
Mr. Wang Tie Jian*

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

CHIEF EXECUTIVE OFFICER

Mr. Li Sui Yang

COMPLIANCE OFFICER

Mr. Wang Jiang Wei

COMPANY SECRETARY

Mr. Liang Tien Tzu

AUTHORISED REPRESENTATIVES

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

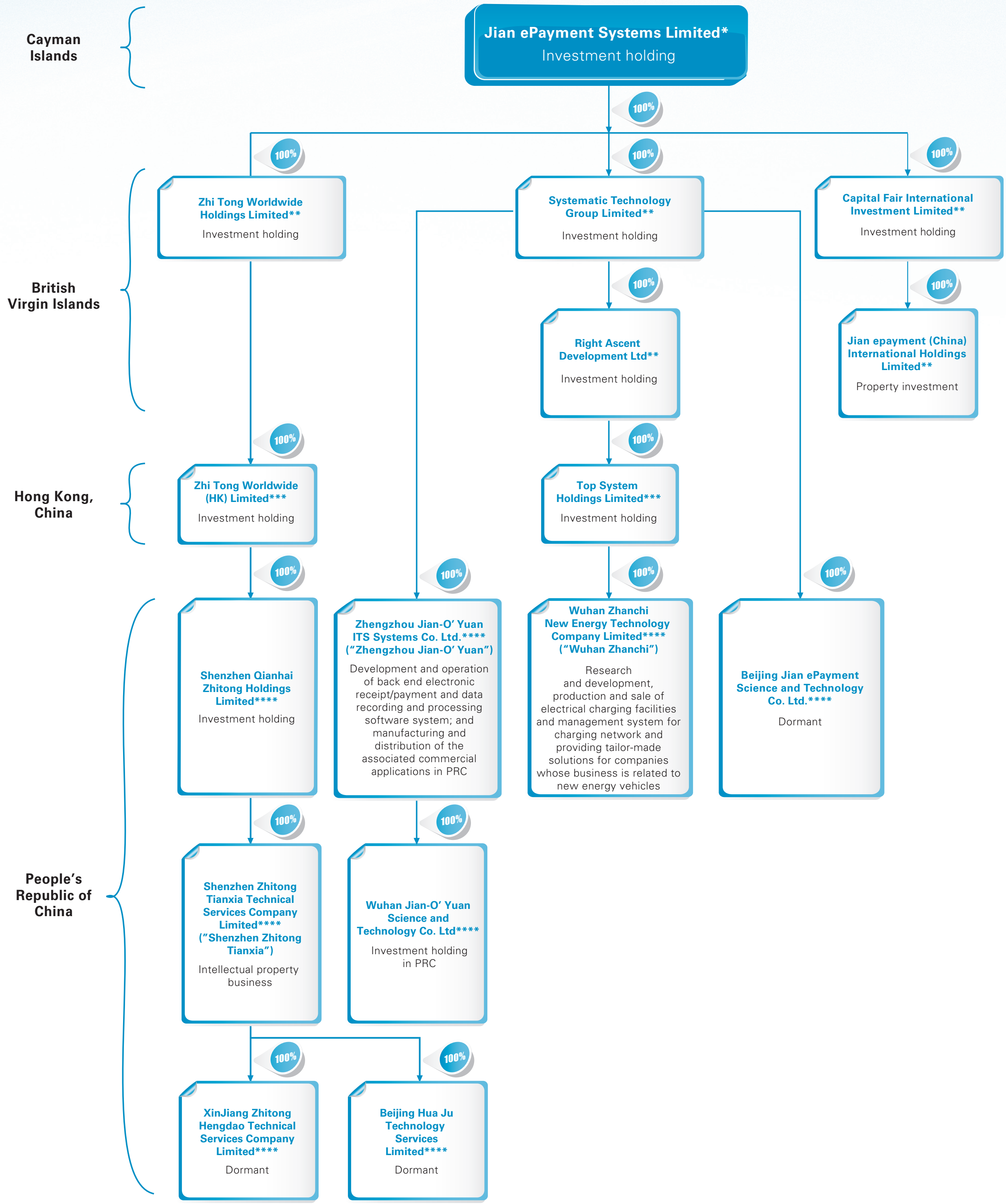
8165

COMPANY WEBSITE

www.jianepayment.com

* Appointed on 20 August 2018

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 2018.

BUSINESS REVIEW AND OUTLOOK

The year 2018 marks as a year of significance to the Group. In the earlier part of the year under review, the Group continued to actively develop its business in the area of intellectual property rights and positive generated outcomes. Following to decision by the Stock Exchange, trading in the share of the Company was suspended since 15 May 2018. The Group slowed down all its trading activities and redirected its effort on the preparation of a resumption proposal (the "Resumption Proposal").

On 29 October 2018, the Company submitted a Resumption Proposal to the Stock Exchange for seeking its approval for the resumption of trading in the shares of the Company. In support of the Resumption Proposal, the Company entered into two conditional share purchase agreements both dated 26 October 2018 with two collective independent third parties, pursuant to which the Company will acquire, at an aggregate consideration of HK$265,853,564, the entire issued share capital of two companies incorporated in the British Virgin Islands (the "Target Companies") from the two independent third parties respectively after a group reorganisation (the "Acquisitions"). Upon completion of the group reorganisation, the Target Companies will hold the controlling interest of group companies which primarily engage in the distributions of parallel-imported vehicles of a premium brand and other renowned brands in PRC. Pursuant to the conditional acquisition agreements, the aggregate consideration will be satisfied by the Company's issue of 4,121,760,682 shares at the issue price of HK$0.0645 per share. It is expected that the Acquisitions will constitute a very substantial acquisition and reverse takeover involving a new listing application of the Company under the GEM Listing Rules.

On 1 March 2019, the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal on or before 31 May 2019. If the Company fails to do so or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing.

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

29 March 2019

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately RMB4,092,000 (2017: RMB13,106,000), representing a decrease of 69% over the last year. Net loss and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB5,330,000 (2017: profit of RMB512,000) representing the Group had ceased trading activities since the suspension on trading of the Company's shares on the Stock Exchange since 15 May 2018. Moreover, the Group concentrated its efforts on working on the Resumption Proposal through certain acquisition activities which would enable it to obtain the Stock Exchange's approval to submit a new listing application relating to the Resumption Proposal. (Please see the note on "Events After the Reporting Period" on Page 95). Administrative expenses incurred amounted to RMB9,681,000 (2017: RMB9,101,000). It represents that even though the Group incurred significant increases in professional fees in the course of preparation of a new listing application, the Group nevertheless exercised stringent cost control measures in its operation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had total assets of approximately RMB34,282,000 (2017: RMB29,214,000) and net current assets of approximately RMB4,707,000 (2017: RMB3,370,000). The Group's current ratio, being a ratio of current assets to current liabilities, was 1.48 (2017: 1.35).

The Group generally finances its operations with internally generated cash flows. As at 31 December 2018, the Group had bank and cash balances of approximately RMB4,460,000 (2017: RMB9,233,000).

Stringent 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 2018.

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 2018 are set out in note 12 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The year under review was a year mixed with disappointments and positive encouragements. In the earlier part of the year, the Group continued to develop its business in the area of intellectual property rights and the business was growing steadily. On the other hand, the Group also explored opportunities for investment in and development of the electronic car-parking segment, striving for increase in revenue. During that period, the Group engaged 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.

On the other hand, since the latter part of 2017, the Stock Exchange has probed the suitability of the Company's continued listing status. On 15 September 2017, the Company received a letter from the Stock Exchange which served as a notice pursuant to Rule 9.15 of the GEM Listing Rules ("Rule") that the Stock Exchange has decided to proceed with the cancellation of the Company's listing under Rule 9.14 (the Decision). The company decided to request for further reviews on this decision. After exhausted of all reviews allowed and on 14 May 2018, the Company learned that the Decision was upheld. The Company is required to submit a resumption proposal to demonstrate it has a sufficient level of operations and assets required by GEM Rule 17.26 within a certain time limit.

In support of the preparation of the Resumption Proposal, the Company has entered into a conditional memorandum of understanding (the "MOU") dated 31 July 2018 for the Company's acquisition of the entire issued share capital of a company incorporated in the Cayman Islands (the "Target Company") from an independent third party (the "Seller"). Further to the MOU and updates of the Resumption Proposal, the Company entered into two conditional share purchase agreements both dated 26 October 2018 with two collective independent third parties, pursuant to which the Company will acquire, at an aggregate consideration of HK$265,853,564, the entire issued share capital of two companies incorporated in the British Virgin Islands (the "Target Companies") from the two independent third parties respectively after a group reorganisation (the "Acquisitions"). On 29 October 2018, the Company submitted the Resumption Proposal to the Stock Exchange for seeking its approval for the resumption of trading in the shares of the Company. According to the Resumption Proposal, upon completion of the group reorganisation, the Target Companies will hold the controlling interest of group companies which primarily engage in the distributions of parallel-imported vehicles of a premium brand and other renowned brands in PRC. Pursuant to the conditional acquisition agreements, the aggregate consideration will be satisfied by the Company's issue of 4,121,760,682 shares at the issue price of HK$0.0645 per share. It is expected that the Acquisitions will constitute a very substantial acquisition and reverse takeover involving a new listing application of the Company under the GEM Listing Rules.

Subsequent to the year under review, on 1 March 2019, the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 31 May 2019. If the Company fails to do so or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing. As the Acquisition (i) constitutes a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the GEM Listing Rules; and (ii) has implications under the Code on Takeovers and Mergers in Hong Kong, the Company will publish a further announcement regarding the terms and conditions of the Acquisition.

Since the Decision was upheld on 15 May 2018, the Company has slowed its trading activities and concentrated its efforts on the Resumption Proposal. The Company holds a positive outlook to its prospects after the completion of the re-organization.

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 31 December 2018, the Group employed approximately 17 employees (2017: 27 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

The Group had no significant investment for the year ended 31 December 2018.

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 2018, 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.

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 2018. During the year ended 31 December 2018, 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 49, 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 21 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 47, 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 11 years of experience in the field of corporate finance. Mr. Hu has been a director of the Group for many years, and has contributed to the strategic planning and business expansion of the Group.

EXECUTIVE DIRECTORS

Mr. Wang Jiang Wei, aged 41, 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.

Mr. Wang Tie Jian, age 62, is a certified senior engineer. He graduated from the Radio Engineering Department of Nanjing Institute of Technology (now known as ''Southeast University'') in 1982. After graduation, he engaged in scientific research on high-speed information systems at the Institute of Computing in Chinese Academy of Sciences, and the Department of Computer in University of Groningen in the Netherlands. Later, he was appointed as Vice General Manager of China Jinchen Safety Technology Industry Co., Ltd.* (中國金辰安全技術實業公司) and General Manager of Beijing New Gate Moore Asset Management Co., Ltd.* (北京新中關摩爾資產管理有限公司). He has more than 20 years of industrial management experience in research and development, production, marketing, finance and other aspects.

Directors and Senior Management Profiles

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Shi Zhan, aged 45, 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 20 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 53, 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 30 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 63, 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 61, 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 62, 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. He worked at several major international accounting firms in Canada 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 47, 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 22 years of working experience in the field of financial public relations and investor relations.

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 2018.

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 33.

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 35 and Note 27 to the consolidated financial statements.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 December 2018 is set out in note 10 to the consolidated financial statements.

FIXED ASSETS

Details of the movements in property, plant and equipment of the Group are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has no reserve (2017: 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.

Report of the Directors

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 96.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries have 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 as at 31 December 2017 and 2018
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:

	2018		2017	
	Number of options	Weighted average exercise price HK$	Number of options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**235,351,407**	**0.139**	231,690,385	0.141
Adjusted during the year	**–**	**N/A**	3,661,022	0.139
Outstanding at the end of the year	**235,351,407**	**0.139**	235,351,407	0.139
Exercisable at the end of the year	**235,351,407**	**0.139**	235,351,407	0.139

Name or category of participant	Number of Share Options At 1 January 2018 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	At 31 December 2018 '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

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

Executive Directors

Mr. Wang Jiang Wei
Mr. Wang Tie Jian*

Independent Non-executive Directors

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

* Appointed on 20 August 2018

In accordance with the Company's Articles of Association, one third of directors will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

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 14 and 15 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 9 to 11.

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 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 shares

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 December 2018
Wang Tie Jian	Beneficiary owner	111,116,250	–	–	111,116,250	4.78%

(b) Interests in share options

Name	Type of interests	Outstanding Shares Option as at 31 December 2018	Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2018
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%
Li Sui Yang	Personal	14,815,072	0.64%

Save as disclosed above, as at 31 December 2018, 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 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 *(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 2018, 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	69%
— Five largest customers combined	93%

CONNECTED TRANSACTIONS

The significant related party transactions entered by the Group during the year ended 31 December 2018, 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 21 to 28 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
29 March 2019

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.

Re-election and appointment of Directors

CG Code A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

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 annual general meetings of the Company in accordance with the provision of the articles of association of the Company. This deviates from the CG Code A.4.1 which requires that non-executive Directors should 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.

Attendance of Directors at general meeting held in 2018

The Company only held one general meeting, that is its annual general meeting on 17 May 2018, during the year ended 31 December 2018.

CG Code A.6.7 stipulates that independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Owing to other engagements, three independent non-executive Directors (namely Mr. Guo Shi Zhan, Mr. Luo Ze Min and Dr. Xia Ting Kang) and two non-executive Directors (namely Mr. Hu Hai Yuan and Mr. Huang Zhang Hui) were unable to attend the general meetings of the Company held on 17 May 2018. All independent non-executive Directors and non-executive Directors of the Company have been reminded of their obligation to attend the Company's general meetings for complying with CG Code A.6.7.

Financial Reporting

CG Code 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 2018, 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. In view of the size and complexity of the Group's current businesses, the Board considers that the current practice of financial reporting is sufficient to keep the Board abreast of the Group's financial position.

BOARD OF DIRECTORS

Composition

At the end of the year, the Board of the Company comprised 7 directors. Mr. Huang Zhang Hui served as Chairman of the Board. Mr. Wang Jiang Wei and Mr. Wang Tie Jian served as executive directors. 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	✓			
Mr. Wang Tie Jian	✓			
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.

Attendance of individual directors at board meetings in 2018

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 8 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. Hu Hai Yuan	7/8
Mr. Wang Jiang Wei	8/8
Mr. Huang Zhang Hui	2/8
Mr. Guo Shi Zhan	2/8
Mr. Luo Ze Min	7/8
Dr. Xia Ting Kang	6/8
Mr. Wang Tie Jian (i)	3/3

(i) Appointed on 20 August 2018

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 discussed 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 17 May 2018, 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. Wang Jiang Wei	1/1
Mr. Wang Tie Jian (i)	0/0
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) Appointed on 20 August 2018

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. Wang Jiang Wei	A, B, C
Mr. Wang Tie Jian (i)	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) Appointed on 20 August 2018

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

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.

Throughout the year 2018 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.

AUDIT COMMITTEE

As at December 31 2018, 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	2/4
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 2018, 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 meeting during the year and reviewed the remuneration package of the Board and senior management. The following table sets out the attendance of each member of the remuneration committee at the remuneration committee meetings held during the year:

Name of Director	Attendance/No. of times of committee meeting held
Mr. Luo Ze Min (Chairman)	1/1
Mr. Guo Shi Zhan	0/1
Dr. Xia Ting Kang	1/1

The remuneration policy for year 2018 for Board members and senior management was the same as those adopted in 2017.

NOMINATION COMMITTEE

As at 31 December 2018, the nomination committee comprises 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 meeting 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. Guo Shi Zhan	0/1
Dr. Xia Ting Kang	1/1
Mr. Luo Ze Min (Chairman)	1/1

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 2018, 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 8 of this annual report.

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 advises the Board on governance matters and facilitates the induction and professional development of Directors. All Directors of the Company may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and board committee. Mr. 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 11. 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	351
Non-audit services	165

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 33 to 95, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of RMB7,927,000 during the year ended 31 December 2018. As stated in note 2, this event or condition, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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
Estimate in the measurement of the fair value of equity investments at fair value through other comprehensive income ("FVTOCI") Refer to Note 20 to the consolidated financial statements, the accounting policies on pages 49; and the disclosure of key sources of estimation uncertainty on page 61. Management has estimated the fair value of the Group's equity investments at FVTOCI to be approximately RMB6,333,000 and RMB8,930,000 as at 1 January 2018 and 31 December 2018 respectively. An independent external valuation was obtained in order to support management's estimates. The valuation of the equity instruments at FVTOCI involved significant unobservable inputs which require significant management judgement.	**Our audit procedures included:** • understanding, through inquiry with management, the established policies and procedures in respect of the fair value measurement process for the equity investments at FVTOCI; • assessing the competence, capability and objectivity of the independent external valuer; and • with the assistance of our internal valuation specialists assessing the appropriateness of the valuation techniques used and testing the inputs to source data.

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

29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	**2018** **RMB'000**	2017 RMB'000
Turnover	*9(a)*	**4,092**	13,106
Cost of goods sold and services rendered		**(1,530)**	(2,174)
Gross profit		**2,562**	10,932
Other income	*9(b)*	**232**	962
Allowance for trade and other receivables		**(670)**	(50)
Reversal of allowance for other receivables		**–**	11
Distribution costs		**–**	(392)
Administrative expenses		**(9,681)**	(9,101)
Other operating expenses		**–**	(41)
(Loss)/profit from operations		**(7,557)**	2,321
Finance costs	*11*	**(178)**	(608)
(Loss)/profit before tax		**(7,735)**	1,713
Income tax expense	*12*	**(192)**	(1,201)
(Loss)/profit for the year	*13*	**(7,927)**	512
Other comprehensive income after tax for the year:			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at FVTOCI		**2,597**	–
(Loss)/profit and total comprehensive income for the year attributable to owners of the Company		**(5,330)**	512
		RMB cents	RMB cents
(Loss)/earnings per share			
Basic	*17*	**(0.34)**	0.02
Diluted	*17*	**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	18	**185**	540
Investment properties	19	**9,661**	9,592
Intangible assets	21	**472**	523
Trade receivables	23	**621**	554
Available-for-sale financial assets	20	**–**	5,000
Equity investments at FVTOCI	20	**8,930**	–
		19,869	16,209
Current assets			
Inventories	22	**–**	–
Trade and other receivables	23	**9,953**	3,772
Bank and cash balances	24	**4,460**	9,233
		14,413	13,005
Current liabilities			
Trade and other payables	25	**8,259**	8,328
Current tax liabilities		**1,447**	1,307
		9,706	9,635
Net current assets		**4,707**	3,370
Total assets less current liabilities		**24,576**	19,579
Non-current liabilities			
Trade and other payables	25	**178**	–
Borrowings	29	**8,816**	–
		8,994	–
NET ASSETS		**15,582**	19,579
Capital and reserves			
Share capital	26	**103,880**	103,880
Reserves	28	**(88,298)**	(84,301)
TOTAL EQUITY		**15,582**	19,579

Approved by the Board of Directors on 29 March 2019 and signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital RMB'000	Share premium account (note 28(b)(i)) RMB'000	Capital reserves (note 28(b)(ii)) RMB'000	General reserve fund (note 28(b)(iii)) RMB'000	Enterprise expansion fund (note 28(b)(iii)) RMB'000	Option reserve (note 28(b)(v)) RMB'000	Property revaluation reserve (note 28(b)(vi)) RMB'000	FVTOCI reserve (note 28(b)(vii)) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
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
At 1 January 2018	**103,880**	**71,520**	**6,976**	**2,870**	**1,435**	**11,688**	**4,260**	**–**	**(183,050)**	**19,579**
Adjustment on initial application of HKFRS 9 (note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,333**	**–**	**1,333**
Restated balance at 1 January 2018	**103,880**	**71,520**	**6,976**	**2,870**	**1,435**	**11,688**	**4,260**	**1,333**	**(183,050)**	**20,912**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,597**	**(7,927)**	**(5,330)**
Changes in equity for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,597**	**(7,927)**	**(5,330)**
At 31 December 2018	**103,880**	**71,520**	**6,976**	**2,870**	**1,435**	**11,688**	**4,260**	**3,930**	**(190,977)**	**15,582**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(7,735)**	1,713
Adjustments for:			
Depreciation		**355**	296
Amortisation of other intangible asset		**51**	33
Fair value gains on investment properties		**(69)**	(953)
Allowance for trade and other receivables		**670**	50
Interest income		**(9)**	(1)
Imputed interest income		**(67)**	–
Loss on disposal of property, plant and equipment		**–**	41
Finance costs		**178**	608
Operating (loss)/profit before working capital changes		**(6,626)**	1,787
Increase in trade and other receivables		**(6,852)**	(3,630)
(Decrease)/increase in trade and other payables		**(68)**	851
Decrease in due to a related company		**–**	(10)
Cash used in operations		**(13,546)**	(1,002)
Interest paid	*31*	**–**	(799)
Income taxes paid		**(52)**	(43)
Net cash used in operating activities		**(13,598)**	(1,844)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**–**	4
Purchases of other intangible assets		**–**	(490)
Purchases of property, plant and equipment		**–**	(400)
Purchases of available-for-sale financial assets		**–**	(5,000)
Interest received		**9**	1
Net cash generated from/(used in) investing activities		**9**	(5,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings raised	*31*	**8,816**	–
Repayment of loan from a director	*31*	**–**	(10,000)
Proceeds from rights issue	*26*	**–**	18,419
Net cash generated from financing activities		**8,816**	8,419
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,773)**	690
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**9,233**	8,543
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**4,460**	9,233
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**4,460**	9,233

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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 15 May 2018, at the request of the Company, trading in the shares of the Company was suspended. As at the date of approval of these financial statements, the trading of shares of the Company remains suspended. On 29 October 2018, the Company submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange. On 1 March 2019, the Resumption Proposal was approved by the Stock Exchange. Details are set out in note 36(a) to the consolidated financial statements.

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. GOING CONCERN BASIS

The Group reported a loss attributable to the owners of the Company of approximately RMB7,927,000 for the year ended 31 December 2018. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends on the financing facilities as detailed in note 29 and 36(b) to the consolidated financial statements, at a level sufficient to finance the working capital requirements of the Group. After considering the working capital forecast of the Group for the next twelve months, the available financing facilities and the impact of the trading resumption proposal as detailed in note 36(a) being executed, the directors of the Company are of the opinion that the Group will be able to meet its financial obligations as they fall due and therefore it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

3. 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 4 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.

4. 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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments (Continued)

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments (Continued)

(b) Measurement (Continued)

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

No additional impairment for trade and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the expected credit losses model is immaterial.

The reclassification of available-for-sale financial assets to equity investments at FVTOCI does not result in any impact on the Group's opening accumulated losses as at 1 January 2018.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments (Continued)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 RMB'000	Carrying amount under HKFRS 9 RMB'000
Equity investments	*(a)*	Available-for-sale	FVTOCI	5,000	6,333
Trade and other receivables	*(b)*	Loans and receivables	Amortised cost	4,326	4,326

The impact of these changes on the Group's equity is as follows:

	Note	Effect on FVTOCI reserve RMB'000
Opening balance — HKAS 39		–
Reclassify non-trading equity investments from available-for-sale to financial assets at FVTOCI	*(a)*	1,333
Opening balance — HKFRS 9		1,333

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

Note:

(a) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, the equity investments with a cost of RMB5,000,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and fair value gains of RMB1,333,000 were recognised in the FVTOCI reserve on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. No additional impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to HKFRS 9 as the amount of additional impairment measured under the expected credit losses model is immaterial.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018.

The revenue recognition policy is discussed in note 5(r) to the consolidated financial statements.

The adoption of HKFRS 15 does not have any material impact on the Group's consolidated financial statements.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015—2017 Cycle	1 January 2019

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

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

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 HKFRS 16 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 16, 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 quarterly financial report for the three months ending 31 March 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that quarterly financial report.

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 RMB626,000 as at 31 December 2018. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

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

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

HK(IFRIC) 23 Interpretation 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.

5. 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 and certain financial instruments 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 6.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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).

(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.

5. 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.

5. 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
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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Operating leases

The Group as lessee

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.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

Equity investments (Continued)

Policy prior to 1 January 2018

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

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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.

Policy prior to 1 January 2018

Revenue is recognised when he amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group when specific criteria have been met for each of the Group's activities.

Revenue recognition policies for the above income were the same as described above.

5. 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

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

(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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation *(Continued)*

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.

5. 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.

5. 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

The Group recognises a loss allowance for expected credit losses on investments in trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (“ECL”) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 2 years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or

— the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of financial assets *(Continued)*

Policy prior to 1 January 2018

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.

(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.

6. 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).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the availability of the financing facilities as detailed in note 29 and 36(b) to the consolidated financial statements, at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

(b) 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.

(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 2018 was approximately RMB185,000 (2017: RMB540,000).

(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 2018 was approximately RMB9,661,000 (2017: RMB9,592,000).

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

Key sources of estimation uncertainty *(Continued)*

(c) Allowance for trade receivables

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade receivables is RMB3,219,000 (net of allowance for doubtful debts of RMB4,612,000).

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade receivables is RMB5,511,000 (net of allowance for doubtful debts of RMB5,182,000).

(d) Fair value of investments

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in Shenzhen MallParking Information Technology Co., Ltd ("Shenzhen MallParking"), details of which are set out in notes 8 and 20 to the consolidated financial statements, by considering recent transaction prices of the Shenzhen MallParking's equity .

The carrying amount of the investment as at 31 December 2018 was RMB8,930,000 (2017: classified as available-for-sale financial assets and measured at amortised cost of RMB5,000,000).

7. 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 2018, 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 RMB397,179 (2017: RMB137,305) 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 RMB397,179 (2017: RMB137,305) lower, arising mainly as a result of the foreign exchange gain on bank deposits denominated in HK$.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due on the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables (Continued)

No additional impairment for trade and other receivables as at 31 December 2018 is recognised as the amount of additional impairment measured in accordance with HKFRS 9 is insignificant, except an allowance of RMB570,000 for trade receivables was made for the year ended 31 December 2018 regarding significant increase in credit risk for the same amount being past due for more than 365 days.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of RMB4,612,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	1,814
Within 3 months	906
Within 3 to 6 months	499
	3,219

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
At 31 December under HKAS 39 and 1 January under HKFRS 9	**4,612**	4,562
Impairment losses recognised for the year	**570**	50
At 31 December	**5,182**	4,612

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Financial assets at amortised cost

All of the Group's financial assets measured at amortised costs are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers 'low credit risk' for the financial assets measured at amortised costs when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(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:

	On demand or 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 2018					
Trade and other payables	**8,259**	**178**	**–**	**–**	**8,437**
Borrowings	**–**	**8,816**	**–**	**–**	**8,816**
At 31 December 2017					
Trade and other payables	8,328	–	–	–	8,328

(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

	2018 RMB'000	2017 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**10,480**	13,172
Available-for-sale financial assets	**–**	5,000
Equity investments at FVTOCI	**8,930**	–
Financial liabilities:		
Financial liabilities at amortised cost	**17,253**	8,328

(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.

8. FAIR VALUE MEASUREMENT

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.

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 2018

Description	Fair value measurements as at 31 December 2018 Level 3 RMB'000
Recurring fair value measurements:	
Financial assets at FVTOCI	
Unlisted equity securities	**8,930**
Investment properties	
Residential units — Hong Kong	**9,661**
Total	**18,591**

8. FAIR VALUE MEASUREMENT *(Continued)*

(a) Disclosure of level in fair value hierarchy at 31 December 2018 *(Continued)*

Description	Fair value measurements as at 31 December 2017 Level 3 RMB'000
Recurring fair value measurements:	
Investment properties	
Residential units — Hong Kong	9,592
Total	9,592

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

	Financial assets at FVTOCI		Investment properties	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
At 1 January	**–**	–	**9,592**	–
Adjustments on initial application of HKFRS 9 *(note 4)*	**6,333**	–	**–**	–
At 1 January, restated	**6,333**	–	**9,592**	–
Reclassified from property, plant and equipment	**–**	–	**–**	8,639
Total gains or losses recognised:				
in profit or loss	**–**	–	**69**	953
in other comprehensive income	**2,597**	–	**–**	–
At 31 December	**8,930**	–	**9,661**	9,592

The total gains or losses recognised in other comprehensive income are presented in investment valuation gain in the statement of profit or loss and other comprehensive income.

8. FAIR VALUE MEASUREMENT *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement at 31 December 2018:

The Group's senior management is responsible for the fair value measurements of financial assets and financial liabilities required for financial reporting purposes, including level 3 fair value measurements. The senior management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the senior management and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The Group's senior management is responsible for the fair value measurements of key unobservable inputs used in level 3 fair value measurements are mainly:

— Market price per square foot (derived from the recent comparable sales)

— Recent transaction price

Level 3 fair value measurements					Fair value as at	
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	31 December 2018 RMB'000	31 December 2017 RMB'000
Unlisted equity securities classified as financial assets at FVTOCI	Market approach	Recent transaction price	N/A	Increase	**8,930**	–
Investment properties	Direct comparison approach	Market price per square foot	RMB13,000–RMB15,000 (2017: RMB13,000–RMB15,000)	Increase	**9,661**	9,592

9. TURNOVER AND OTHER INCOME

(a) Turnover

Disaggregation of revenue from contracts with customers by major service lines for the year is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Sales of car parking systems and provision of related maintenance services	**181**	–
— Sales of patents and provision of intellectual property services	**3,911**	13,106
	4,092	13,106

The Group derives all the revenue from the transfer of goods and services at a point in time in PRC from external customers for the years ended 31 December 2018 and 2017.

(b) Other income

	2018 RMB'000	2017 RMB'000
Imputed interest income on trade receivables	**67**	–
Interest income	**9**	1
Fair value gains on investment properties	**69**	953
Rental income	**87**	–
Sundry income	**–**	8
	232	962

10. 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 5 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:

— borrowings

— current tax liabilities

— other unallocated liabilities

10. 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 2018			
Turnover from external customers	**181**	**3,911**	**4,092**
Segment (loss)/profit	**(553)**	**6**	**(547)**
Interest revenue	**–**	**9**	**9**
Depreciation and amortisation	**20**	**263**	**283**
Income tax expense	**–**	**192**	**192**
Other material non-cash item:			
Allowance for trade and other receivables	**100**	**570**	**670**
As at 31 December 2018			
Segment assets	**138**	**6,600**	**6,738**
Segment liabilities	**3,752**	**905**	**4,657**

10. SEGMENT INFORMATION *(Continued)*

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

	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

10. SEGMENT INFORMATION *(Continued)*

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

	2018 RMB'000	2017 RMB'000
Profit or loss		
Total (loss)/profit of operating segments	**(547)**	5,783
Unallocated amounts:		
Other income	**157**	950
Corporate expenses	**(7,359)**	(5,899)
Finance costs	**(178)**	(322)
Consolidated (loss)/profit for the year	**(7,927)**	512
Assets		
Total assets of operating segments	**6,738**	5,028
Unallocated amounts:		
Other receivables and other assets	**14,154**	9,953
Available-for-sale financial assets	**–**	5,000
Equity investments at FVTOCI	**8,930**	–
Bank and cash balances	**4,460**	9,233
Consolidated total assets	**34,282**	29,214
Liabilities		
Total liabilities of operating segments	**4,657**	5,124
Unallocated amounts:		
Other liabilities	**3,780**	3,204
Borrowings	**8,816**	–
Current tax liabilities	**1,447**	1,307
Consolidated total liabilities	**18,700**	9,635

10. 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	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Hong Kong	**–**	–	**9,761**	9,816
PRC except Hong Kong	**4,092**	13,106	**557**	839
Consolidated total	**4,092**	13,106	**10,318**	10,655

Turnover from major customers

The Group's customers base included one (2017: two) customer with whom transactions have exceeded 10% of the Group's turnover. Turnover from those customers is set out as below:

	2018 RMB'000	2017 RMB'000
Intellectual property services segment:		
Customer A *(note i)*	**2,830**	N/A
Customer B *(note ii)*	**N/A**	3,962
Customer C *(note ii)*	**N/A**	2,830

(i) Customer A is a new customer of the Group for the year ended 31 December 2018.

(ii) Customer B and C did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2018.

11. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Imputed interest on trade receivables	**–**	286
Interest on borrowings	**178**	–
Interest on loans from directors	**–**	322
	178	608

12. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax — PRC Enterprise Income Tax		
Provision for the year	**192**	1,201

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 2018 and 2017.

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 (loss)/profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2018 RMB'000	2017 RMB'000
(Loss)/profit before tax	**(7,735)**	1,713
Tax at the PRC Enterprise Income Tax rate of 25% (2017: 25%)	**(1,933)**	429
Tax effect of income that is not taxable	**(156)**	(1,120)
Tax effect of expenses that are not deductible	**1,506**	978
Tax effect of temporary differences not recognised	**17**	17
Tax effect of tax losses not recognised	**138**	481
Effect of different tax rates	**620**	416
Income tax expense	**192**	1,201

The details of unprovided deferred taxation as at 31 December 2018 are stated in note 32 to the consolidated financial statements.

13. (LOSS)/PROFIT FOR THE YEAR

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

	2018 RMB'000	2017 RMB'000
Amortisation of other intangible assets (included in administrative expenses)	**51**	33
Depreciation of property, plant and equipment *(Note 18)*	**355**	296
Loss on disposal of property, plant and equipment	**–**	41
Fair value gains on investment properties	**(69)**	(953)
Operating lease charges for land and buildings	**1,183**	1,199
Direct operating expenses of investment properties that generate rental income	**113**	–
Direct operating expenses of investment properties that did not generate rental income	**–**	22
Research and development costs	**–**	620
Auditor's remuneration		
Current	**351**	317
Under-provision in prior year	**–**	–
	351	317
Foreign exchange (gains)/losses	**(44)**	343
Reversal of allowance for other receivables	**–**	11
Allowance for trade and other receivables	**670**	50

14. EMPLOYEE BENEFITS EXPENSE

	2018 RMB'000	2017 RMB'000
Staff cost, excluding directors' emoluments:		
Salaries, bonuses and allowances	**2,168**	2,475
Retirement benefit scheme contributions	**92**	171
	2,260	2,646

14. 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 one (2017: two) director whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2017: three) individuals are set out below:

	2018 RMB'000	2017 RMB'000
Basic salaries and benefits	**1,951**	1,741
Retirement benefit scheme contributions	**66**	93
	2,017	1,834

The emoluments of the remaining four (2017: three) individual fell within the following bands:

	Number of individuals	
	2018	2017
Nil–HK$1,000,000	**4**	2
HK$1,000,000–HK$1,500,000	**–**	1
	4	3

15. 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	Total RMB'000
Executive directors:					
Mr. Wang Jiang Wei *(note ii)*	360	–	–	30	390
Mr. Wang Tie Jian *(note iii)*	133	–	–	30	163
Non-executive directors:					
Mr. Hu Hai Yuan	120	–	–	10	130
Mr. Huang Zhang Hui	120	–	–	10	130
Independent non-executive directors:					
Mr. Guo Shi Zhan	120	–	–	10	130
Mr. Luo Ze Min	120	–	–	10	130
Dr. Xia Ting Kang	120	–	–	10	130
Total for 2018	1,093	–	–	110	1,203

15. 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	Total RMB'000
Executive directors:					
Mr. Li Sui Yang *(note i)*	50	271	22	–	343
Mr. Wang Jiang Wei *(note ii)*	240	30	–	30	300
Non-executive directors:					
Mr. Hu Hai Yuan	120	–	–	10	130
Mr. Huang Zhang Hui	120	–	–	10	130
Independent non-executive directors:					
Mr. Guo Shi Zhan	120	–	–	10	130
Mr. Luo Ze Min	120	–	–	10	130
Dr. Xia Ting Kang	163	–	–	10	173
Total for 2017	933	301	22	80	1,336

Notes:

(i) 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

(ii) Re-designated to executive director on 25 May 2017

(iii) Appointed on 20 August 2018

No directors waived any emoluments during the years ended 31 December 2018 and 2017.

(b) 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.

16. DIVIDEND

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

17. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately RMB7,927,000 (2017: profit of RMB512,000) and the weighted average number of ordinary shares of approximately 2,324,301,136 (2017: 2,288,204,000) in issue during the year.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2018 and 2017.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2017	439	25,959	713	2,934	30,045
Additions	340	–	60	–	400
Disposals	–	(84)	(359)	–	(443)
At 31 December 2017, 1 January 2018 and 31 December 2018	779	25,875	414	2,934	30,002
Accumulated depreciation and impairment					
At 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 and 1 January 2018	378	25,875	275	2,934	29,462
Charge for the year	319	–	36	–	355
At 31 December 2018	697	25,875	311	2,934	29,817
Carrying amount					
At 31 December 2018	82	–	103	–	185
At 31 December 2017	401	–	139	–	540

19. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
At 1 January	**9,592**	8,639
Fair value gains	**69**	953
At 31 December	**9,661**	9,592

Investment properties were revalued at 31 December 2018 and 2017 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.

20. EQUITY INVESTMENTS AT FVTOCI (2017: AVAILABLE-FOR-SALES FINANCIAL ASSETS)

	2018 RMB'000	2017 RMB'000
Unlisted equity securities, at cost	**–**	5,000
Unlisted equity securities, at FVTOCI	**8,930**	–

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

21. INTANGIBLE ASSETS

	Patents RMB'000	**Software** RMB'000	**Total** RMB'000
Cost			
At 1 January 2017	68	–	68
Additions	415	75	490
At 31 December 2017, 1 January 2018 and 31 December 2018	483	75	558
Accumulated amortisation			
At 1 January 2017	2	–	2
Amortisation for the year	25	8	33
At 31 December 2017 and 1 January 2018	27	8	35
Amortisation for the year	44	7	51
At 31 December 2018	71	15	86
Carrying amount			
At 31 December 2018	412	60	472
At 31 December 2017	456	67	523

The average remaining amortisation periods of the patents and software are 9.3 years (2017: 10.3 years) and 8 years (2017: 9 years) respectively.

22. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**8**	8
Less: Allowance for inventories	**(8)**	(8)
	–	–

No reversal of allowance for inventories arose from sales of obsolete inventories for the year ended 31 December 2018 and 2017.

23. TRADE AND OTHER RECEIVABLES

	Note	2018 RMB'000	2017 RMB'000
Trade receivables	*(a)*	**5,511**	3,219
Other receivables	*(b)*	**5,063**	1,107
		10,574	4,326
Analysed as			
— Current		**9,953**	3,772
— Non-current		**621**	554
		10,574	4,326

(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:

	2018 RMB'000	2017 RMB'000
Within 6 months	**3,000**	3,219
Within 6 to 12 months	**630**	–
Over 1 year	**7,063**	4,612
	10,693	7,831
Allowance for trade receivables	**(5,182)**	(4,612)
	5,511	3,219

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

(b) Other receivables

	2018 RMB'000	2017 RMB'000
Prepaid expenses	**4,554**	375
Rental and utility deposits	**269**	268
Others	**240**	464
	5,063	1,107

An allowance of RMB100,000 (2017: Nil) was made for estimated irrecoverable other receivables for the year ended 31 December 2018.

24. BANK AND CASH BALANCES

As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB2,689,000 (2017: RMB5,834,000). 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	**2018 RMB'000**	2017 RMB'000
Trade payables	*(a)*	**841**	841
Other payables	*(b)*	**7,596**	7,487
		8,437	8,328
Analysed as			
— Current		**8,259**	8,328
— Non-current		**178**	–
		8,437	8,328

(a) Trade payables

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

	2018 RMB'000	2017 RMB'000
Over 1 year	**841**	841

(b) Other payables

	2018 RMB'000	2017 RMB'000
Accruals for operating expenses	**2,578**	2,478
Accrued interest	**178**	–
Other tax payable	**738**	512
Provision for staff and workers' bonus and welfare fund	**298**	329
Salaries and welfare payables	**1,797**	2,207
Others	**2,007**	1,961
	7,596	7,487

26. SHARE CAPITAL

	2018		2017	
	HK$'000	**RMB'000**	HK$'000	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**	116,215	103,880

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

	Number of shares issued	Nominal value of shares issued	
	'000	HK$'000	RMB'000
At 1 January 2017	2,066,046	103,302	92,441
Shares issued under rights issue *(Note a)*	258,255	12,913	11,439
At 31 December 2017 and 31 December 2018	2,324,301	116,215	103,880

Note:

(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.

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 2018 was 55% (2017: 33%).

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 2018, 67% (2017: 68%) of the shares were in public hands.

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

		As at 31 December	
	Note	**2018** **RMB'000**	2017 RMB'000
Non-current assets			
Property, plant and equipment		**101**	225
Investment in subsidiaries		**–**	–
		101	225
Current assets			
Other receivables		**4,376**	122
Due from subsidiaries		**14,022**	14,598
Bank and cash balances		**1,769**	3,395
		20,167	18,115
Current liabilities			
Trade and other payables		**3,023**	2,728
Due to subsidiaries		**3,859**	3,408
		6,882	6,136
Net current assets		**13,285**	11,979
Total assets less current liabilities		**13,386**	12,204
Non-current liabilities			
Trade and other payables		**178**	–
Borrowings		**8,816**	–
		8,994	–
NET ASSETS		**4,392**	12,204
Capital and reserves			
Share capital	*26*	**103,880**	103,880
Reserves	*28(b)*	**(99,488)**	(91,676)
TOTAL EQUITY		**4,392**	12,204

The Company's statement of financial position was approved by the Board of Directors on 29 March 2019 and signed on its behalf by:

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

27. 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 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)
Adjustment on initial application of HKFRS 9 — loss allowance for amounts due from subsidiaries	–	–	–	–	(1,032)	(1,032)
Restated balance at 1 January 2018	71,520	672	23,996	11,688	(199,552)	(91,676)
Total comprehensive income for the year	–	–	–	–	(7,812)	(7,812)
At 31 December 2018	**71,520**	**672**	**23,996**	**11,688**	**(207,364)**	**(99,488)**

28. 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 2018 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.

28. 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 5(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 2018 and 2017, 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.

(vii) FVTOCI reserve

The FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FTVOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 5(k) to the consolidated financial statements.

29. BORROWINGS

	2018 RMB'000	2017 RMB'000
Unsecured borrowings from an independent third party	**8,816**	–

The borrowings are due for repayment in the year ending 31 December 2020.

The carrying amounts of all the Group's borrowings as at 31 December 2018 are denominated in Hong Kong dollars.

The borrowings of RMB8,816,000 (2017: Nil) are arranged at a fixed interest rate of 9% and expose the Group to fair value interest rate risk.

The borrowings were granted under a financing facility to the extent of RMB21,957,000 by an independent third party for the purpose of financing professional fees incurred in executing the Resumption Proposal. At 31 December 2018, the Group had an undrawn limit of approximately RMB13,141,000 available under the facility. The undrawn financing facility will mature within five days after submission of listing application relating to the Resumption Proposal as mentioned in note 36(a) to the consolidated financial statements, i.e. no later than 31 May 2019.

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.

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 2018	Adjusted during the year	Balance at 31 December 2018
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.134	78,705,070	–	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	–	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	–	22,454,094
Directors, employees and others	10 May 2016	N/A	16 May 2016 to 14 May 2026	0.148	111,738,149	–	111,738,149

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

	2018 Number of options	2018 Weighted average exercise price HK$	2017 Number of options	2017 Weighted average exercise price HK$
Outstanding at the beginning of the year	**235,351,407**	**0.139**	231,690,385	0.141
Adjusted during the year	**–**	**N/A**	3,661,022	0.139
Outstanding at the end of the year	**235,351,407**	**0.139**	235,351,407	0.139
Exercisable at the end of the year	**235,351,407**	**0.139**	235,351,407	0.139

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.9 years (2017: 4.9 years) and the exercise prices are ranging from HK$0.127 to HK$0.148 (2017: HK$0.127 to HK$0.148).

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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 2018	Cash flows	Interest expenses	31 December 2018
	RMB'000	RMB'000	RMB'000 *(note)*	RMB'000
Borrowings *(note 29)*	–	8,816	–	8,816

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

Note:

Interest of RMB178,000 has been incurred for the year ended 31 December 2018 and classified as other payables.

32. DEFERRED TAXATION

At the end of the reporting period the Group has unused tax losses and other deductible temporary differences of approximately RMB7,814,000 and RMB18,000 respectively (2017: RMB11,791,000 and RMB55,000 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 2019 to 2023 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 RMB423,000 (2017: RMB508,000). 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

The Group as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**623**	794
In the second to fifth years inclusive	**3**	246
	626	1,040

Operating lease payments represent rentals payable by the Group for certain of its office. Leases are negotiated for an average term of 2 years (2017: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

Property rental income earned during the year was approximately RMB87,000 (2017: Nil). The Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2.5% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**263**	–
In the second to fifth years inclusive	**176**	–
	439	–

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 99% 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:

	2018 **RMB'000**	2017 RMB'000
Interest expenses paid/payable to a director, Mr. Wang Jiang Wei	–	322

34. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2018 RMB'000	2017 RMB'000
Balance from trading activities and included in trade receivables:		
— Haikou Project Company	**239**	239
Allowance for impairment losses	**(239)**	(239)
	–	–
Included in other receivables:		
— Xinjiang Co-power	**–**	250
Included in other payables:		
— Shanghai Project Company	**5**	5
Due from related companies:		
— Beijing Jian Enterprise	**20**	20
— Haikou Project Company	**33**	33
	53	53
Allowance for impairment losses	**(53)**	(53)
	–	–

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 15 to the consolidated financial statements.

35. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2018 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 Development Limited	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 ITS Systems Co. Limited ("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

35. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Particulars of registered/ issued capital	Interest held		Principal activities and place of operation
			Directly	Indirectly	
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 holding in PRC
Shenzhen Zhitong Tianxia Technical Services Company Limited ("Zhitong Tianxia")	PRC	RMB10,000,000	–	100%	Provision of intellectual property services
Wuhan Zhanchi New Energy Technology Company Limited ("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
Beijing Huaju Technical Services Company Limited ("Beijing Huaju")	PRC	RMB5,000,000	–	100%	Dormant
Top System Holdings Limited	Hong Kong	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, Xinjiang Zhitong Hengdao and Beijing Huaju 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

(a) Trading in the share of the Company on the Stock Exchange was suspended since 15 May 2018.

On 29 October 2018, the Company submitted the Resumption Proposal to the Stock Exchange for seeking its approval for the resumption of trading in the shares of the Company. In support of the Resumption Proposal, the Company entered into two conditional share purchase agreements both dated 26 October 2018 with two collective independent third parties, pursuant to which the Company will acquire, at an aggregate consideration of HK$265,853,564, the entire issued share capital of two companies incorporated in the British Virgin Islands (the "Target Companies") from the two independent third parties respectively after a group reorganisation (the "Acquisitions"). Upon completion of the group reorganisation, the Target Companies will hold the controlling interest of group companies which primarily engage in the distributions of parallel-imported vehicles of a premium brand and other renowned brands in PRC. Pursuant to the conditional acquisition agreements, the aggregate consideration will be satisfied by the Company's issue of 4,121,760,682 shares at the issue price of HK$0.0645 per share. It is expected that the Acquisitions will constitute a very substantial acquisition and reverse takeover involving a new listing application of the Company under the GEM Listing Rules.

On 1 March 2019, the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal on or before 31 May 2019. If the Company fails to do so or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing.

(b) On 26 March 2019, the Company entered into a loan agreement with an independent third party for a non-revolving financing facility of RMB21,957,000 (equivalent to HK$25,000,000) for the purpose of financing professional fees incurred in executing the Resumption Proposal and the Company's daily operating purpose. The financing facility bears a fixed interest rate of 9%, is repayable upon 1 year after the drawdown date and is secured by the investment property of the Group of RMB9,661,000 as disclosed in note 19 to the consolidated financial statements.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2019.

Financial Summary

CONSOLIDATED PROFIT OR LOSS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
Turnover	4,492	3,703	2,626	13,106	**4,092**
Operating (loss)profit	(10,032)	(11,593)	(25,672)	2,320	**(7,557)**
Subsidy income	13	24	211	–	**–**
Interest income	12	46	38	1	**–**
Interest expenses	–	–	(1,201)	(608)	**(178)**
(Loss)profit before tax	(10,007)	(11,523)	(26,624)	1,713	**(7,735)**
Income tax expense	–	–	(149)	(1,201)	**(192)**
(Loss)profit for the year	(10,007)	(11,523)	(26,773)	512	**(7,927)**
Item that will not be classified to profit and loss:					
Fair Value changes of equity investments at FVTOCI	–	–	–	–	**2,597**
(Loss)profit attributable to owners of the Company	(10,007)	(11,523)	(26,773)	512	**(5,330)**

CONSOLIDATED FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	At 31 December				
	2014	2015	2016	2017	**2018**
Non-current assets	5,436	4,912	9,186	16,209	**19,869**
Net current (liabilities)/ assets	9,204	8,205	(8,538)	3,370	**4,707**
Total assets less current liabilities	14,640	13,117	648	19,579	**24,576**
Representing:					
Non-current liabilities	–	9,328	–	–	**8,994**
Share capital	86,973	86,973	92,441	103,880	**103,880**
Reserves	(72,333)	(83,184)	(91,793)	(84,301)	**(88,298)**
Shareholder's equity	14,640	13,117	648	19,579	**24,576**

Jian ePayment Systems Limited
華 普 智 通 系 統 有 限 公 司

Suite 1501A, 15/F, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
香港九龍尖沙咀廣東道33號中港城第1期15樓1501A室

www.jianepayment.com